

INTER PARTES REVIEW

- SUCCESSFUL CHALLENGE ON US PATENTS

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Presented at KPAA seminar on August 27, 2014

Post Grant Procedure for Invalidation of Patents at the USPTO

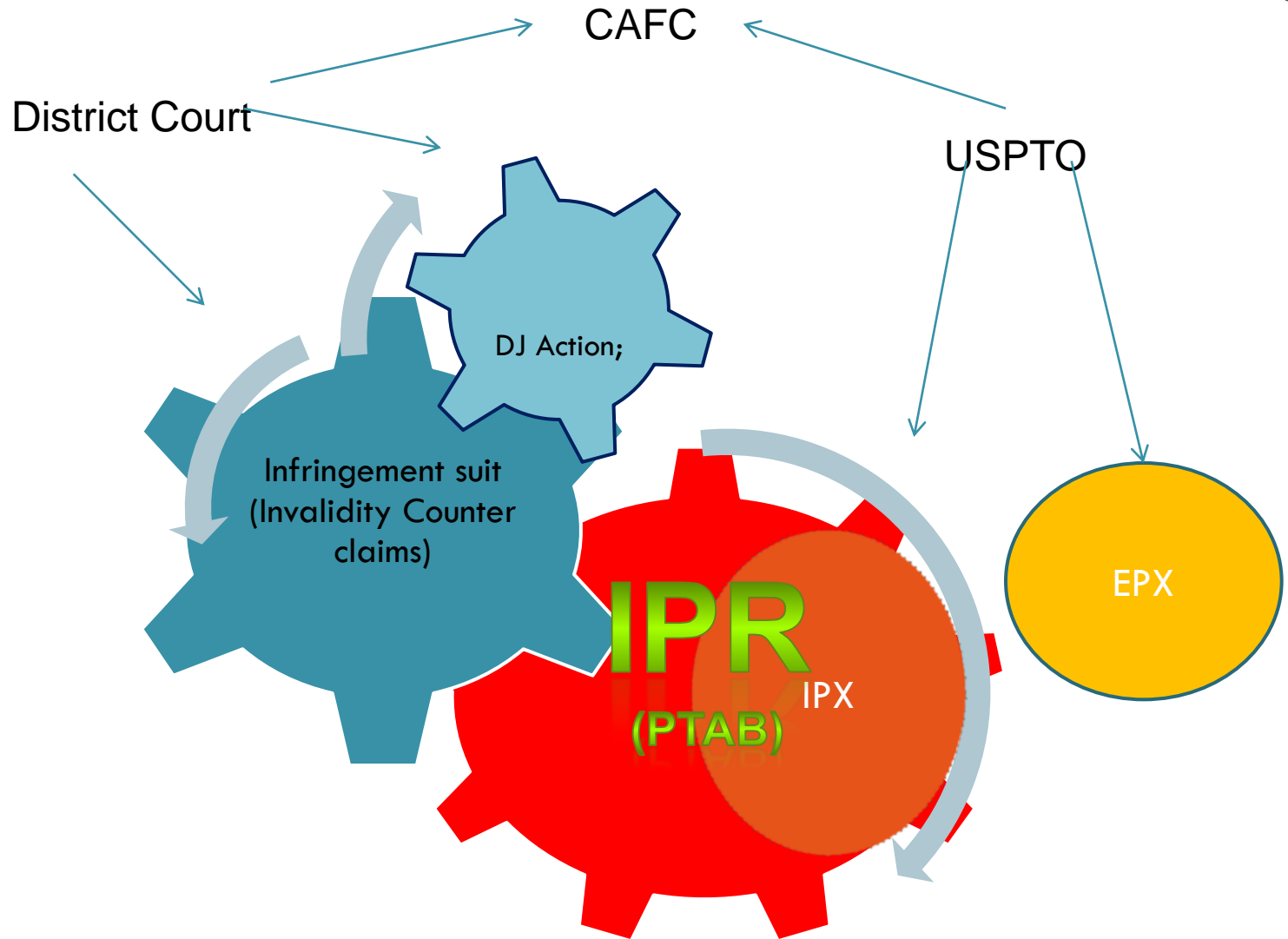
Ex Parte Reexamination (EPX)
- Continue under AIA

Inter Partes Review (IPR)
Covered Business Method
(CBM)

Post Grant Review (PGR) :
Patents having an effective date on or after
March 16, 2013;
First case on Aug. 5, 2014.

Dynamics of IPR

- Game changer?



