

531 COURT  
ORDERS  
STAYS DENIED  
560% Success  
Rate  
IPR REQUESTS  
GRANTED  
Pending CBM  
TREND 38  
TESTED



# INTER PARTES REVIEW PROCEEDINGS: A THIRD ANNIVERSARY REPORT

*A Look Into IPR Statistics and Their Impact on IPR Strategy*

SEPTEMBER 2015

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# INTRODUCTION

When *inter partes* review (IPR) proceedings became effective in September 2012, few people would have predicted the transformative effect it would have on patents and the litigation landscape. Three years in, IPR has become the preferred procedure for challenging the validity of a patent.

Perkins Coie is marking the third anniversary of IPR by creating this report, IPR@3, addressing the critical IPR issues and questions facing in-house counsel. We analyze the key IPR statistics and topics and provide practical tips for future IPR strategies.

Perkins Coie is one of the most experienced full-service law firms handling post-grant proceedings in the nation. Since the AIA's enactment, our attorneys have assisted in more than 100 post-grant proceedings before the USPTO for industry-leading technology companies. The roots of Perkins Coie's post-grant practice run deep: extensive patent litigation experience, a deep bench in post-issuance procedures and appeals before the USPTO, and strong technology knowledge across a wide range of industries.

In compiling the proprietary research for this report, we discovered several landscape-defining statistics and trends. We invite you to read about these exciting developments in the world of *inter partes* review and to reach out to us with your thoughts, reactions and questions.



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# IPRs: LOOKING BEHIND THE NUMBERS

**In just three short years, the Patent Trial and Appeal Board (PTAB) has quickly established itself as the jurisdiction of choice for patent challenges. IPRs are wildly popular and have far exceeded initial AIA forecasts.**

**Not since 1952 has a new statutory regulation changed the landscape of patent law like the America Invents Act (AIA).** While this patent reform was welcomed by many, no one could have anticipated how quickly the *inter partes* review proceeding would be embraced as a preferred procedure for challenging the validity of a patent. With three years of data and case law now available, we analyzed various IPR data and trends to provide insights that may guide future IPR strategies.

## IPR Filing Trends

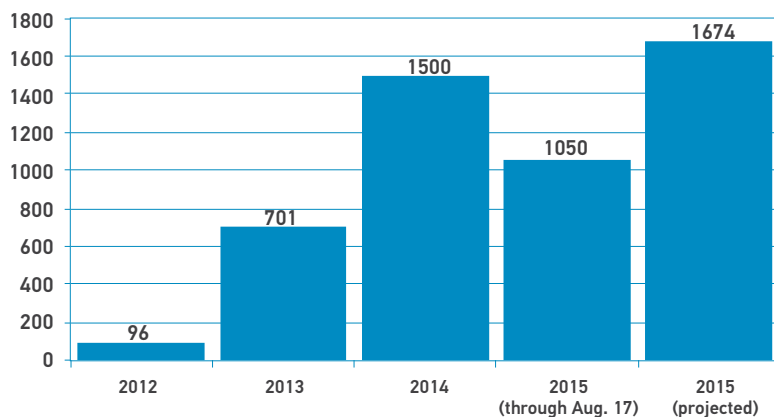
IPR filings have exploded over the past three years. Below we examine the IPR filing trends, who is filing IPRs both proactively and defensively and the technology sectors most at risk of facing an IPR.

### The Increasing Popularity of IPRs

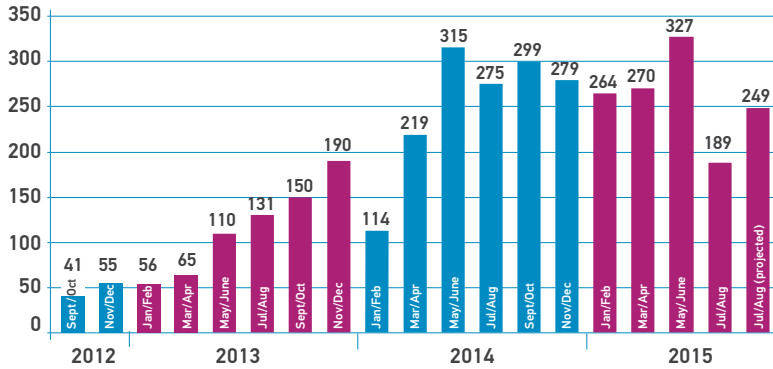
In just three short years, the Patent Trial and Appeal Board (PTAB) has quickly established itself as the jurisdiction of choice for patent challenges. IPRs are wildly popular and have far exceeded initial AIA forecasts. As shown below, IPR filing rates have been on a steep upward trajectory since its introduction in September 2012. In 2013, a total of 701 IPRs were filed. This number more than doubled in 2014, with a total of 1,500 IPR filings. Currently, 2015 is on track for another record year.

Perhaps not surprisingly, IPR filings increased sharply in May 2014, around the same time that the PTAB began releasing its first final written decisions. Many of these early decisions invalidated the majority, if not all, of the challenged claims and the PTAB quickly earned a moniker as the “patent death squad.”<sup>[1]</sup> These petitioner-friendly results helped patent challengers become increasingly comfortable with IPR procedures and their related risk and reward. Over the past 15 months, filings have remained at a heightened level, with an average of 143 IPRs filings each month.

### IPR FILINGS BY YEAR



## IPR FILINGS: 2 MONTH INTERVALS



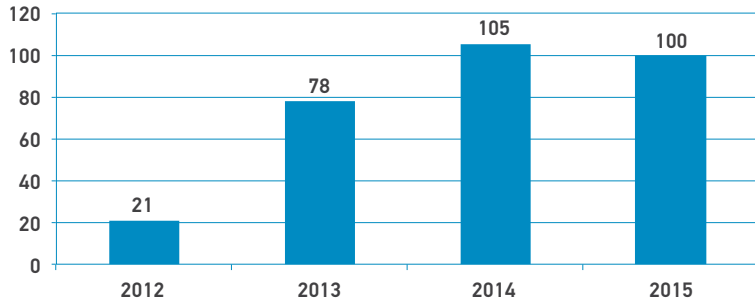
### Who Is Filing IPRs?

IPR proceedings are widely viewed as a valuable tool for defendants involved in patent litigation, especially by those litigating against non-practicing entities. To date, approximately 90% of all IPR petitions are directed at patents that are also involved in district court litigation. Not surprisingly, the companies with the busiest patent litigation dockets are also the most prolific IPR filers, including Apple, Samsung, Google, LG Electronics and Microsoft.

COMPANY	PETITIONS FILED
Apple	146 petitions
Samsung	113 petitions
Google	90 petitions
LG	76 petitions
Microsoft	71 petitions

While IPRs are largely a defensive tool, companies are finding creative ways to use IPR proceedings to achieve a myriad of business and market goals well before litigation starts. Indeed, 10% of IPR petitions filed each year are filed without a co-pending litigation. Since 2012, the number of preemptive IPR filings have increased each year.

## IPRs FILED WITH NO CORRESPONDING LITIGATION



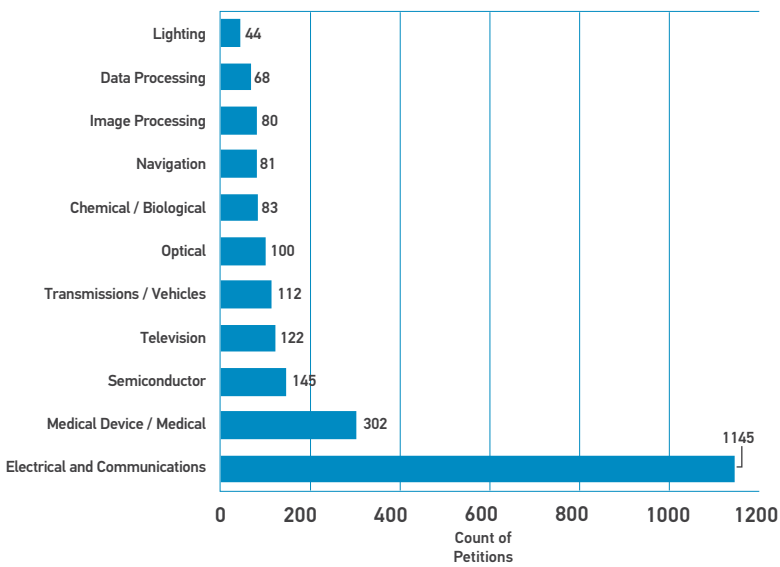
Companies are now using IPR proceedings to knock out blocking patents, ensure freedom to operate and affect market position. For example, one petitioner filed multiple IPRs to challenge several patents owned by another company before the petitioner entered the marketplace and began selling products.[2] Similarly, hedge fund manager Kyle Bass and his Coalition for Affordable Drugs filed and continue to file IPR petitions challenging key patents from branded generic companies in an alleged effort to open up competition and lower drug prices.[3]

Patent organizations are also using IPRs to counter troll-owned patents. For example, Unified Patents is a member-based organization whose goal is to deter patent trolls from litigating against its members.[4] Recently, Unified Patents utilized IPRs in its fight against NPEs by filing several petitions targeting web and cloud computing patents.[5]

## Which Technology Segments Are More at Risk of IPRs?

We looked at the IPC class codes of patents involved in an IPR to better identify the technology areas where most IPRs are filed. The graph below identifies the general technology areas facing IPRs.

## TOP TECHNOLOGY IN IPRs



It is no surprise that electrical and communication patents are most often the subject of IPR petitions. However, IPRs are being used to challenge the validity of patents in a variety of other technology areas that have received less attention over the last three years, including medical devices, image and data processing and automotive categories. The data shows that the PTAB is experienced in handling petitions in a wide variety of technology areas, and a party considering a challenge to a patent should not be discouraged because the patent is outside of the electrical and communication fields.

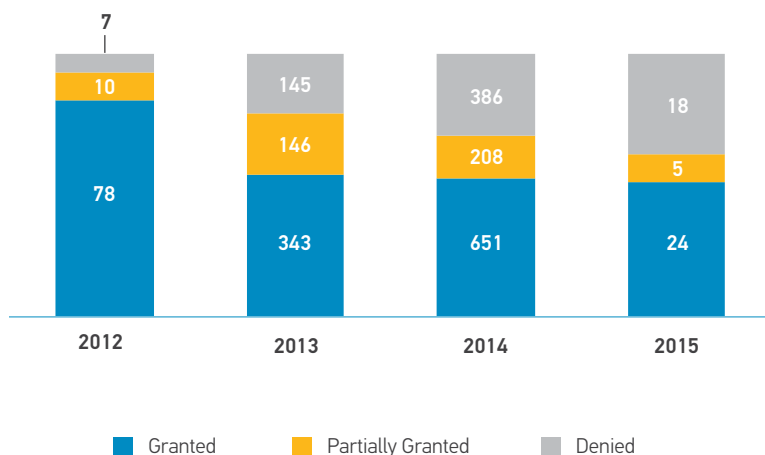
### Is the Institution Bar Rising?

IPR institution rates are a closely watched statistic for parties considering whether to file an IPR. While still strong, institution rates have declined over the past two years. This decline may be attributed to a number of factors, including the ever-increasing IPR filing trend and the pressure it has placed on the PTAB in view of its statutory deadlines for issuing final written decisions, case settlements before the institution deadline and effective preliminary responses filed by the patent owner.

### Institution Rates: How Successful Are Petitioners?[6]

We analyzed all institution decisions to determine how petitions are faring at the institution phase. Specifically, we looked at petitions being instituted on all challenged claims (full institution), petitions instituted on only a few challenged claims (partially granted) and petitions denied in its entirety.

### INSTITUTION NUMBERS (BY PETITION FILING YEAR)



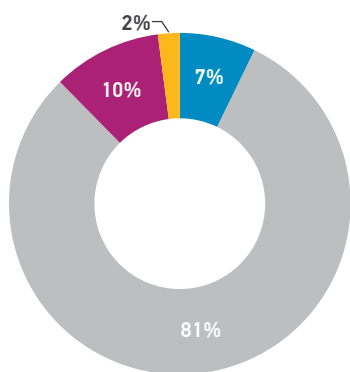
As shown, the number of petitions denied institution is increasing. In 2012, 7% of petitions filed were denied institution. This number increased to 31% in 2014.[7] A likely reason for this decline in institution rate is the PTAB's increased scrutiny of pending petitions. The unanticipated increase in the number of IPRs filed makes it more difficult for the PTAB to meet its 18-month statutory deadline for final written decisions. An obvious way to manage the IPR workload is to raise the institution bar.

Another explanation for the decline in institution rates can be found hidden in the data itself. Specifically, as shown in the pie charts, the number of IPRs terminated (i.e., withdrawn) before institution has increased from 2% in 2012 to 15% in 2014. In at least some instances, the drop in institution rates may be partially explained because patent

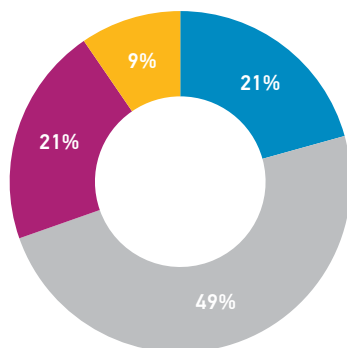


owners may be settling litigations with petitioners before the IPR is instituted rather than risk having an adverse institution decision. This termination decision may be driven by an initial assessment of the petition's strength. As such, the stronger IPRs may result in settlement prior to institution, thus leaving an allegedly weaker pool of petitions to be substantively evaluated by the PTAB for institution.

### 2012 INSTITUTION RATES

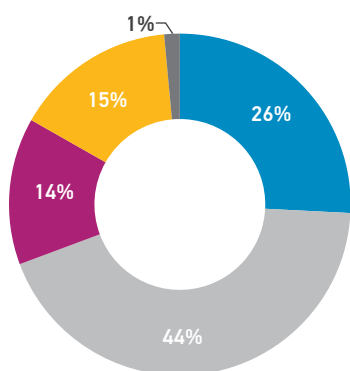


### 2013 INSTITUTION RATES

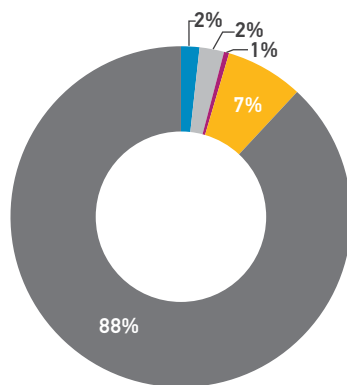


- Denied
- Granted
- Partially Granted
- Prematurely Terminated

### 2014 INSTITUTION RATES



### 2015 INSTITUTION RATES

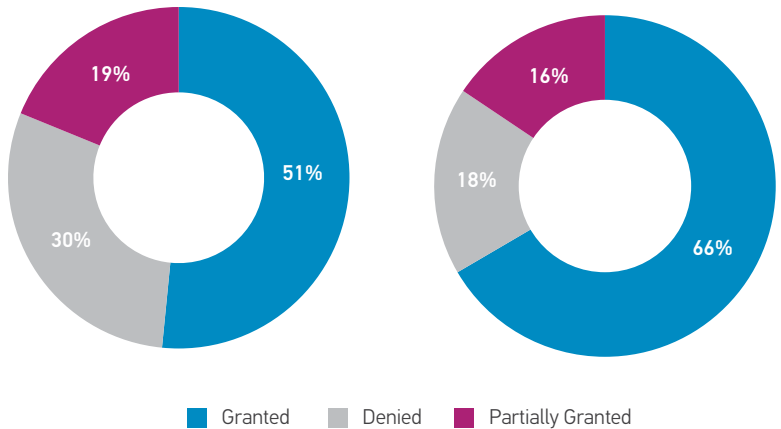


- Denied
- Granted
- Partially Granted
- Prematurely Terminated
- Pending Institution Decision

### Are Preliminary Responses Effective for Patent Owners?

We examined the 2021 IPR petitions with institution decisions between September 2012 and August 2015 to determine the effectiveness of the preliminary response. In an overwhelming majority of cases—82%—the patent owner filed its a preliminary response.[8] While filing a preliminary response is optional, the data demonstrates that a preliminary response can make a significant difference in the institution outcome. As shown below, 30% of petitions are denied (and 19% denied in part) when a preliminary response if filed. However, when a patent owner forgoes this chance to address petitioner’s arguments, the denial rate drops to 18%, (with 16% being partially denied). As such, the institution rate increases accordingly.

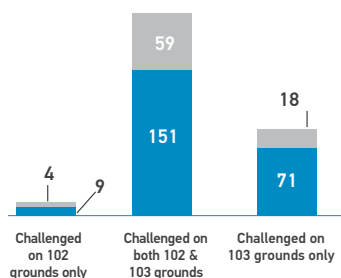
IPRs WITH PRELIMINARY RESPONSES FILED			IPRs WITH NO PRELIMINARY RESPONSES FILED		
	%	1662		%	359
Granted	52%	857	Granted	67%	239
Denied	30%	492	Denied	18%	64
Partially Granted	19%	313	Partially Granted	16%	56



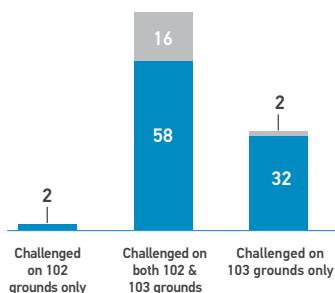
Patent owner preliminary responses also have a positive impact on the number of claims instituted. According to the data, when no preliminary response is filed, IPRs are instituted on all challenged claims in 100% of the cases where only 35 U.S.C. § 102 grounds of rejection are proposed, in 78.4% of petitions where 35 U.S.C. §§ 102 and 103 grounds of rejection are proposed, and in 94.1% of the petitions where only 35 U.S.C. § 103 grounds of rejection are proposed. In contrast, where a preliminary response is filed, these percentages drop to 69.2%, 71.9% and 79.8%, respectively. Thus, even if a trial is instituted, a patent owner preliminary response may reduce the number of claims in the instituted trial.

## EFFECT OF PRELIMINARY RESPONSES ON INSTITUTION BY GROUNDS CHALLENGED

### PRELIMINARY RESPONSES FILED



### NO PRELIMINARY RESPONSES FILED



■ All challenged claims instituted    ■ Select challenged claims instituted

Preliminary responses appear to be carrying more weight with the PTAB given the unexpected and increasing popularity of IPRs. The preliminary response is the only chance a patent owner has to provide counterarguments to the petition before the PTAB issues a decision on institution. In some cases, patent owners can easily dispose of various grounds, for example, by challenging the sufficiency and specific teachings of the prior art relied on by the petitioner, whether the reference is properly authenticated and whether the petitioner provides detailed motivation to combine.

Patent owners are not required to set forth their claim constructions in the preliminary response. However, failure to do so can have significant consequences. In an instance where claim construction is essential to distinguishing the claims over the cited prior art, the patent owner should be wary of remaining silent. The PTAB will construe the claims in the institution decision. Without a preliminary response, there is a chance the PTAB's construction will not favor the patent owner's positions. Moreover, the patent owner will face an uphill battle trying to convince the PTAB that its construction is wrong. In sum, preliminary responses can be extremely beneficial to the patent owner, especially if claim construction is important to defeating the identified grounds.

The USPTO recently announced proposed changes to the preliminary response process. Specifically, the USPTO proposes to amend 37 C.F.R. § 42.207 to allow the patent owner to submit supporting evidence in the patent owner preliminary response. However, "supporting evidence concerning disputed material facts will be viewed in the light most favorable to the petitioner for purposes of deciding whether to institute a post-grant review."<sup>[9]</sup> The petitioner may seek leave to file a reply to the preliminary response if the patent owner submits supporting evidence with its preliminary response. These proposed changes to the pre-institution briefing process may improve the patent owner's chances of preventing an IPR from being instituted.

### Motions Practice Before the PTAB

IPR proceedings uniquely include a discovery phase for both petitioners and patent owners. While the America Invents Act provides for various types of discovery, the scope of discovery in an IPR proceeding is generally significantly less than what might be allowed in a district court proceeding. The scope and proper procedure for

IPR related discovery has been the focus of various debates over the past three years. The discovery metrics and case law over the past three years provide guideposts to help parties better navigate the PTAB discovery landscape. We offer insights on a few common scenarios below.

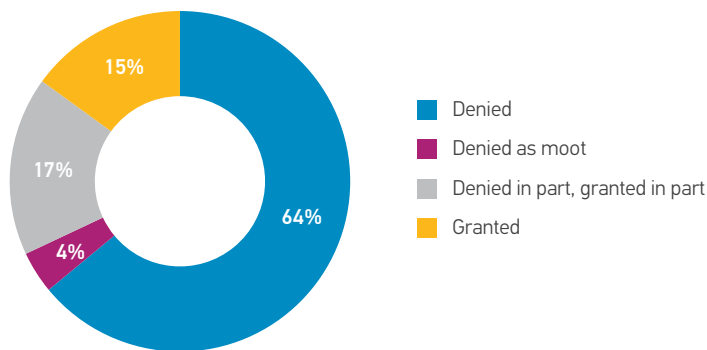
### Discovery in the PTAB: What Works and What Doesn't

Three types of routine discovery are allowed under the IPR rules, including (1) exhibits cited in a paper or in testimony; (2) cross examination of individuals submitting affidavit testimony; and (3) relevant information that is inconsistent with a position advanced by the party during the proceeding.[10] Parties to an IPR may pursue additional discovery beyond these pre-defined categories only upon a showing that the requested discovery is "necessary in the interest of justice." [11] The burden is on the moving party, who must show that the additional discovery is in the interests of justice.[12] To date, the PTO has been conservative in granting requests for additional discovery." [13]

In IPR2012-0001, the PTAB defined a five-factor analysis for determining whether additional discovery is in the interests of justice: (1) the moving party must show that the discovery being sought is more than a possibility and mere allegation, in other words, make a showing beyond speculation that something useful will be discovered; (2) a request for litigation positions and an underlying basis for those positions is not necessary in the interests of justice; (3) information that can be figured out or assembled by the requesting party is not necessary in the interests of justice; (4) requests must be easily understandable and allow the responder to answer efficiently, accurately, and confidently; and (5) requests must not be overly burdensome to answer.[14]

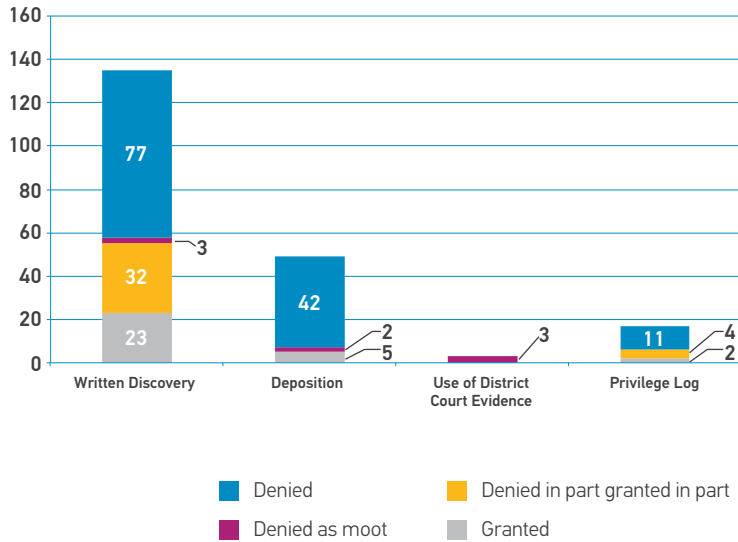
We examined over 200 motions for additional discovery to understand how the PTAB is applying the five-factor analysis announced in IPR2012-0001. According to the data, motions for additional discovery are rarely successful. Indeed, over 61% of discovery motions are denied while only 15% of motions are granted in their entirety.

### MOTION FOR ADDITIONAL DISCOVERY - SUCCESS STATISTICS



We also classified the motions by type of discovery request and examined the success rates. As shown, the PTAB is less likely to grant a request for an additional deposition than a request for additional written discovery. The five-factor analysis suggests this result because a party opposing a request for deposition can argue that a request is speculative because it is not known what a witness may testify about, and cumulative of other testimony or evidence the moving party can obtain itself. The automatic nature of cross examination for individuals who submit affidavits largely fulfills the need for additional depositions.

## MOTION FOR ADDITIONAL DISCOVERY - BREAKDOWN BY TYPE OF DISCOVERY

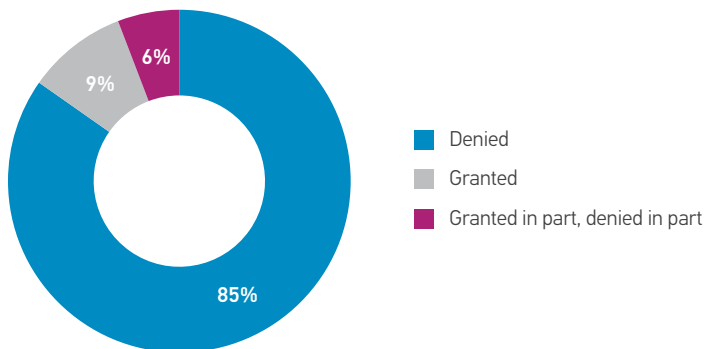


Parties moving for additional discovery should evaluate whether the cost of the motion is justified in view of the historically low success rate. A party seeking additional discovery despite the low success rate should assist the PTAB with the five-factor analysis in its motion by providing specific information that addresses each factor.

### Are Rehearing Requests Worth the Time and Money?

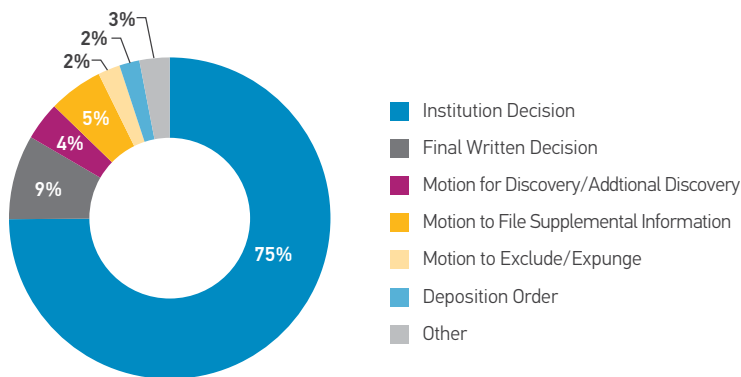
Filing a request for rehearing is often an instinctive action to an adverse decision in an IPR proceeding. However, in the overwhelming majority of cases, the rehearing request is denied.

## REQUESTS FOR REHEARING - OVERALL OUTCOMES (IPRS)



We examined nearly 500 requests for rehearing decided between January 2013 and July 2015 to determine if any issues on a request for rehearing were more likely to be successful. As shown below, most rehearing requests concern institution decisions and final written decisions.

### SUBJECT MATTER OF REHEARING REQUESTS (IPRs)



Of these categories, the success rates for rehearing requests vary considerably:

SUBJECT OF THE REHEARING REQUEST	GRANTED	GRANTED IN PART, DENIED IN PART	DENIED
Institution Decision	3%	2%	95%
Final Written Decision	5%	—	95%
Mot for Discovery/Additional Discovery	—	47%	53%
Mot to File Supplemental Information	37%	—	63%
Mot to Exclude/Expunge	55%	—	45%
Deposition Order	—	100%	—
Other	27%	20%	53%

The low success rate for rehearing requests is attributable to the standard of review. Under 37 CFR § 42.71(c), the focus of a rehearing request is on “matters the party believes the Board misapprehended or overlooked.” Successful requests for rehearing do not merely repeat unsuccessful petition arguments but rather focus the PTAB’s attention on specific errors or record evidence not considered in a previous decision.

In a recent decision, the PTAB signaled that the eligible subject matter for a request for rehearing may be expanded beyond the plain text of the rule, giving parties additional opportunities to request rehearing. In IPR2014-00508, the majority opinion in an expanded panel held that a “conclusion based on an erroneous interpretation of law constitutes an abuse of discretion” which could form the basis of a rehearing request.[15]

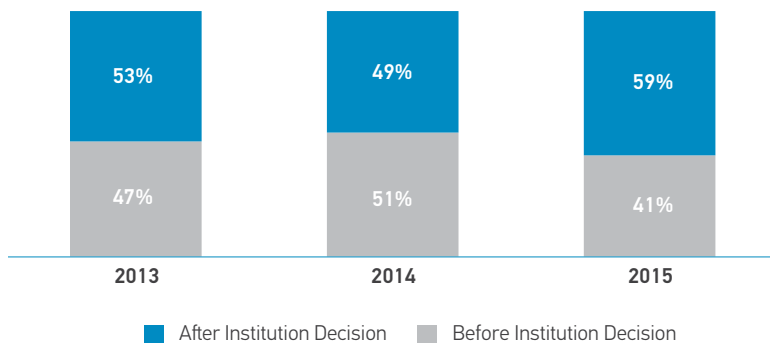
A dissenting opinion stated that this was an improper expansion of the basis for which rehearing can be requested because a finding of legal error “cannot be described fairly as based on misapprehending or overlooking anything presented in the record.”[16] Until further guidance is received on this potential expansion of eligible subject matter, succeeding on a rehearing request will likely remain an uphill battle.