Statistics* - Petition Filing

(~Aug. 14, 2014)

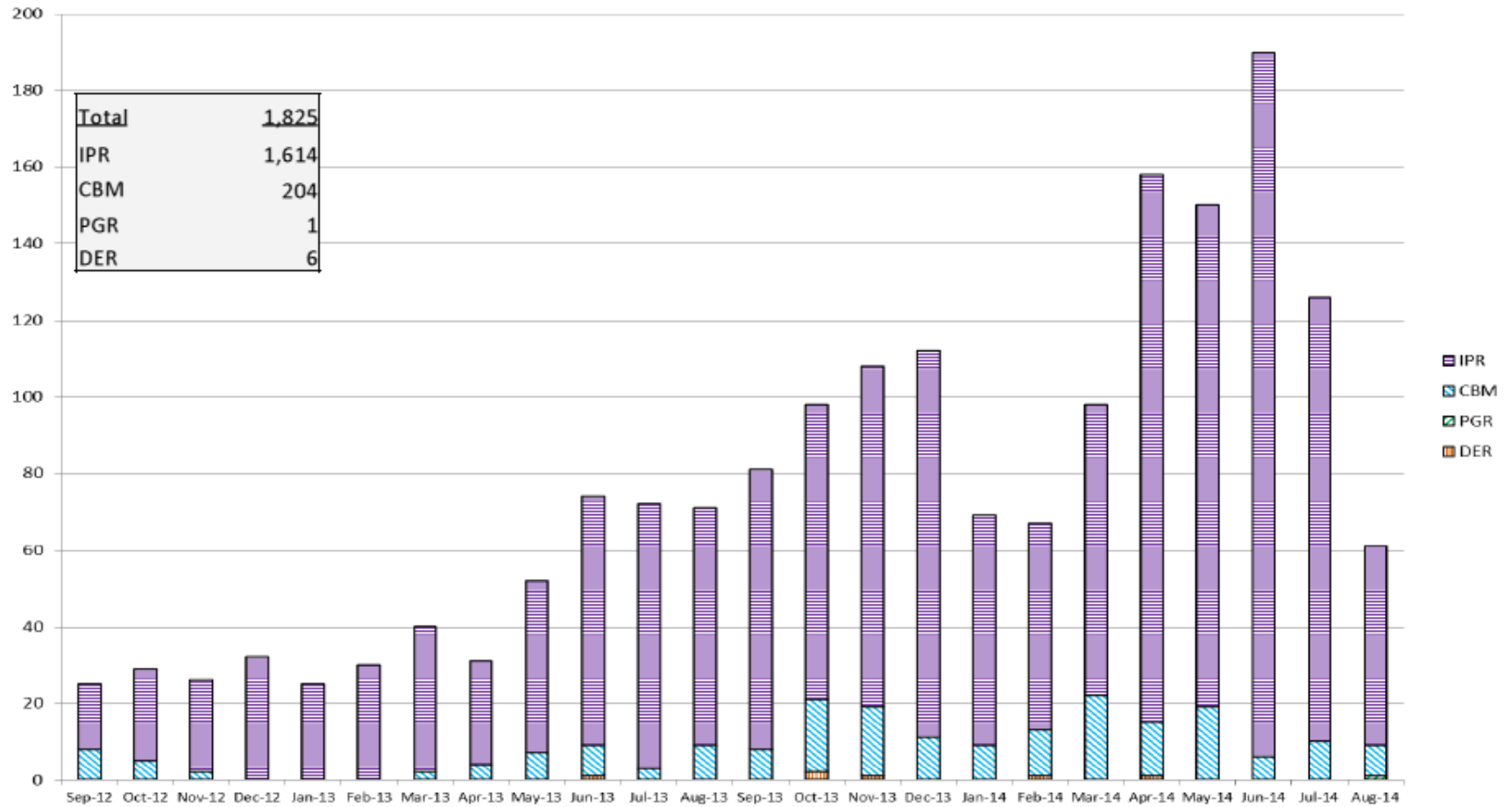
* Source:

http://www.uspto.gov/ip/boards/bpai/stats/aia_trial_statistics.jsp

FY	Total	IPR	CBM	PGR	DER
2012	25	17	8	-	-
2013	563	514	48	-	1
2014	1,237	1,083	148	1	5
Cumulative	1,825	1,614	204	1	6