### Motions to Terminate: Are IPRs Forcing Settlement?

In *inter partes* review proceedings, the petitioner and patent owner can seek termination of the proceedings by filing a joint motion.[17] The PTAB is required to terminate a proceeding with respect to a petitioner “unless the Office has decided the merits of the proceeding before the request for termination is filed.”[18] This option to terminate IPR proceedings was not available in *inter partes* reexamination proceedings. Parties to an *inter partes* review have taken advantage of this new procedure. Over 750 motions to terminate have been filed through mid-August 2015.

Because the overwhelming number of IPRs concern patents concurrently asserted in district court litigation, the timing of motions to terminate reflect strategic decisions for settling patent disputes. One important milestone is whether the parties attempt to terminate IPR proceedings before an institution decision was rendered. While the invalidity positions of the petitioner become public at the time an IPR petition is filed, terminating a proceeding before institution allows the patent owner to avoid a potential adverse conclusion on patentability by the PTAB. Moreover, if the patent owner did not file a preliminary response, the patent owner avoids having to make statements about the scope of the challenged claims.

### MOTIONS TO TERMINATE FILINGS (%)



As shown, there has been an increase in motions to terminate before an institution decision in 2015. While more data is required to determine whether this trend will continue, it indicates that IPRs, combined with the option to terminate proceedings before the PTAB and avoiding making statements about the validity of the claims or scope of the invention, forces the patent owner to consider settlement before the patent owner preliminary response is due or before the institution decision occurs.

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## ENDNOTES

- [1] Peter J. Pitts, *'Patent Death Squads' vs. Innovation*, Wall St. J., June 10, 2015 (citing Randall Rader, former chief judge at the U.S. Court of Appeals for the Federal Circuit).
- [2] Matt Cutler, *Inter Partes Review—Not Just An Anti-Troll Proceeding*, Law360 (Jul. 21, 2015), <http://www.law360.com/articles/679716/inter-partes-review-not-just-an-anti-troll-proceeding>.
- [3] *Id.*
- [4] Unified Patents, <http://www.unifiedpatents.com> (last accessed Sept. 13, 2015).
- [5] Unified Files to Invalidate Elia Data's Patent, <http://unifiedpatents.com/unified-files-to-invalidate-elia-datas-patent/> (last accessed Sept. 13, 2015); Unified Files to Invalidate Novocrypt's Patent, <http://unifiedpatents.com/unified-files-to-invalidate-novocrypts-patent/> (last accessed Sept. 13, 2015).
- [6] This statistic may vary slightly from the institution statistics listed in the "kill-rate" section. Here, the statistic is calculated based on all institution decisions issued between September 2012 and August 2015 as opposed to the Kill Rate statistics which are calculated based a smaller subset of data - the 404 final written decisions.
- [7] Because of the 6+ month time between filing a petition and institution decision, there are a limited number of institution decisions for IPR filed in 2015. We are continuing to monitor the institution rate in 2015 to see if the lower institution rate observed thus far continues.
- [8] This statistic is calculated based on all institution decisions issued between September 2012 and August 2015 and is not limited to institution decisions having a final written decision.
- [9] 80 Fed. Reg. 50,720, 50,747 (Aug. 20, 2015).
- [10] 37 C.F.R. § 42.51(b)(1).
- [11] 37 C.F.R. § 42.51(b)(2); *see also* 35 U.S.C. § 316(a)(5)(b) (2012).
- [12] *Id.*
- [13] *Garmin Int'l v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper No. 26 at 5 (PTAB Mar. 5, 2013) (quoting 157 Cong. Rec. S1375-76 (daily ed. Mar. 8, 2011) and 154 Cong. Rec. S9988-89 (daily ed. Sept. 27, 2008)).
- [14] *Garmin Int'l v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper No. 26 at 6-7 (PTAB Mar. 5, 2013).
- [15] *Target Corp. v. Destination Maternity Corp.*, IPR2014-00508, Paper No. 28 at 17 (PTAB Feb. 12, 2015).
- [16] *Id.* at 21.
- [17] 35 U.S.C. § 317(a) (2012).
- [18] *Id.*; *see also* 37 C.F.R. § 42.74 (2012).





# PTAB “KILL RATES”: GETTING BEHIND THE NUMBERS TO UNDERSTAND HOW IPRs ARE AFFECTING PATENTS

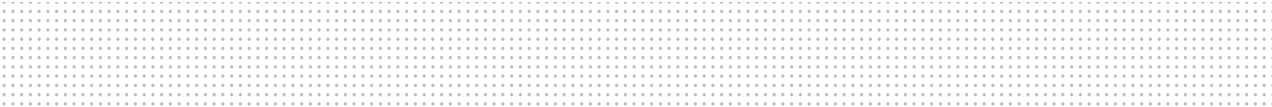
FINAL DECISIONS  
WHERE PTAB  
INVALIDATED AT  
LEAST ONE CLAIM

88%

NUMBER OF  
PATENTS  
COMPLETELY  
INVALIDATED

88 (22%)

PATENTS



While the AIA's introduction of *inter partes* review (IPR) proceedings was intended to strengthen the quality of issued patents, no one could have predicted how quickly IPRs would become a mainstay defensive tactic in U.S. patent litigation. Indeed, as the PTAB began releasing decisions invalidating patents, some even labeled the PTAB as a "patent death squad."<sup>[1]</sup> Whether that description is a fair one or not, it cannot be disputed that in just three short years, IPR proceedings have become so popular that the PTAB is now a preferred patent invalidation venue.

There have been numerous reports on the overall institution of IPR proceedings and their "kill rates." In our view, however, these high-level statistics (1) obscure the important difference in kill rates between cases in which all claims in a patent are challenged and instituted and those in which only some claims are challenged and instituted, and (2) are inadequate for making informed decisions on whether, when and how to try to invalidate a patent using the IPR process.

Thus, we analyzed all of the approximately 404 final written decisions on instituted IPRs from September 2012 through August 1, 2015, to explore the factors behind IPR kill rates. We determined the number of patents that have been invalidated in their entirety via IPRs and investigated the statistical impact that certain aspects of the IPR petition have on the kill rate, including petitions to invalidate all claims in a patent and petitions under § 102, § 103 or both.

### The Kill Rate Analysis—The Take-Aways

1. **Very few petitioners are walking away empty handed**—88% of petitions with final written decisions resulted in at least one claim being invalidated.
2. **A notable percentage—21%—of all final written decisions** resulted in complete invalidation of the patent.
3. **Success starts and ends with the petition.** The invalidity success rate for fully instituted petitions is 82% while the invalidity success rate for partially instituted petitions plummets to 52%. The PTAB's first impression of the petition's strength appears to affect the entire proceeding and ultimate outcome.

## Big Picture: Success Rates on IPR

Over the entire three-year life of the IPR process, petitioners have achieved high success rates in getting challenged claims both instituted and ultimately invalidated. Our analysis shows, however, that over the past year or so, the PTAB appears to be raising the bar at the institution stage. Once an IPR is instituted, however, the PTAB continues to invalidate those challenged claims at a very high rate.

### FINAL DECISIONS WHERE PTAB INSTITUTED ALL CHALLENGED CLAIMS

76% YEARLY AVERAGE



### Institution on All Challenged Claims is Becoming More Difficult

In analyzing the 404 final written decisions to determine the success rate for getting the challenged claims instituted, we found that in 76% (306 of 404) of the cases, all challenged claims were instituted.[2] In looking at year-over-year numbers, the institution success rate in 2015 (through August 1) dropped 15% (to 69%) from the 2014 success rate of 84%. This shift likely indicates that the PTAB is raising the bar for institution.

### Fully Instituted Petitions Have a High Invalidation Success Rate

Of those petitions where all challenged claims were instituted (full institution), 82% (250 of 306) of those instituted claims were ultimately invalidated in the PTAB's final written decision. This high percentage indicates that the highest hurdle a petitioner must clear is at institution. In other words, it appears that if an IPR petition is fully instituted, there is a reasonably high probability that the instituted claims also will be invalidated.

These numbers highlight the importance of the preliminary response even though the patent owner has no opportunity to submit evidence at this stage. Nevertheless, hope is on the horizon for the patent owner, as the PTAB is considering a rule change that would allow evidence to be submitted at the preliminary response stage.

### Partially Instituted Petitions Have a Much Lower Invalidation Success Rate

What happens when the PTAB partially institutes the claims challenged in a petition? The results are surprising: To date, 25% of the final written decisions were partially granted at institution. This means the PTAB did not grant institution on all the challenged claims. Interestingly, for the partially instituted petitions, only 52% of final written decisions invalidated all the instituted claims. This is a drastic drop in the invalidity success rate when compared to fully instituted decisions, where 82% of final written decisions invalidated all the instituted claims. If a petition is only partially instituted, chances significantly decrease that the instituted claims also will be invalidated.

The PTAB's first impression of the petition's strength appears to carry significant weight throughout the entire hearing. If the PTAB is not convinced that the petition is strong enough to warrant full institution, this skepticism seems to stay with the panel and harms the chances of

### FINAL DECISIONS WHERE FULLY INSTITUTED CLAIMS ARE ALSO INVALIDATED

82%

### FINAL DECISIONS WHERE ALL PARTIALLY INSTITUTED CLAIMS ARE ALSO INVALIDATED

52%

success at the final written decision. This is yet another statistic that emphasizes the importance of crafting a strategic and focused petition. Each ground should be reviewed to determine whether it affects the quality and strength of the overall petition. If the ground weakens the credibility of the petition, petitioners should think twice about including it in the petition.

### There Is a High Chance of Invalidating at Least One Challenged Claim

Once the PTAB institutes a petition, the odds are overwhelmingly in favor of the petitioner. Of the 404 final written decisions analyzed, 88% (356 of 404) resulted in at least one claim being invalidated. Importantly, this average remained steady between 2014 and 2015, providing petitioners with a reasonably high level of confidence that an IPR can and will weaken a challenged patent.

FINAL DECISIONS WHERE  
PTAB INVALIDATED AT  
LEAST ONE CLAIM

88%

### Fewer Petitioners Are Trying to Invalidate the Entire Patent

Our analysis reveals that only 37% (148 out of 404) of petitions with final written decisions challenged all issued claims. In other words, only 37% of petitioners are swinging for a home run. Instead, a majority are focusing their petitions on strategically selected claims.

FINAL DECISIONS WHERE  
PETITIONERS CHALLENGED  
ALL ISSUED CLAIMS

37%

### IPRs Have So Far Killed 88 Patents

Of the 404 final written decisions, 22% (88 out of 404) invalidated all claims in the patent. Many of these “kills” occurred with the early written decisions issued by the PTAB, thus leading to the PTAB’s nickname as the “patent death squad.” However, with the passage of time, the PTAB seems to be giving the patent owners some relief. The yearly statistics show a significant drop in the percentage of petitions where all issued claims have been invalidated. In 2014, 29% of petitions resulted in all issued claims being invalidated. In 2015, that number dropped to 15%. While the PTAB appears to be “killing” fewer patents, this statistical decline is also influenced by the fact that petitioners are now less likely to try to invalidate the entire patent. Instead, in late 2014 and 2015, petitioners were filing IPRs targeted at specific claims rather than targeting the entire patent itself.



2014	45%
2015	30%

### The War is Won and Lost at the Institution Stage

Based at least on this data showing that obtaining institution on the challenged claims is becoming more difficult, it appears that the PTAB is taking its stance at the institution stage. Once claims are instituted, the question appears to be how many instituted claims will be invalidated rather than if the claims will be invalidated.

NUMBER OF PATENTS  
COMPLETELY INVALIDATED

88 (22%)  
PATENTS

The PTAB continues to earn its “patent death squad” nickname at least once the petition is instituted. Challenging all instituted claims does not seem to affect the success rate of invalidating all challenged claims. However, the hurdle is the highest at institution. If a petitioner clears this hurdle, it seems to be downhill towards a successful invalidation.

## Success Rate When Raising §§ 102 and 103 Challenges in an IPR Petition

The choice of § 102, § 103 or both when challenging the validity of claims in an IPR is at least partially driven by the availability of prior art printed publications. We looked behind the numbers to determine how petitioners are selecting grounds to challenge the claims and then analyzed these numbers to determine which, if any, of the choices are more successful.

### WHEN CHALLENGING ON BOTH §§ 102 AND 103 – WHAT GROUNDS WERE INSTITUTED



### Challenging both §§ 102 and 103 grounds is the most popular option.

Not surprisingly, 69% (277 of 404) of petitions raised both §§ 102 and 103 grounds in an effort to invalidate the challenged claims. We analyzed the 404 final written decisions to determine the effectiveness of raising both §§ 102 and 103 grounds.

Of petitions that raised both §§ 102 and 103 grounds, 73% (202 of 277) resulted in all challenged claims being instituted. This success rate, however, decreased by 15% between 2014 and 2015. This decline may be due to a number of factors, including the PTAB's raising the bar at the institution stage. Also, the PTAB's crackdown on redundant grounds may affect these numbers since only 63% of petitions that raised both types of grounds resulted in both §§ 102 and 103 grounds being instituted. Anecdotally, we have seen petitions that raised both §§ 102 and 103 grounds based on a common primary reference, but the PTAB has declined to institute on both types of grounds.

Once instituted, the odds are in favor of the petitioner. On average, 83% (168 of 202) of petitions that raised both §§ 102 and 103 grounds and where the PTAB instituted on all challenged claims resulted in all challenged claims being invalidated. Year over year, this success rate has only slightly increased.

Our analysis suggests that raising both §§ 102 and 103 grounds is effective in invalidating all challenged claims once all these claims are instituted. While the PTAB has raised the bar at the institution stage, once the challenged claims are instituted, the PTAB is likely to invalidate them.

### FINAL DECISIONS WHERE PETITIONERS CHALLENGED ON BOTH §§ 102 AND 103 GROUNDS

69% YEARLY AVERAGE



### WHEN CHALLENGING ON BOTH §§ 102 AND 103 GROUNDS – HOW OFTEN WERE ALL CHALLENGED CLAIMS INSTITUTED

73% YEARLY AVERAGE



### WHEN CHALLENGING ON BOTH §§ 102 AND 103 GROUNDS, HOW OFTEN DID PTAB INVALIDATE FULLY INSTITUTED CLAIMS?

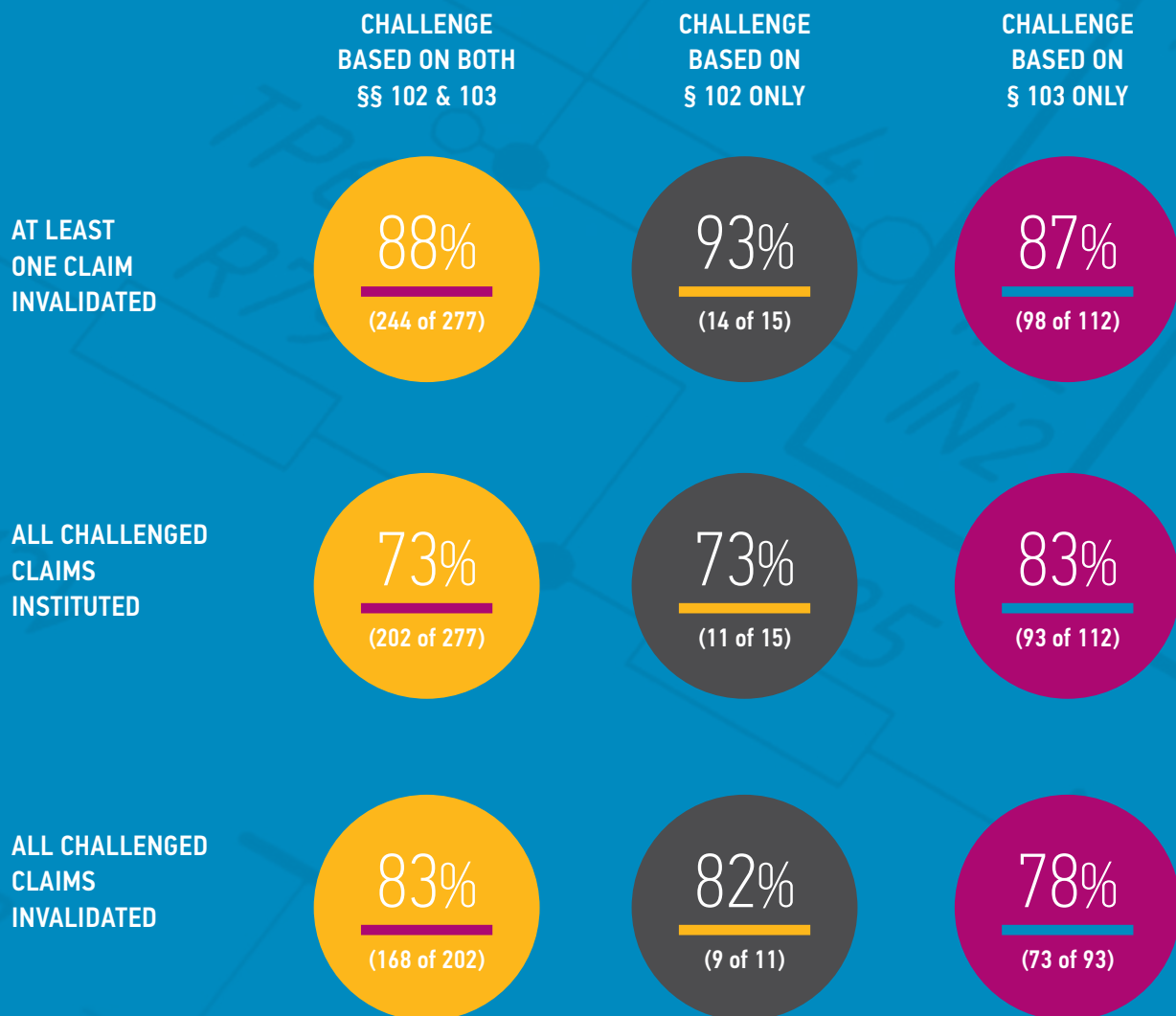
83% YEARLY AVERAGE



# BY THE NUMBERS

No Significant Differences When Relying On § 102, § 103 Or Both In An IPR Petition

**TAKE-AWAY** | Proper section of prior art references is more important than selecting between 102 and 103 grounds.



## Take Away: Avoid Redundancy and Improve Reasons for Combining When Relying on §§ 102, § 103 or Both in an IPR Petition

### **While institution on all challenged claims is getting tough, it can still be effective.**

It is not clear whether choosing to challenge on both §§ 102 and 103 grounds, only on § 102 grounds, or only on § 103 grounds makes any significant difference to the chances for success on the IPR. What is clear is that year-over-year, as noted above, the PTAB seems to have raised the bar on whether all challenged claims will be instituted. The decline in the institution rate appears to be greater when challenging on § 103 grounds only (93% in 2014 to 76% in 2015) compared to challenging on § 102 grounds only (75% in 2014 to 73% in 2015). To improve the chance for instituting on all grounds, petitioners should be careful in raising §§ 102 and 103 grounds, exercising caution to avoid redundancy.

### **Caution:** Avoid redundancy.

The PTAB is scrutinizing each asserted ground for invalidating challenged claims and rejecting those grounds that it deems to be “redundant.” While it is prudent to raise multiple grounds for invalidating each challenged claim, petitioners must use caution to avoid the PTAB dismissing grounds as redundant. In situations where multiple grounds are used to challenge a claim, petitioners must articulate why the second ground is not redundant to the first ground. To do so, petitioners should consider articulating alternative claim constructions or situations where one reference/ground is more applicable than the second reference/ground.

### **Caution:** Motivation or reasons for combining references.

The numbers suggest that the PTAB is getting even tougher on articulating motivations or reasons to combine references. Petitioners should avoid relying on conclusory statements to support § 103 arguments. Some general tips for structuring a successful § 103 argument are set forth below.

1. Expert testimony, if used, should not be identical to the § 103 arguments in the petition. Rather, the expert must provide facts and data to support the opinion. Experts should explain the how, what and why of the proposed combination of references.
2. Do the work for the PTAB: Petitioners must provide reasoning that supports the combination of references and explain why one of ordinary skill in the art would make the alleged combination.

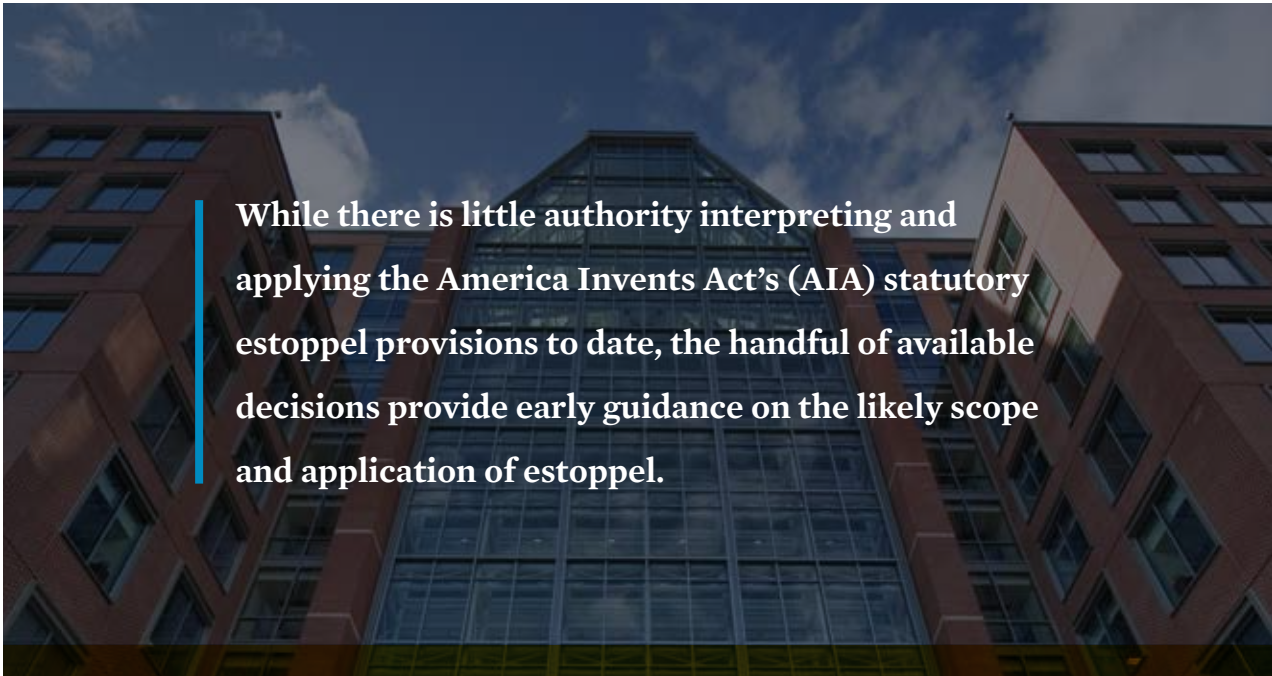


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## ENDNOTES

- [1] Peter J. Pitts, '*Patent Death Squads*' vs. *Innovation*, Wall St. J., June 10, 2015 (citing Randall Rader, former chief judge at the U.S. Court of Appeals for the Federal Circuit).
- [2] The institution rate statistic is calculated based on the 404 final written decisions issued by August 1, 2015, and thus may slightly differ from the overall institution rate calculated based only on institution decisions as discussed in the Filing Trends & Institution Rate section.

# INTER PARTES REVIEW AND ESTOPPEL



While there is little authority interpreting and applying the America Invents Act's (AIA) statutory estoppel provisions to date, the handful of available decisions provide early guidance on the likely scope and application of estoppel.



U.S. PATENT AND TRADEMARK OFFICE

The primary detriment to pursuing an *inter partes* review (IPR) is the possibility of being estopped from raising invalidity arguments in subsequent district court, International Trade Commission and USPTO proceedings against any surviving claims. But after three years of IPR practice, we have not yet seen a significant estoppel impact on parallel litigation proceedings, although we can expect to see an increase as more claims survive review. While there is little authority interpreting and applying the AIA’s statutory estoppel provisions to date, the handful of available decisions provide early guidance on the likely scope and application of estoppel.

### Overview of IPR Estoppel

Any review of the statutory estoppel provisions for IPR proceedings must begin with the statutory language itself. Congress set forth two separate but similar estoppel provisions. The first one, Section 315(e)(1), explains the estoppel effects of IPR on proceedings before the U.S. Patent Office. The second one, Section 315(e)(2), explains the estoppel effects of IPR on civil actions in federal courts or before the International Trade Commission.

#### Comparison of Section 315(e)(1) to Section 315(e)(2)

##### SECTION 315(e)(1)

###### Proceedings Before the Office

The petitioner in an *inter partes* review of a claim in a patent under this chapter that results in a final written decision under section 318(a),

or the real party in interest or privy of the petitioner,

**may not request or maintain a proceeding before the Office** with respect to

that claim on any ground that the petitioner raised or reasonably could have raised during that *inter partes* review.

##### SECTION 315(e)(2)

###### Civil Actions and Other Proceedings

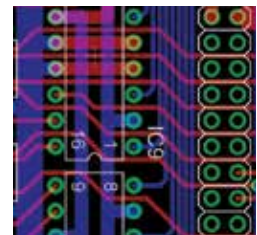
The petitioner in an *inter partes* review of a claim in a patent under this chapter that results in a final written decision under section 318(a),

or the real party in interest or privy of the petitioner

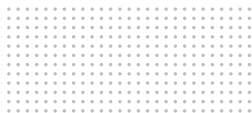
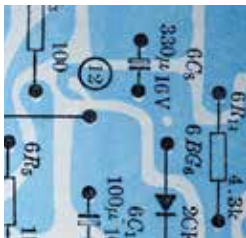
**may not assert either in a civil action** arising in whole or in part under section 1338 of title 28 **or in a proceeding before the International Trade Commission** under section 337 of the Tariff Act of 1930

that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that *inter partes* review.

Statutory estoppel is unlikely to extend to non-published prior art so long as it is “a superior and separate reference” to any related publications.



Analysis of “reasonably could have raised” will likely involve exploration of the earlier prior art search to determine if it was consistent with a diligent search by a skilled searcher in view of *Dell*.



The IPR estoppel provisions largely mirror the prior *inter partes* reexamination estoppel provision of the pre-AIA Section 315. But Congress modified the prior provision by: (1) expanding estoppel to apply to the real party in interest and any privies of the petitioner; (2) extending estoppel to apply to prior art that was not but “reasonably could have” been raised in the earlier review; and (3) triggering estoppel upon the final written decision by the PTAB, rather than after all appeals are exhausted.[1] Only a few PTAB and district court decisions to date have considered these new features of the IPR estoppel provisions.

## Guideposts on “What Reasonably Could Have Been Raised?”

One of the most pressing issues concerning the new estoppel provision is the scope of the “reasonably could have raised” provision. The cases below provide some early guidance.

### Estoppel Applies to Prior Art That a Skilled Searcher Conducting a Diligent Search Reasonably Could Have Been Expected to Discover

In the *Dell Inc. v. Electronics & Telecommunications Research Institute* IPR proceeding, the PTAB ruled that Section 315(e)(1) barred the petitioners from asserting in a second petition new invalidity arguments based the same prior art presented in the first IPR proceeding.[2] In the first review, the petitioners filed a petition arguing that several claims of the patent were anticipated under one reference and that all of the claims were obvious in view of several combinations of references. Trial was instituted on anticipation only, denying all other grounds on the merits. The PTAB ultimately issued a final written decision in that first review confirming the instituted claims. The petitioners then filed a second, “me too” petition identical to grounds recently instituted in a trial filed by another party. Importantly, the petitioners relied on new combinations of prior art references the petitioners had also asserted in their first petition. The PTAB held the petitioners were estopped from asserting their invalidity arguments on the confirmed claims because the new obviousness arguments *could have been made* in the earlier petition.[3]

Although the *Dell* decision did not involve a situation in which newly discovered art was proffered in the second petition, the Board analyzed the legislative history of the “reasonably could have made” provision and explained that it was intended to include “prior art which a skilled searcher conducting a diligent search would reasonably could [sic] have been expected to discover.”[4] The Board’s analysis is consistent with existing commentary on the issue.[5] The USPTO later endorsed the *Dell* opinion as representative.[6] It therefore appears that inquiry into whether later-discovered prior art “reasonably could have [been] raised” in an earlier review will involve exploration of the earlier prior art search to determine whether it was consistent with a diligent search by a skilled searcher. The types of evidence and arguments offered to demonstrate whether the art relied on in a later proceeding would have been discovered by a skilled searcher conducting a diligent search remain to be seen.