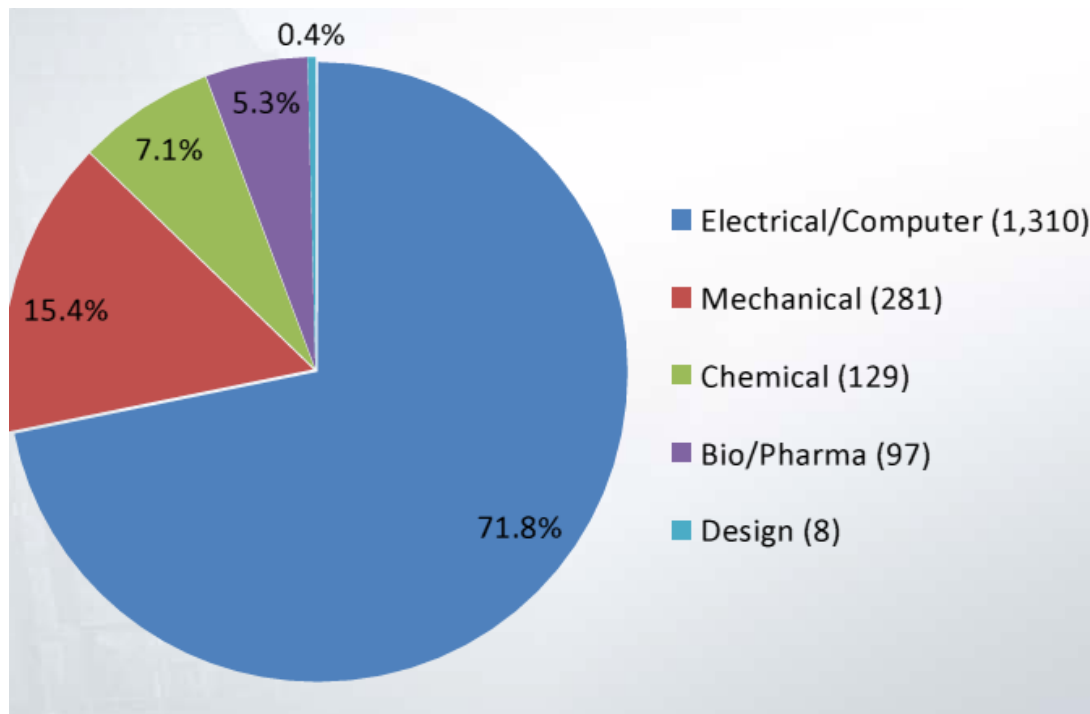
Statistics* - Monthly Filings

(~Aug. 14, 2014)



Statistics* - Petition Technology

(~Aug. 14, 2014)



2013 Fiscal year
(Oct. 2013~)

Top 5 IPR Petitioners:
*Apple, Samsung,
Google, Gillette, Intel.*

Top 5 POs in IPR:
*Zond, Inc., Intellectual
Ventures, VirnetX,
American Vehicular
Science, Cluding IP*

Statistics* – Cumulative PO Preliminary Response

(~Aug. 14, 2014)

	Filed	Waived
IPR	897	245
CBM	139	18

Statistics* - Petition Dispositions

(~Aug. 14, 2014)

		Trials Instituted	Joinders	Percent Instituted	Denials	Total No. of Decisions on Institution
IPR	FY13	167	10 ⁺	<u>87%</u>	26	203
	FY14	458	13 ⁺	<u>75%</u>	154	625
CBM	FY13	14		82%	3	17
	FY14	66	1 ⁺	73%	25	92
DER	FY14	-		0%	3	3

⁺24 cases joined to 22 base trials for a total of 46 cases involved in joinder.

Statistics* - Final Dispositions

(~Aug. 14, 2014)

		Settlements	Adverse Judgments	Final Written Decisions
IPR	FY13	38	2	0
	FY14	148	33	105
CBM	FY13	3	0	1
	FY14	22	0	10

Statistics - Claims Survived

Death Squad ?



Date Range	All Claims Invalidated	No Claims Invalidated	Some Claims Invalidated	Total	Percent Surviving
All Time (6/1/2013 - 8/7/2014)	59	18	14	91	35%
Since June (6/1/2014 - 8/7/2014)	17	5	6	28	39.3%
Last 3 Months (5/7/2014 - 8/7/2014)	26	5	6	37	29.7%

Go with IPR?

- Pros & Cons

Pros

- Faster: 12 month time limit from Initiation to Final Decision
- Low Cost : Limited discovery
- Broad Claim construction:
“Broadest reasonable interpretation in the light of the specification” (BRI) standard (different from that used in district courts for invalidity or infringement action: *Phillips v, AWH Corp* (Fed. Cir. 2005))
- Low Burden of Proof:
Preponderance of evidence (cf. clear and convincing evidence)
- Technology Expert Judges – PTAB
- Termination by Settlement
- Litigation Stay pending IPR

Go with IPR?