### Whether Estoppel May Extend to Non-Published Prior Art Remains Unclear

One question unanswered by the *Dell* decision is whether the statutory estoppel provisions could extend to non-published prior art, such as prior art devices, which cannot be raised in IPR proceedings.[7] The U.S. District Court for the Central District of California addressed this issue in *Star Envirotech, Inc. v. Redline Detection, LLC*. [8]

The *Star Envirotech* court considered whether an alleged infringer was estopped from asserting invalidity in view of a prior art device for claims that survived a final written decision. The patent owner argued that the alleged infringer could have raised a manual describing that prior art device in the IPR and should therefore be estopped from asserting in the district court case that the patent was invalid based on a prior art device embodied in that manual.[9] The court disagreed on the basis that the prior art device itself was not a printed publication and could not have been raised in the IPR. The court further explained that certain claimed features “are not included in the instruction manual.”[10] According to the *Star Envirotech* court, the device was “a superior and separate reference” to the prior art publication that the petitioner raised or reasonably could have raised during the IPR.[11]

The *Star Envirotech* decision leaves open whether an alleged infringer *could* be estopped from asserting a prior art device if a manual or other publication discloses all of the claimed features. It remains to be seen how district courts will treat devices that are not “a superior and separate reference” from any related publications that were or could have been raised in the review.

## Guideposts Addressing Privity and the Real Party in Interest

The *inter partes* review estoppel provision extends to the petitioner, any real parties in interest and any privy of the petitioner. District courts have not yet addressed the standard for establishing privity or a real party in interest with an IPR petitioner, but the PTAB has issued a number of decisions on this topic.[12]

In general, the PTAB applies the U.S. Supreme Court’s nonparty preclusion standard from *Taylor v. Sturgell*,[13] which evaluates whether the party has had a “full and fair opportunity to litigate the claims.”[14] The six *Taylor* factors include:

1. The existence of an agreement that the nonparty be bound by a determination of issues in an action between the parties;
2. The existence of a pre-existing substantive legal relationship between the nonparty and a party;
3. Representation in an action by someone with the same interests as the nonparty;
4. The assumption of control over an action by the nonparty;
5. Relitigation of issues through a proxy; and
6. The existence of a special statutory scheme.[15]

The two *Taylor* factors that have been the most prominent in PTAB decisions evaluating privity are: (1) “a nonparty is bound by a judgment if she ‘assumed control’ over the litigation”; and (2) “a party bound by a judgment may not avoid its preclusive force by relitigating through a proxy.”[16] Specifically, the PTAB has found privity when the petitioner took an active role in the earlier litigation[17] or when the petitioner is a corporate affiliate chosen to avoid the impact of privity.[18] The PTAB has generally rejected the mere presence of an indemnity agreement as establishing privity, even if the indemnitor had the right to assume control.[19] And simply cooperating in a joint defense group is also unlikely to trigger privity.[20]

An open question regarding privity involves parties that were not in privity at the time of the earlier case but later became privies. In *VMWare, Inc. v. Good Technology Software, Inc.*, VMWare



### Key Tips

- 
- > Carefully document any prior art searches to later demonstrate diligence.



acquired a company that had previously been sued for patent infringement and petitioned for *inter partes* review.[21] By the time VMWare filed the petition, the company it acquired was time barred by the earlier court action. The PTAB found privity as of the date the IPR petition was filed even though it did not exist when the earlier case was filed to bar the petition.[22]

VMWare involved the one-year time bar provision of Section 315(b) and it has not been applied to the estoppel provisions under Section 315(e), although there is cause for concern in view of the Board's VMWare decision that estoppel *could* similarly extend to prior review activities of a newly acquired privity.

## Estoppel Only Applies to Instituted and Decided Claims

While the estoppel provision requires “an *inter partes* review of a claim in a patent under this chapter that results in a final written decision under section 318(a)” (§§ 315(e)(1) & 315(e)(2)), there was at least initial concern that estoppel could potentially extend to claims that were included in the petition but not included in the final written decision. In two decisions, however, the PTAB has determined that estoppel did not apply to claims terminated from review prior to a final written decision. In *Dell*, discussed above, and in *Westlake Services, LLC v. Credit Acceptance Corporation*, the PTAB held that estoppel did not apply to claims upon which the PTAB did not institute review in the earlier petition.[23] However, it remains to be seen how PTAB and courts will approach claims terminated from review on the basis of indefiniteness, such as claims that PTAB finds indefinite for lack of supporting structure under Section 112.[24]

A second issue to consider is whether estoppel extends to invalidity grounds set forth in a petition but denied institution by the PTAB on the basis of redundancy with an instituted ground. In a recent appeal to the Federal Circuit from an IPR decision, the Patent Office took the position in an intervenor brief that estoppel did *not* apply to grounds the PTAB did not institute due to redundancy.[25] During oral argument, two Federal Circuit judges appeared to agree that estoppel would not apply in that circumstance, but the panel ultimately affirmed the judgment below without opinion and, importantly, without addressing estoppel.[26] It remains to be seen when and how the Federal Circuit will ultimately address this issue.

## Estoppel Is Not the Only Concern in District Court Litigation

It is important to emphasize that even when estoppel may not apply, the prior affirmance of claims is likely to have a significant effect on parallel litigation. For example, the U.S. District Court for the Southern District of Ohio recently granted summary judgment of no invalidity based on prior art references that were previously raised in an IPR petition.[27] Review was not instituted on the petition, so the statutory estoppel provision was not triggered. Even so, the district court reviewed the PTAB's decision not to institute under the PTAB's reasonable likelihood of success standard and determined that the defendants could not prevail under the heightened clear and convincing standard before the district court either.[28]

As more reviews reach a final written decision, we will see an increase in the decisions and guidance from the PTAB and courts on the scope and application of the AIA's statutory estoppel provisions. Until then, parties must be mindful of the potential impact that estoppel may have on invalidity arguments in their district court, International Trade Commission and USPTO proceedings.

> Consider the potential estoppel impact of privity in acquisitions or when assuming control of a defense.

> The impact of *inter partes* review on related litigation may extend beyond estoppel.

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## ENDNOTES

- [1] Compare 35 U.S.C. § 315(c) (pre-AIA) with 35 U.S.C. § 315(e)(2) (current).
- [2] IPR2015-00549 (PTAB Mar. 26, 2015) (Paper 10 at 4).
- [3] *Id.* at 2-6. The PTAB did not extend estoppel to claims that were not instituted in the earlier review but declined institution on other grounds. *Id.* at 6-7.
- [4] *Id.* (quoting 157 Cong. Rec. S1375 (daily ed. Mar. 2, 2011) (statement of Sen. Grassley)).
- [5] See, e.g., Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 618-19 (2012) (relying on a similar statement by Sen. Kyl).
- [6] Representative Orders, Decisions, and Notices, <http://www.uspto.gov/patents-application-process/appealing-patent-decisions-and-opinions/representative-orders> (last visited Sep. 9, 2015).
- [7] 35 U.S.C. § 311(b).
- [8] No. SACV 12-01861 JGB, 2015 WL 4744394 (C.D. Cal. Jan. 29, 2015).
- [9] *Id.* at \*3-4.
- [10] *Id.*
- [11] *Id.*
- [12] For estoppel, the difference between a real party in interest and a privy is not material because both are estopped and a real party in interest is merely one type of privy. *Aruze Gaming Macau, Ltd. v. MGT Gaming, Inc.*, IPR2014-01288 (PTAB Feb. 20, 2015) (Paper 13 at 12). A real party in interest is a party who desires review of the patent and at whose behest the petition has been filed. *Id.* at 10 (quoting 77 Fed. Reg. at 48,759).
- [13] 553 U.S. 880, 893-95 (2008).
- [14] See, e.g., *Aruze Gaming Macau, Ltd. v. MGT Gaming, Inc.*, IPR2014-01288 (PTAB Feb. 20, 2015) (Paper 13 at 8).
- [15] *Taylor*, 553 U.S. at 894-895.
- [16] *Id.* at 895 (internal alteration marks omitted).
- [17] E.g., *General Elec. Co. v. Transdata, Inc.*, No. IPR2014-01505 (PTAB Apr. 15, 2015) (Paper 27 at 8-12) (indemnitee's active participation in earlier case sufficient for privy); *Johnson Health Tech Co. Ltd. v. Icon Health & Fitness, Inc.*, No. IPR2014-01242 (PTAB Feb. 11, 2015) (Paper 16 at 8-10) (coordinated interaction between parent company and subsidiary in prior litigation supported finding of privy).
- [18] E.g., *ZOLL Lifecor Corp. v. Philips Electronics N. Am. Corp.*, No. IPR2013-00609 (PTAB Mar. 20, 2014) (Paper 13) (corporate subsidiary held out as a single entity was a privy of parent company); *Reflectix, Inc. v. Promethean Insulation Tech. LLC*, No. IPR2015-00039 (PTAB Apr. 24, 2015) (Paper 18) (payment of legal fees by corporate parent and involvement of counsel for corporate parent in drafting IPR petition rendered corporate parent a real party in interest);
- [19] E.g., *Broadcom Corp. v. Telefonaktiebolaget LM Ericsson (PUBL)*, IPR2013-00601 (PTAB Jan. 24, 2014) (Paper 23 at 9); *Nestlé USA, Inc. v. Steuben Foods, Inc.*, IPR2015-00195 (PTAB June 29, 2015) (Paper 51 at 14-15); *Wavemarket Inc. v. Locationet Sys. Ltd.*, IPR2014-00920 (PTAB Dec. 16, 2014) (Paper 11 at 8-9); *VMWare, Inc. v. Good Tech. Software, Inc.*, No. IPR2014-01324 (PTAB Feb. 20, 2015) (Paper 28 at 3-4).
- [20] See *Nestlé USA, Inc. v. Steuben Foods, Inc.*, No. IPR2015-00195 (PTAB Jun. 29, 2015) (Paper 51 at 11-12) (quoting 77 Fed. Reg. at 48,760).
- [21] No. IPR2014-01324 (PTAB Feb. 20, 2015) (Paper 28).
- [22] *Id.* at 3-4.
- [23] *Dell Inc. v. Elect. & Telecomm. Research Inst.*, IPR2015-00549 (PTAB Mar. 26, 2015) (Paper 10 at 6); *Westlake Services, LLC v. Credit Acceptance Corp.*, No. CBM2014-00176 (PTAB May 14, 2015) (Paper 28 at 4).
- [24] E.g., *Blackberry Corp. v. Mobilemedia Ideas, LLC*, No. IPR2013-00036 (PTAB Mar. 7, 2014) (Paper 65 at 20-21).
- [25] Corrected Brief for Intervenor - Director of the United States Patent and Trademark Office, *Schott Gemtron Corp. v. SSW Holding Co.*, No. 15-1073 (Fed. Cir. Apr. 9, 2015), ECF No. 44 at 38.
- [26] Oral Argument Recording for *Schott Gemtron Corp. v. SSW Holding Co.*, No. 15-1073, <http://oralarguments.ca9.uscourts.gov/default.aspx?fl=2015-1073.mp3> (last visited Sep. 8, 2015); Judgment, *Schott Gemtron Corp. v. SSW Holding Co.*, No. 15-1073 (Fed. Cir. August 11, 2015), ECF No. 68-2.
- [27] Order Granting Plaintiff's Motion for Partial Summary Judgment of No Invalidity (Doc. 88) and Denying Defendants' Motion for Summary Judgment of Invalidity (Doc. 90), *Procter & Gamble Co. v. Team Tech., Inc.*, No. 1:12-cv-552 (S.D. Ohio July 3, 2014), ECF No. 130.
- [28] *Id.* at 21-24.

# Who's with Me?

## Take Note

### **MULTIDEFENDANT CASES OR RELATED CASES, SUCH AS SERIALY FILED CASES ASSERTING THE SAME PATENTS, COMPLICATE THE STAY ANALYSIS FURTHER.**

Some courts have denied stays pending *inter partes* review or reexamination on the basis that the nonmoving defendants are not estopped by the outcome of the post-grant proceedings and can therefore later assert the same invalidity challenges already rejected by the U.S. Patent Office, which “serves to counteract any simplifying effects” of the post-grant review.[1] In other cases, courts have conditioned the grant of a stay on the remaining defendants agreeing to some degree of estoppel based on the outcome of the review proceedings.[2]

The scope of estoppel to which non-petitioner defendants may need to agree to secure a stay of the district court proceedings varies from judge to judge. Some courts have only required the other defendants to agree not to pursue any invalidity challenges actually raised in the review, leaving those defendants free to challenge the patent on other grounds that could have been raised in the proceedings—grounds that the petitioner defendant is estopped from raising.[3] However, other courts have conditioned a stay on all defendants agreeing to be estopped to the same extent as the petitioner, including an agreement not to raise any invalidity grounds in the litigation that reasonably could have been raised in the review.[4]



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## ENDNOTES

- [1] See, e.g., *Stormedia Texas, LLC v. CompUSA, Inc.*, No. 2:07-cv-025, 2008 WL 2885814, at \*1 (E.D. Tex. July 23, 2008).
- [2] See, e.g., *Evolutionary Intelligence LLC v. Yelp, Inc.*, No. 5:13-cv-03587, 2013 WL 6672451, at \*10 (N.D. Cal. Dec. 18, 2013) (conditioning stay on defendant's agreement to be estopped from litigating any invalidity claims that the petitioner raised or could have raised in IPR petitions regarding the asserted patent).
- [3] See, e.g., *Norman Holdings v. TP-Link Techs. Co.*, No. 6:13-cv-384, 2014 WL 5035718, at \*3 (E.D. Tex. Oct. 8, 2014); *E-Watch, Inc. v. Lorex Can., Inc.*, No. 4:12-cv-03314, 2013 WL 5425298, at \*4 (S.D. Tex. Sep. 26, 2013).
- [4] See, e.g., *Pi-Net Int'l, Inc. v. Focus Bus. Bank*, No. 5:12-cv-4958, 2013 WL 4475940, at \*5 (N.D. Cal. Aug. 16, 2013) (conditioning stay on defendants' agreement not to "assert in this suit that the claim is invalid on any ground that [petitioner] raised or reasonably could have raised during the IPR"); *Personal Audio, LLC v. Togi Entm't, Inc.*, No. 2:13-cv-13, slip op. at 2 (E.D. Tex. Aug. 1, 2014), ECF No. 235 (denying stay where moving defendants only agreed to be estopped from invalidity challenges actually raised in the IPR).

# JOINING MULTIPLE *INTER PARTES* REVIEW PROCEEDINGS

Key  
Facts

259 TOTAL IPR JOINDER DECISIONS [1]

232

CONTESTED  
MOTIONS  
FOR  
JOINER

26

STIPULATED/  
AGREED  
MOTIONS  
FOR  
JOINER

1

*SUA*  
*SPONTE*  
JOINER

116

GRANTED

1

DENIED  
IN PART,  
GRANTED  
IN PART

67

DENIED

48

DENIED  
AS MOOT

**Joinder of multiple IPR petitions is a frequently litigated procedural issue in post-grant proceedings under the America Invents Act (AIA),** with more than 250 motions for joinder filed to date. There are a wide variety of circumstances in which a party may seek to join IPR petitions, but a review of joinder data and several key decisions by the Patent Trial and Appeal Board (PTAB or Board) reveals trends and insights into optimizing the likelihood of prevailing on joinder motions.

The AIA gives the PTAB broad discretion on joinder of related *inter partes* review trials under 35 U.S.C. § 315(c) (emphasis added):

(c) JOINDER.— If the Director institutes an inter partes review, **the Director, in his or her discretion, may join as a party** to that inter partes review **any person who properly files a petition** under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

In practice, the PTAB has granted a majority of contested motions for joinder. The reasons the PTAB will grant joinder vary significantly from case to case, but we can glean insights from the two primary categories of joinder motions: (1) motions to join another petitioner’s IPR against the same patent, sometimes called a “me too” petition; and (2) motions to join a later-filed petition with the petitioner’s own earlier-filed petition.

### Joining Another Petitioner’s Review—A “Me Too” Petition

The most frequent joinder petition scenario addressed by the PTAB is the “me too” petition—when a petitioner seeks to join an earlier-filed petition by another party raising identical or nearly identical challenges to the same claims (or an overlapping set of claims) of the same patent.

There are several potential reasons to join an IPR petition filed by another petitioner.

First, if the party is one of several defendants accused of infringing the patent in the same or related district court actions, joinder by most or all defendants in an instituted IPR may increase the likelihood that the district court judge will stay the litigation proceedings.[2]

Second, joinder with an instituted IPR filed by another petitioner ensures that the patent owner cannot request termination of the review after settling with only the original petitioner.[3]

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Joinder is more likely when petitions and supporting evidence, such as exhibits and expert declarations, are identical and petitioners agree to consolidated briefing on the same timeline.





Practice  
Tips

- > Joinder is always at the discretion of the Board.
- > A joinder request should explain why joinder is appropriate and emphasize minimizing impacts on schedule and costs.
- > Joinder requests should be filed as early as practical.
- > The Board is divided on allowing joinder to a petitioner's own, earlier-filed petition.
- > The first petition is key. Do not count on an opportunity to institute and join a second petition.

Third, joinder requests are expressly exempted from the time bar of 35 U.S.C. § 315(b), which precludes institution of an IPR based on a petition filed more than one year after the date on which the petitioner, real party in interest or privy of the petitioner is served with a patent infringement complaint.[4]

And fourth, a party may request joinder to ride coattails on another petitioner to avoid the cost of preparing an IPR petition in the first instance.

In *Kyocera Corporation v. SoftView, LLC*, the PTAB outlined the requirements for a successful joinder motion filed by a later-filed petitioner:

1. Explain the reasons why joinder is appropriate;
2. Identify any new ground of unpatentability being raised in the newly filed petition;
3. Explain how the impact on the schedule and costs of the current proceedings will be minimized; and
4. Specifically address how briefing and/or discovery may be simplified to minimize impact to the schedule.[5]

Under this framework, the PTAB is most likely to join IPRs when the petitions are identical and the original and later-filing petitioners agree to consolidated briefing along the same timeline.[6]

But even then, joinder is not assured. For example, the Board recently denied a motion for joinder in *ZTE Corporation v. Adaptix Inc.* in which ZTE challenged the same claims on the same grounds as the first-filed review, but relied on a different expert in support of its petition than the first petitioner.[7] The Board agreed with the patent owner that reliance on a different expert than the initial petitioner would “adversely impact the [prior] trial.”[8]

And in *Teva Pharmaceuticals USA, Inc. v. VIV Healthcare Company*, the PTAB denied a motion for joinder even though the later-filed petition was based on the same ground and the same expert declaration as the already-instituted review.[9] The Board explained that it believed the additional briefing necessitated by joinder—even if limited to points of disagreement between the first and second petitioners—would unnecessarily complicate the proceeding.[10]

Thus, subject to some very general and not always consistent guidelines from prior PTAB panels, it appears that the outcome in “me too” joinder motions will continue to rest on the specific facts of each case and the luck of the draw in the assigned panel. Indeed, in its recently proposed rulemaking comments published on August 20, 2015, the Board declined to propose any changes to the joinder rules, explaining that “the current rules afford the Board broad discretion to manage multiple proceedings by tailoring the solution to the unique circumstances of each case.” The Board noted, however, that it would continue to consider whether the parties were amenable to joinder, as well as the impact on the procedural schedule, and cited *Motorola Mobility LLC v. SoftView LLC* as an example.[11]

**A Word of Caution:** Any party that plans on joining an earlier-filed review—particularly after the one-year statutory bar under § 315(b) expires—is unlikely to have the same degree of control as the original petitioner. For example, the later petitioner’s input on post-institution filings, such as the petitioner’s reply brief,

may be limited to only a brief statement of reasons for disagreement with the original petitioner.[12] In addition, if the original petitioner settles with the patent owner before the later petition is instituted, the later petitioner may be shut out by the one-year bar altogether.[13]

## Joining Your Own Earlier-Filed Review

The second most common joinder scenario is when the original petitioner files a new, additional petition and moves to consolidate the new petition with its own, already-instituted review. Petitioners employ this strategy for several reasons: to challenge claims newly asserted in district court proceedings, to add additional prior art or to attempt to remedy flaws in the earlier petition. Different PTAB panels, however, have reached different conclusions as to whether the original petitioner may use § 315(c) to join its own later-filed petition to an earlier one. The heart of the controversy is whether under § 315(c), which permits the Board to “join as a party to that inter partes review any person who properly files a petition under section 311,” the second-filing “party” can be the same party that filed the first petition or must be a different person or entity. The PTAB has been all over the map on this question.

In *Target Corporation v. Destination Maternity Corporation*, a majority of the initial three-judge panel denied a request by a petitioner to join its newly instituted review with its previously instituted review involving the same patent.[14] The majority concluded that the phrase “join as a party” in § 315(c) did not allow the Board to join a second IPR filed by the *same* party against the *same* patent.[15] The petitioner then requested and received a rehearing before an expanded, seven-judge panel. The expanded panel granted the petitioner’s motion for rehearing and allowed joinder. A 4-3 majority interpreted § 315(c) to allow both issue and party joinder and allowed the petitioner to join its later-filed petition to the existing review.[16]

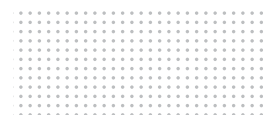
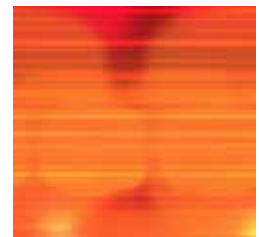
The debate did not end there, however, because several later panels have disagreed with the *Target* expanded panel and held that a party cannot join its own earlier-filed review under § 315(c).[17] Interestingly, under this view a petitioner could not use joinder with its *own* earlier-filed IPR to circumvent the one-year time bar under § 315(b), even though another party *could* evade that bar by joining the same review. The Board did not address this potential inconsistency in its most recent proposed rulemaking.

**Word of Caution:** Even if a petitioner is able to join a later-filed petition with its own earlier-filed review, the Board may nonetheless decline to institute and join the later petition.

For example, in *ZTE Corporation v. ContentGuard Holdings, Inc.*, the Board warned that a decision to institute “should not act as an entry ticket, and a how-to guide” for filing a second petition challenging claims on which the PTAB previously declined to institute review.[18] Institution of later-filed petitions can always be denied in the PTAB’s discretion unless the petitioner gives PTAB a good reason up front for filing the later petition—for example, that the later-filed petition challenges claims newly asserted by the patent owner in the related litigation.[19]

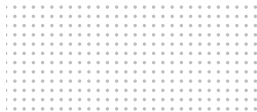
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Under the minority *Target* view, a petitioner could not use joinder with its *own* earlier-filed IPR to circumvent the one-year time bar under § 315(b), even though another party *could* evade that bar by joining the same review.



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To maximize your chances of success, file joinder requests as promptly as possible.



## Timing Requests Strategically

As a rule of thumb, joinder requests should always be filed promptly because the PTAB is more likely to deny joinder when a party waits until near the end of the statutory time period to file a petition and joinder motion.

In one recent decision, the PTAB denied a motion for joinder filed one day before expiration of the one-month grace period under 35 U.S.C. § 315(b).[20] The Board explained that the schedule in the prior IPR was “significantly advanced” and that the petitioner’s “proposed schedule does not address convincingly how the Petition could be joined to the [prior IPR] without significantly impacting the trial schedule.”[21] The takeaway here is that waiting until the last possible day without a compelling explanation or a schedule for addressing potential delay to the prior review is unlikely to prevail.

Only time will tell whether and how the Board will resolve the potential inconsistencies in application of the joinder provisions under 35 U.S.C. § 315(c). In the meantime, err on the side of caution and always provide clear and compelling reasons for all joinder requests.

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## ENDNOTES

- [1] This data is current through September 1, 2015.
- [2] See, e.g., *e-Watch, Inc. v. Apple, Inc.*, No. 2:13-CV-1061-JRG-RSP, slip op. at 4 (E.D. Tex. Mar. 25, 2015), ECF No. 334 (granting stay pending IPR after all defendants in consolidated case agreed to estoppel under § 315(e)(2)).
- [3] By statute, an instituted IPR “shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.” 35 U.S.C. §§ 317(a); see also *id.* § 327(a). If no petitioner remains, the Board “may terminate the review or proceed to a final written decision” (*id.*), meaning the PTAB can and has continued to a final written decision even after all parties to the review have settled. See, e.g., *Blackberry Corp. v. Mobilemedia Ideas LLC*, IPR2013-00016, Paper 31, at 2–3 (PTAB Dec. 11, 2013) (joint motion to terminate filed seven months after institution of the IPR); *Blackberry Corp. v. Mobilemedia Ideas LLC*, IPR2013-00036, Paper No. 64, at 2–3 (PTAB Jan. 21, 2014) (motion to terminate filed after the oral argument).
- [4] 37 C.F.R. § 42.122(b).
- [5] IPR2013-00004, Paper 15 at 4 (PTAB Apr. 24, 2013).
- [6] See, e.g., *Dell, Inc. v. Network-1 Sec. Solutions, Inc.*, IPR2013-00385, Paper 17 (PTAB July 29, 2013).
- [7] IPR2015-01184, Paper 10 (PTAB July 24, 2015).
- [8] *Id.* at 5.
- [9] IPR2015-00550, Paper 11 (PTAB June 25, 2015).
- [10] *Id.* at 5–6.
- [11] IPR2013-00257 (PTAB June 20, 2013) (Paper 10).
- [12] See, e.g., *Dell, Inc. v. Network-1 Sec. Solutions, Inc.*, IPR2013-00385, Paper 17 at 11 (PTAB July 29, 2013) (instituting IPR and granting joinder but requiring consolidated findings by petitioners and limiting filings by later petitioner to address only points of disagreement with first petitioner); *Samsung Elec. Co. Ltd. v. E-Watch, Inc.*, IPR2015-00541, Paper 12 at 3–5 (PTAB Mar. 6, 2015) (same).
- [13] See, e.g., *Apple, Inc. v. Grobler*, IPR2014-00061, Paper 10 at 2–3, 6 (PTAB Oct. 29, 2013) (same).
- [14] IPR2014-00508, Paper 18 at 1 (PTAB Sep. 25, 2014).
- [15] *Id.* at 11.
- [16] IPR2014-00508, Paper 31 at 1 (PTAB Feb. 12, 2015).
- [17] See, e.g., *Zhongshan Broad Ocean Motor Co., Ltd. v. Nidec Motor Corp.*, IPR2015-00762, Paper 12 at 12–13 (PTAB July 20, 2015).
- [18] IPR2013-00454, Paper 12 at 6 (PTAB Sept. 25, 2013) (“A decision to institute review on some claims should not act as an entry ticket, and a how-to guide, for the same Petitioner who filed an unsuccessful joinder motion, and is outside of the one-year statutory period, for filing a second petition to challenge those claims which it unsuccessfully challenged in the first petition”).
- [19] See, e.g., *Amneal Pharm., LLC v. Endo Pharm., Inc.*, IPR2014-01365, Paper 13 at 8–10, 18 (PTAB Feb. 4, 2015) (granting institution and joinder of IPR to challenge claims first asserted by patent owner in litigation after § 315(b) bar date); cf. *Arris Grp, Inc. v. Cirrex Sys., LLC*, IPR2015-00530, Paper 12 at 8–9, 11 (PTAB July 27, 2015) (denying joinder of IPR petition filed after § 315(b) one-year bar to challenge additional claims asserted by patent owner in litigation after filing of earlier petition).
- [20] See, e.g., *Harmonix Music Sys., Inc. v. Princeton Digital Image Corp.*, IPR2015-00271, Paper 15 at 8, 10 (PTAB June 2, 2015) (denying motion for joinder where petitioner waited until one month after institution of earlier petition to file joinder request).
- [21] *Id.*

# TRENDS ON REQUESTS TO STAY PENDING IPR/CBM REVIEW

*Key  
Facts*

CONTESTED  
REQUESTS  
TO STAY  
PENDING IPR

56%

SUCCESS RATE

CONTESTED  
REQUESTS TO  
STAY FILED AFTER  
INSTITUTION

70%

SUCCESS RATE





**A district court has the inherent power to control its own docket, including the power to stay proceedings.**[1] Since the inception of *inter partes* review (IPR) and covered business method (CBM) review proceedings on September 16, 2012, parties have regularly requested district courts invoke that power to stay district court proceedings pending the conclusion of IPR/CBM proceedings before the Patent Trial and Appeal Board (PTAB).

To determine how often district court cases are being stayed, we analyzed data from 560 district court orders on requests to stay district court proceedings pending IPR and 114 requests to stay pending CBM review.[2] The data reveal that the parties agreed to a stay in nearly 31% of the cases. For contested motions to stay, the overall success rate was about 56%, with both the timing of the request (e.g., pre- v. post-institution and early v. late in the case) and the nature of the case (e.g., NPE or competitor v. competitor), as well as the jurisdiction in which the motion is filed, impacting the overall likelihood of success.

### Analysis of Stays

District courts typically evaluate three factors when evaluating a request to stay an action pending IPR:[3]

- 1. Whether a stay is likely to simplify the issues in question in the litigation,** such as the number of challenged claims and patents at issue in the litigation, the likelihood of asserted claims being canceled, and whether potential discovery issues relating to prior art can be resolved by the U.S. Patent and Trademark Office;
- 2. Whether the proceedings are at an advanced stage,** including whether discovery is still open, whether claim construction is complete and whether a trial date has been set; and
- 3. Whether a stay would unduly prejudice the nonmoving party,** including an evaluation of the timing of the stay request, the timing of the IPR proceedings and the relationship of the parties.[4]

The interplay of these three factors in any particular action is case-specific, but the data reveal some overall trends.

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## STRATEGIES TO STAY

- > **STIPULATING TO a stay is best**
- > **FILE ANY PETITIONS for IPR/CBM review as early as possible relative to the litigation**
- > **PETITION FOR review of all asserted patents and claims**
- > **MOVE FOR A STAY of the litigation immediately upon institution of a review**
- > **DEMONSTRATE IN moving papers that the patentee is not a direct competitor**

“The overall success rate for contested requests to stay district court proceedings for both IPRs and CBMs is less than 60%.”



## Crunching the Numbers

Of the 674 total requests for stays we reviewed, nearly 70% of the requests—470 requests in total—were granted. But a closer evaluation reveals that a surprising number of these requests were stipulated.

When those stipulated stay requests are removed from the data, only 210 contested requests to stay pending IPR have been granted to date, for an overall success rate on contested motions of only 56%. The number of petitions for CBM review and related stay requests lag behind CBM’s IPR counterpart, but the overall contested success rate for requests to stay pending CBM review came in around 57%.

**Key Fact:** The surest way to stay a district court proceeding pending IPR is to stipulate to the stay with all parties to the case. Although, even then, a handful of stipulated stays have been denied.[5] But, short of a stipulation, we identified several other factors that appear to impact the likelihood of prevailing on a contested motion to stay.

## Timing Matters

The data reveal that timing of a motion to stay impacts the likelihood of success. Once a petition for *inter partes* review is filed, the PTAB has up to six months to issue a decision on whether to institute a trial.[6] Six months can be a long time in a district court litigation, but waiting for that institution decision before filing the motion to stay substantially increases the likelihood of success on the motion. In total, 65% of stay requests filed over the last three years were filed *before* PTAB issued a decision on institution, with a success rate on contested motions of 51%. But the success rate jumped up to 69% for contested requests to stay filed *after* PTAB instituted review. It is no surprise that stipulated requests are the best bet, with a 98% success rate regardless of whether the requests were filed pre- or post-institution.

Senior U.S. Circuit Judge William C. Bryson, sitting by designation for the U.S. District Court for the Eastern District of Texas, recently explained that the “majority rule” is now to either postpone or deny stay requests until after institution of review.[7] Judge Bryson explained that certain “circumstances *might* justify granting a stay prior to PTAB action on a review petition,” however, when a defendant acts “promptly” and petitions for review very early in the case.[8] The “instructive” case on this exception to the “majority rule” according to Judge Bryson involved a motion to stay filed only five months into the litigation when discovery had just begun and the district court had only held a scheduling conference and issued several routine and administrative orders.

The timing of the petition itself should therefore also be given careful consideration. A petition for IPR must be filed within one year after the date on which the petitioner, real party in interest or privy of the petitioner is served with a complaint alleging infringement of the patent.[9] But if a party waits until at or near that one-year deadline to file the petition, that timing will likely weigh against a stay, especially if the district court proceedings have advanced into discovery or claim construction in the meantime.[10] So the petition should be filed as early as possible with the motion to stay filed immediately upon institution. But best practice would be to inform the district

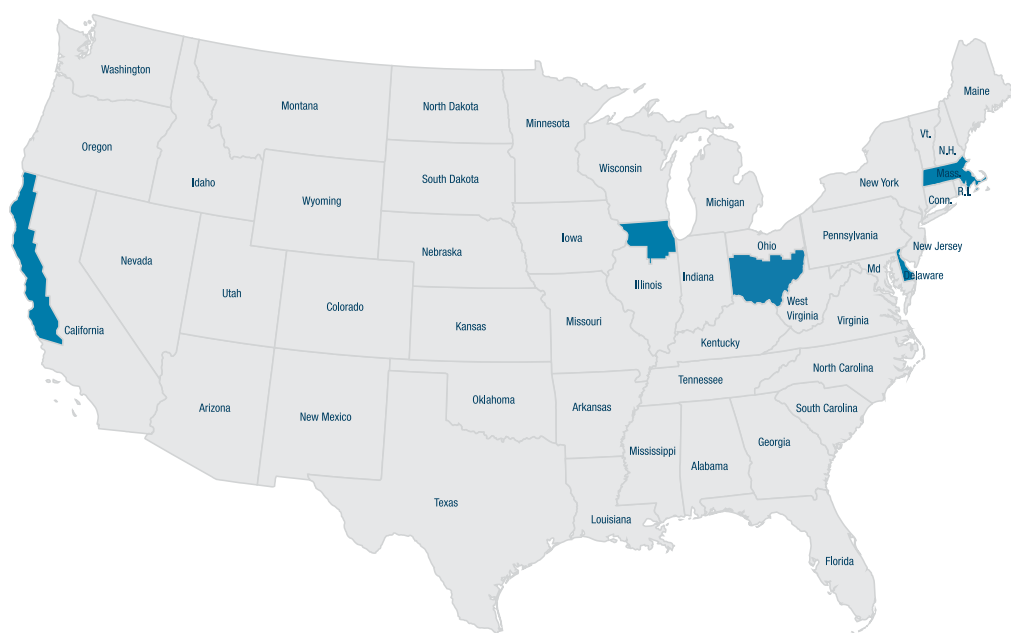
court that a petition for IPR has been, or will soon be, filed and to explain that your client intends to move for a stay if review is instituted—preferably in the context of a scheduling conference—so that any case scheduling concerns can be addressed.

## Location, Location, Location

Location also plays a role in the potential success of a contested motion to stay. A handful of U.S. district courts stand out as favorable jurisdictions for requesting a stay pending *inter partes* review, with the Northern District of Illinois leading the nation with a grant rate on contested motions to stay of 83%. The Northern District of California and the Southern District of Ohio are also notable forums, with grant rates of 73% and 63%, respectively.

### + FAVORABLE JURISDICTIONS FOR STAYS PENDING IPR

DISTRICT COURT	TOTAL STAY REQUESTS	STIPULATED REQUESTS	CONTESTED STAYS GRANTED	CONTESTED STAYS SUCCESS RATE
Northern District of Illinois	27	9	15	83%
Northern District of California	84	25	43	73%
Southern District of Ohio	9	1	5	63%
Massachusetts District Court	16	4	7	58%
Delaware District Court	62	21	22	56%



On the other side of the coin, certain district courts are statistically less likely to stay an action pending *inter partes* review, including the Eastern District of Texas and the New Jersey District Court, both of which have contested stay rates of 29%.



**UNFAVORABLE JURISDICTIONS  
FOR STAYS PENDING IPR**

DISTRICT COURT	TOTAL STAY REQUESTS	STIPULATED REQUESTS	CONTESTED STAYS DENIED	CONTESTED STAYS SUCCESS RATE
Southern District of Indiana	6	1	5	0%
Eastern District of Tennessee	5	1	4	0%
Eastern District of Texas	46	18	20	29%
New Jersey District Court	8	1	5	29%
Middle District of Florida	17	4	9	31%



## Additional Factors for Successful Stay Requests

Keep in mind that the likely success of requests to stay will also vary based on the facts at hand. For example, the Northern District of California has an overall grant rate of 73% but recently denied a motion to stay due to the advanced stage of the case and because fewer than 25% of the asserted claims were challenged in the IPR, which the district court found would limit any potential simplification of the issues.[11]

And conversely the Eastern District of Texas granted a stay pending CBM review where the defendant “acted promptly” and petitioned for CBM review within a few months of being served with the complaint.[12]

One additional factor that appears to directly impact the potential success of requests to stay is the relationship of the parties. Several district courts have denied requests to stay where the parties are “direct competitors,” which courts have found can unduly prejudice the nonmoving party.[13] And the number of asserted patents or claims challenged in the review proceedings has also been cited as a basis for denying stay requests.[14]



### THE BREAKDOWN ON REQUESTS TO STAY

DISTRICT COURT ORDERS	REQUESTS TO STAY PENDING IPR	REQUESTS TO STAY PENDING CBM REVIEW
<b>TOTAL</b>	<b>560</b>	<b>114</b>
<b>Stays Granted</b>	<b>395</b>	<b>75</b>
Granted <i>Before</i> Decision on Institution	240* 115 contested 124 stipulated	48 29 contested 19 stipulated
Granted <i>After</i> Decision on Institution	153* 95 contested 57 stipulated	27 21 contested 6 stipulated
<b>Stays Denied</b>	<b>165</b>	<b>39</b>
Denied <i>Before</i> Decision on Institution	123 121 contested 2 stipulated	27 26 contested 1 stipulated
Denied <i>After</i> Decision on Institution	42 40 contested 2 stipulated	12 12 contested 0 stipulated
<b>Automatic Stay Under § 315(a)(2)</b>	<b>2</b>	<b>0</b>

\*Includes one *sua sponte* decision by the district court.

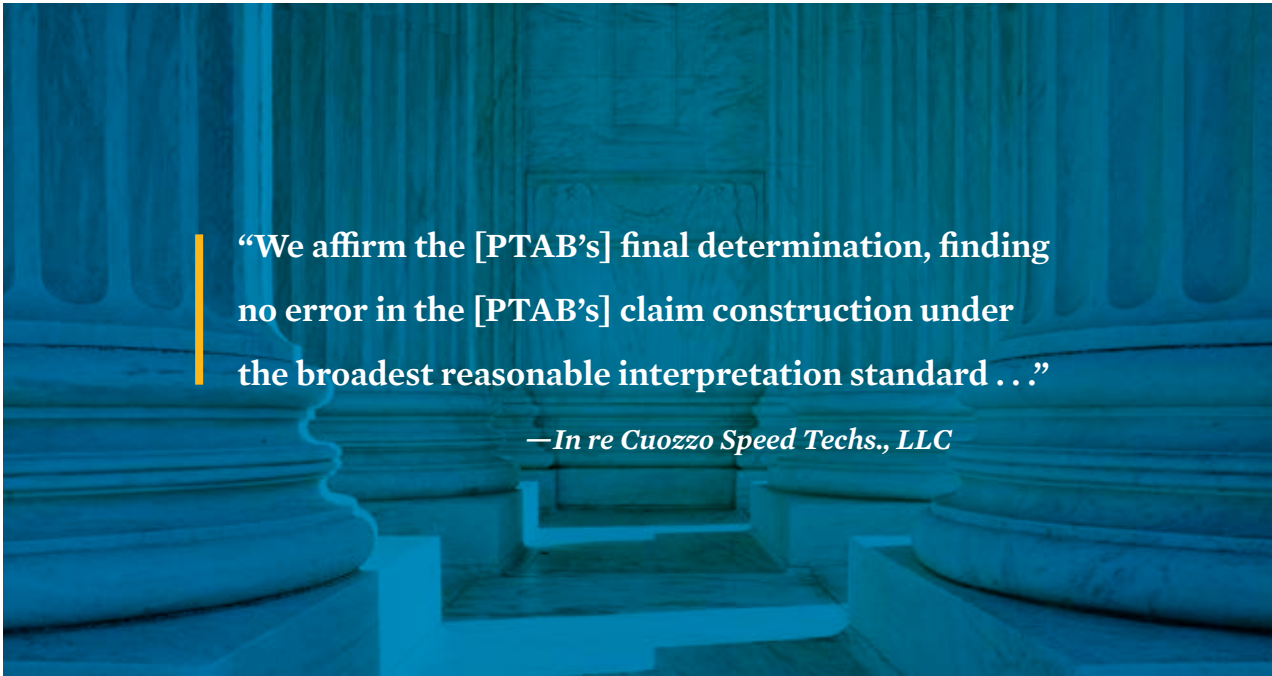
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## ENDNOTES

- [1] See, e.g., *Clinton v. Jones*, 520 U.S. 681, 706 (1997).
- [2] The figures and data discussed herein are current as of September 1, 2015.
- [3] A district court's stay analysis pending *inter partes* review is governed by case law, however, Congress expressly identified four, similar factors that govern whether a district court litigation should be stayed pending a CBM:
- (1) Whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;
  - (2) Whether discovery is complete and whether a trial date has been set;
  - (3) Whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and
  - (4) Whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court. AIA Section 18(b)(2). The AIA also contemplates an *automatic* stay of any civil action challenging the validity of a claim filed on or after the date of a petition for *inter partes* review of that patent. 35 U.S.C. § 315(a)(2).
- [4] See, e.g., *Trover Grp., Inc. v. Dedicated Micros USA*, No. 2:13-CV-1047 (E.D. Tex. Mar. 11, 2015) (Bryson, J.) ECF No. 102, at 3.
- [5] Four of the stipulated or unopposed requests filed to date were denied. In one case, the stipulated stay request was denied where defendants planned to file, but had not yet filed, petitions for IPR on only two of the asserted patents. *SHFL Entm't v. Boss Media*, 2:13-cv-00796 (N.D. Cal. Nov. 19, 2013) (Wright, J.) ECF No. 50, at 1 (explaining that IPR of only two of the four patents would not simplify the issues, especially where there were other non-patent claims at issue in the case).
- [6] Trial Practice Guide, 77 Fed. Reg. 48756, at 48757 (Aug. 14, 2012).
- [7] *Trover Grp., Inc. v. Dedicated Micros USA*, No. 2:13-CV-1047, 2015 WL 1069179, at \*6 (E.D. Tex. Mar. 11, 2015) (Bryson, J.).
- [8] *Id.* (emphasis added).
- [9] 35 U.S.C. § 315(b).
- [10] *Allure Energy, Inc. v. Nest Labs, Inc.*, No. 9-13-CV-102 (E.D. Tex. Apr. 2, 2015) (Clark, J.) ECF No. 190, at 3 (holding that the delayed filing of the request to stay the case "weighs heavily against staying the matter" and this was because the "parties, and the court, had expended substantial resources in this matter at the time this motion was filed, and have since expended more."); *Personalized Media Comm'ns, LLC v. Zynga, Inc.*, No. 2:12-CV-00068 (E.D. Tex. Nov. 8, 2013) (Payne, M.J.) ECF No. 232, at 1 (holding that filing the request to stay only seven business hours before jury selection weighs heavily against the stay).
- [11] *Adaptix, Inc. v. Dell, Inc.*, No. 5-14-cv-01259 (N.D. Cal. Aug. 5, 2015) (Grewal, M.J.) ECF No. 185, at 5-6.
- [12] *Landmark Tech., LLC v. iRobot Corp.*, No. 6:13-cv-411, 2014 WL 486836, at \*3, \*5 (E.D. Tex. Jan. 24, 2014) (Love, M.J.).
- [13] See, e.g., *Procter & Gamble Co. v. Team Tech., Inc.*, No. 1:12-CV-552, 2014 WL 533494, at \*2 (S.D. Ohio Feb. 11, 2014) (Black, J.) (denying renewed motion to stay where "Defendants' accused products compete head-to-head with Plaintiff's patented products and the harm to Plaintiff is exacerbated by the fact that Defendants' products are sold alongside the patented products at significantly lower prices."); *Davol v. Atrium Med. Corp.*, No. 12-958-GMS, 2013 WL 3013343, at \*3 (D. Del. June 17, 2013) (Sleet, J.) ("An important factor in determining if a stay will prejudice the plaintiff is whether the parties are direct competitors.... In such cases, there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting infringement has occurred, including the potential for loss of market share and an erosion of goodwill.") (citation and quotation omitted) (denying motion to stay because "the undue prejudice factor weighs against granting a stay in this action" where the patentee "has sufficiently demonstrated that it is a direct competitor of [movant] in a limited market"); *Everlight Elecs. Co. v. Nichia Corp.*, No. 12-cv-11758, 2013 WL 1821512, at \*8 (E.D. Mich. Apr. 30, 2013) (Gershwin, J.) ("Courts routinely deny requests for stay during the pendency of PTO proceedings where the parties are direct competitors") (citing several pre-AIA decisions).
- [14] See, e.g., *Dane Tech., Inc. v. Gatekeeper Sys., Inc.*, No. CIV. 12-2730 ADM/AJB, 2013 WL 4483355, at \*2 (D. Minn. Aug. 20, 2013) (Montgomery, J.) ("[Alleged infringer] has only petitioned for review of two of the three patents in this case. Even if the PTO decided to review the '836 Patent and the '979 Patent, [patentee] would still be left with its infringement claim for the '379 Patent languishing and unresolved."); *Davol, Inc. v. Atrium Med. Corp.*, No. CIV 12-958-GMS, 2013 WL 3013343, at \*5 (D. Del. June 17, 2013) (Sleet, J.) (noting the court was "concerned" by infringer's "failure to seek inter partes review" of the third asserted patent and finding that due to the infringer's "failure" to petition for review of that third patent "a stay of this action in its entirety will do little to advance the parties' dispute" over that patent).



# DOES THE BRI CLAIM CONSTRUCTION STANDARD STILL GIVE AN ADVANTAGE TO IPR PETITIONERS?



“We affirm the [PTAB’s] final determination, finding no error in the [PTAB’s] claim construction under the broadest reasonable interpretation standard . . .”

—*In re Cuozzo Speed Techs., LLC*





**The U.S. Patent and Trademark Office’s “Broadest Reasonable Interpretation” (BRI) claim construction standard is often cited as a strategic advantage** of using the AIA’s *inter partes* review (IPR) proceeding to challenge the validity of a patent. While this broad standard may help petitioners expand the universe of applicable prior art and thereby increase the chance of invalidating the patent, the BRI standard can potentially create problems for petitioners who are also battling the same patent in a district court. Specifically, challenging a patent before the USPTO and a district court forces the petitioner/defendant to construe the patent claims under two different claim construction standards. In other words, the same claim can be subject to a broad interpretation using the USPTO’s BRI standard and at the same time is also subject to a potential narrower interpretation pursuant to the district court’s *Phillips* standard.

This claim construction paradox has been the subject of extensive debate over the last three years. While the Federal Circuit recently held that the BRI is the correct standard for use by the USPTO, the actual difference between the BRI and the *Phillips* claim construction standard is not clearly defined. Indeed, based on recent U.S. Court of Appeals for the Federal Circuit cases, the underlying analysis for these two claim construction standards is arguably more similar than different. To the extent these standards converge, it will raise the question of whether the BRI standard will continue to offer a significant advantage to challenging patents in IPR proceedings over a challenge in district court proceedings.

### How Does the BRI Standard and the Standard Used by Federal Courts Differ?

In 2015, the Federal Circuit finally ruled on whether the Patent and Trial Appeal Board’s (PTAB) use of the BRI claim construction standard was appropriate for IPR proceedings. In *In re Cuozzo Speed Technologies, LLC*, the Federal Circuit upheld the PTAB’s use of BRI as the proper standard for IPRs.[1] Before this ruling, many argued that the USPTO should apply the same claim construction principles as a district court, thus confusion remains as to the differences between these construction standards. Moreover, recent case law appears to be minimizing the perceived difference by requiring similar analysis for both standards.

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## Analysis under the BRI standard cannot be divorced from the factors considered under the *Phillips* standard.



When the USPTO created the rules governing conduct of IPR proceedings, it established that “[a] claim in an unexpired patent shall be given its broadest reasonable construction *in light of the specification* of the patent in which it appears.”[2] BRI is often perceived as providing an advantage to IPR petitioners because the PTO rule seems to suggest that BRI is based only on the disclosure in the specification and does not take into account the related file history. Based on this, BRI suggests a broader claim interpretation than might result as compared to the more detailed *Phillips*-based analysis. Importantly, the Federal Circuit confirmed the basic concept that BRI and *Phillips* may lead to different results, noting that “[t]he broadest reasonable interpretation of a claim term may be the same as or broader than the construction of a term under the *Phillips* standard. But it cannot be narrower.”[3]

District courts, on the other hand, do not apply BRI. Instead, patent claims are construed in light of the claim language, the patent specification and the prosecution history as directed by the Federal Circuit in *Phillips v. AWH Corporation*.<sup>[4]</sup> Expert testimony and dictionary definitions may also be considered.<sup>[5]</sup>

### Are These Two Claim Construction Standards Converging?

While the Federal Circuit established that the BRI standard is distinct from the *Phillips* standard, recent cases cast doubt on the degree of difference.

Most recently, in *Microsoft Corporation v. Proxyconn, Inc.*, the Federal Circuit provided guidance on the limits of a BRI construction.<sup>[6]</sup> The Federal Circuit held that the PTAB may not construe claims so broadly that its constructions are unreasonable.<sup>[7]</sup> Recognizing that there are limits to BRI, the Federal Circuit warned that BRI claim construction must be guided by general claim construction principles similar to those of *Phillips*. It “does not include giving claims a legally incorrect interpretation” and it is not “an unfettered license to interpret claims to embrace anything remotely related to the claimed invention.”<sup>[8]</sup> A claim construction that is “unreasonably broad” and one that does not “reasonably reflect the plain language and disclosure” will not pass muster.<sup>[9]</sup> As such, a proper BRI construction now must fall somewhere along a continuum bounded by “not narrower than a *Phillips* construction” as the floor and not “unreasonably broad” as the ceiling.

The *Proxyconn* decision also shed further light on factors the USPTO is to consider when construing a claim under BRI. The court instructed the PTAB to “consult the patent’s prosecution history” in addition to the specification.<sup>[10]</sup> This is a significant instruction for two reasons. First, as mentioned above, the IPR rules only expressly require the PTAB to construe claims “in light of the specification.”<sup>[11]</sup> Thus, some thought it unnecessary to consider the patent’s prosecution history to determine the BRI.<sup>[12]</sup> Second, *Proxyconn* itself did not involve prosecution history arguments. This arguably makes the court’s pronouncement that the prosecution history must be considered mere dictum, but it is instructive that the court went out of its way to say that the prosecution history must be considered when doing a BRI claim construction. In short, the Federal Circuit made clear that the analysis under the BRI standard cannot be completely divorced from the factors considered under the *Phillips* analysis.

As shown in the chart, if a proper BRI requires considering all intrinsic evidence, including the prosecution history, then BRI claim construction begins to look a lot more like a *Phillips* claim construction. If this is correct, one could question how it would be possible for the PTAB to reach a different BRI construction than a *Phillips* construction based upon the same facts, evidence and analysis.

## BRI AND PHILLIPS STANDARDS INTER PARTES REVIEW AND DISTRICT COURT COMPARISONS

CLAIM CONSTRUCTION ANALYSIS FACTORS	INTER PARTES REVIEW (IPR)	DISTRICT COURT
What claim construction standard is applied?	Broadest reasonable interpretation	<i>Phillips</i>
Is the specification considered?	Yes	Yes
Is the prosecution history considered?	Yes – under <i>Proxycann</i>	Yes
Are dictionary definitions consulted?	Yes	Yes
Presumption of validity?	Yes	Yes
Are claims construed to uphold validity?	No	Maybe
Does patent owner have opportunity to amend?	Yes[13]	No
When are claims construed?	<p>Within 6 months of filing a petition, the PTAB will issue a decision on institution with an initial claim construction ruling.</p> <p>Within 1 year of a decision to institute, the PTAB will issue a final written decision with a final claim construction ruling.</p>	<p><i>Markman</i> – timing varies by judge and jurisdiction.</p> <p>Local rules generally provide for <i>Markman</i> within 6.5 months of an Initial Case Management Conference. See, e.g., E.D. Tex. (195 days); N.D. Cal. (199 days).</p>

Whether *Proxycann* will actually narrow or eliminate the difference between BRI and *Phillips* remains to be seen. Indeed, recent PTAB decisions are split on the issue of consulting the prosecution history as part of the BRI analysis. For example, in *Monosol RX, LLC v. Arius Two, Inc.*, both parties suggested that the BRI of the term “bioerodable device” required only one layer (although additional layers may be present).[14] However, the PTAB was careful to evaluate the prosecution history of the patent and determined that “the applicant did not intend to broaden the claims beyond what was disclosed in the specification and the originally filed claims—namely a device having at least two layers.”[15] Thus, the PTAB construed the term “bioerodable device” more narrowly to mean a multilayer device.[16]

On the other hand, just weeks later, in *Stryker Corporation v. Karl Storz Endoscopy-America, Inc.*, the PTAB was unpersuaded by the petitioner’s prosecution history arguments concerning the construction of the term “camera head,” explaining that under *Cuozzo* the PTAB will “construe claims *in light of the Specification*.”[17]

## What Does This Mean for IPR Petitioners?

If the BRI analysis factors are the same or nearly the same as the *Phillips* factors, petitioners must evaluate whether the construction they propose during an IPR proceeding will also work for district court purposes. Otherwise, a petitioner may have a difficult time articulating to a court why its IPR construction differs from its proposed district court construction if both are based on the same factors and evidence. In practice, the petitioner must make sure its IPR counsel and litigation counsel closely coordinate regarding claim construction issues.

## Are There Any Exceptions?

One notable exception to the application of BRI in IPR proceedings involves expired patents.[18] Claims of an expired patent are given a non-BRI construction and are “construed in a fashion similar to that used in a district court’s review.”[19] This difference results from the fact that an expired patent cannot be amended.

On August 20, 2015, the USPTO proposed expanding the use of a “*Phillips*-type” claim construction standard for claims that have not yet expired but will expire prior to the issuance of a final written decision.[20] The USPTO reasoned that “[s]uch patents essentially lack any viable opportunity to amend . . . in an AIA proceeding.”[21] The USPTO also confirmed that under the newly proposed rules, BRI would continue to apply in all other situations, including for (1) unexpired patents where the ability to amend claims is no longer present at trial, such as when a patent owner has elected to forgo the opportunity to amend; (2) unexpired patents subject to a terminal disclaimer prior to final decision; and (3) unexpired patents when the parties to the trial have each filed claim construction briefings in another tribunal on terms at issue in trial.[22]

## Practice Insight for Petitioners

- Evaluate whether a proposed BRI construction is susceptible to attack based on the prosecution history.
- If possible, select prior art for an IPR that is not dependent on a favorable claim construction. In other words, choose prior art that would invalidate a patent under either BRI or *Phillips* standards for claim construction.

## Practice Tips for Patent Owners

- Evaluate the petitioner’s proposed claim constructions to determine whether a construction would be legally incorrect or not reasonably reflective of the plain language and disclosure, particularly in view of the prosecution history.
- Attack proposed grounds of rejection whose success depends on the petitioner obtaining its proposed claim construction.

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## ENDNOTES

- [1] 793 F.3d 1268, 1278-79 (Fed. Cir. 2015) (“Congress implicitly approved the broadest reasonable interpretation standard in enacting the AIA,” and “the standard was properly adopted by [United States Patent and Trademark Office] regulation.”).
- [2] See 37 C.F.R. § 42.100(b) (emphasis added).
- [3] *Facebook, Inc. v. Pragmaus AV, LLC*, 582 Fed. Appx. 864, 869 (Fed. Cir. 2014) (non-precedential).
- [4] 415 F.3d 1303, 1314 (Fed. Cir. 2005).
- [5] *Id.* at 1317.
- [6] 789 F.3d 1292, 1298 (Fed. Cir. 2015).
- [7] *Id.*
- [8] *Id.* (internal citations and quotation marks omitted).
- [9] *Id.* (internal citations and quotation marks omitted).
- [10] *Id.*
- [11] See 37 C.F.R. § 42.100(b) (“A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.”).
- [12] However, cases before *Proxycorr* recognized that the BRI could not ignore an express disclaimer of a broader definition in the prosecution history. See, e.g., *Polygroup Ltd. v. Willis Elec. Co., Ltd.*, IPR2014-01264, 2015 WL 679652 at \*3 (PTAB Jan. 30, 2015) (explaining that prosecution history compels departure from plain meaning only where lexicography or disavowal is shown).
- [13] However, critics of the BRI standard maintain that the PTAB is too stingy in allowing amendments. See, e.g., *Cuozzo*, 793 F.3d at 1287-88 (“The panel majority is incorrect in concluding that Inter Partes Review proceedings are not materially different with respect to the opportunity to amend. Amid the Inter Partes Review restrictions, patent owners are limited to ‘one motion to amend,’ and are presumptively limited to substituting one issued claim for one amended claim. There is no right of amendment in these new post-grant proceedings, and motions to amend are rarely granted.”) (Newman, P., dissenting) (internal citations omitted).
- [14] IPR2014-00376, 2015 WL 4737087 at \*4 (PTAB Aug. 5, 2015).
- [15] *Id.* at \*5.
- [16] *Id.* at \*5-6.
- [17] IPR2015-00674, 2015 WL 5190756 at \*5 (PTAB Sept. 1, 2015) (emphasis in original).
- [18] See 37 C.F.R. § 42.100(b) (“A claim in an *unexpired* patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.”) (emphasis added).
- [19] See, e.g., *Toyota Motor Corp. v. Hagenbuch*, IPR2013-00483, Paper No. 21 at 2 (PTAB Apr. 16, 2014).
- [20] Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50719 (proposed Aug. 20, 2015) (to be codified at 37 C.F.R. pt. 42).
- [21] *Id.*
- [22] *Id.*

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*September 2015*

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