- Pros & Cons

Cons:

- Limited Grounds: 102 & 103 only
- Broad Scope of Estoppel
- No appealable PTAB decision to initiate

Pre-petition Checklist

- Petitioner Standing
 - Anyone but the patent owner
 - Joint IPR (Co-petitioner) or Joinder ?
 - Bar: who has challenged validity in a civil action, but not as a counter claim in a suit by a patentee (e.g., **DJ action**)
(CBM2014-00035: “No CBM is available after DJ filed” - First Precedential PTAB decision) (IPR2013-00438: “IPR standing after DJ action dismissed without prejudice”)

- Real Party In Interest (RIP) and Privy

- Time bar
 - Anytime, or after termination of post-grant review period (9 months) for the patents issued under the first-inventor-to-file system.
 - **1 year bar**: Not more than 1 year after being **served a complaint** alleging patent infringement - First-served complaint. *Apple Inc. v. Vernetx, Inc. and Science Application International Corporation* , IPR 2013-00393

Pre-petition Checklist

- Robust prior art search

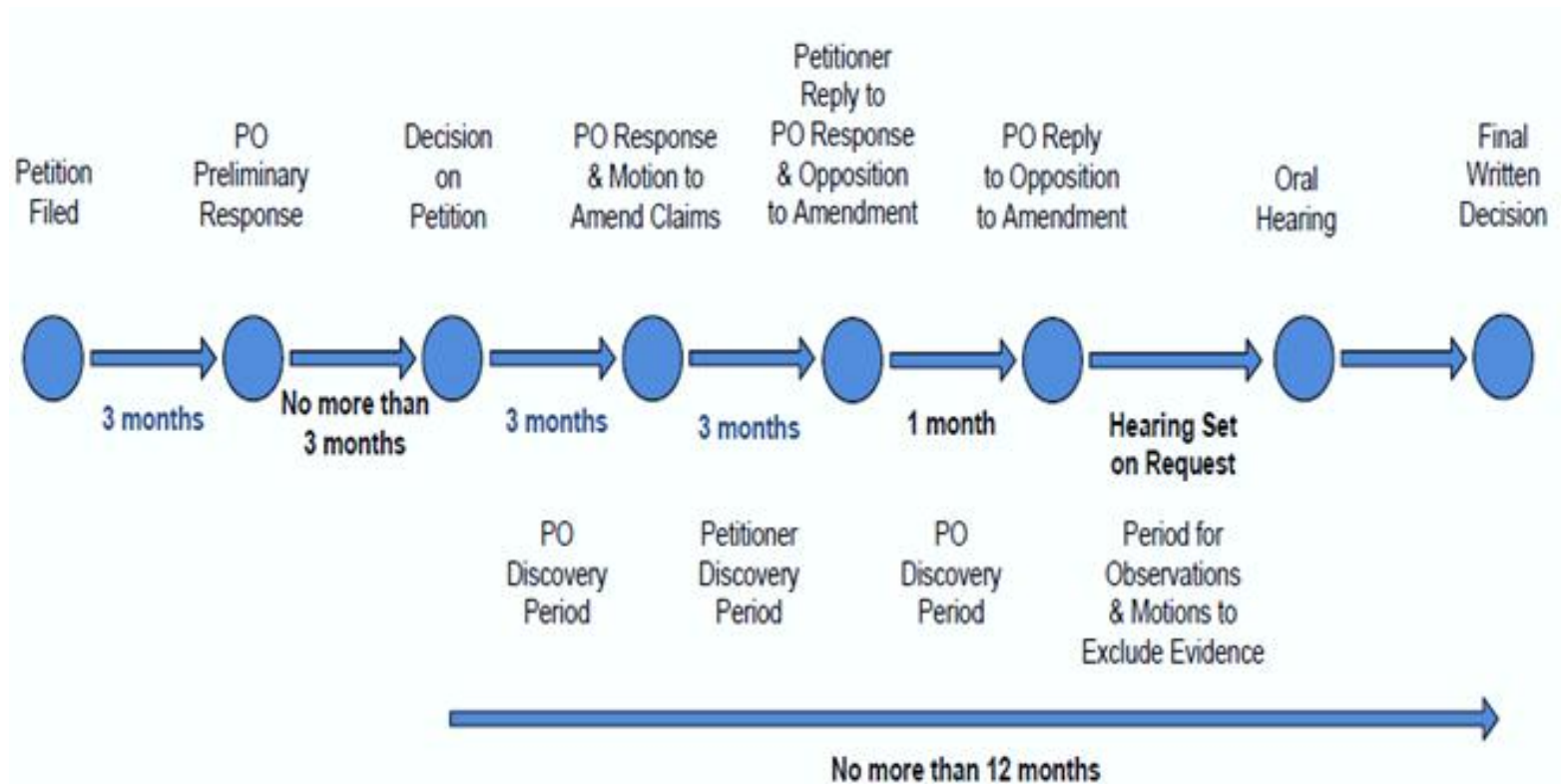
- Strong grounds to select
 - 35 U.S.C. §102 (Anticipation)
 - 35 U.S.C. § 103 (Obviousness)
 - Based on patents and printed publications
 - Priority challenge based on 35 U.S.C. §112

- Qualified Expert Witness & Declaration
 - Subject to cross-examination

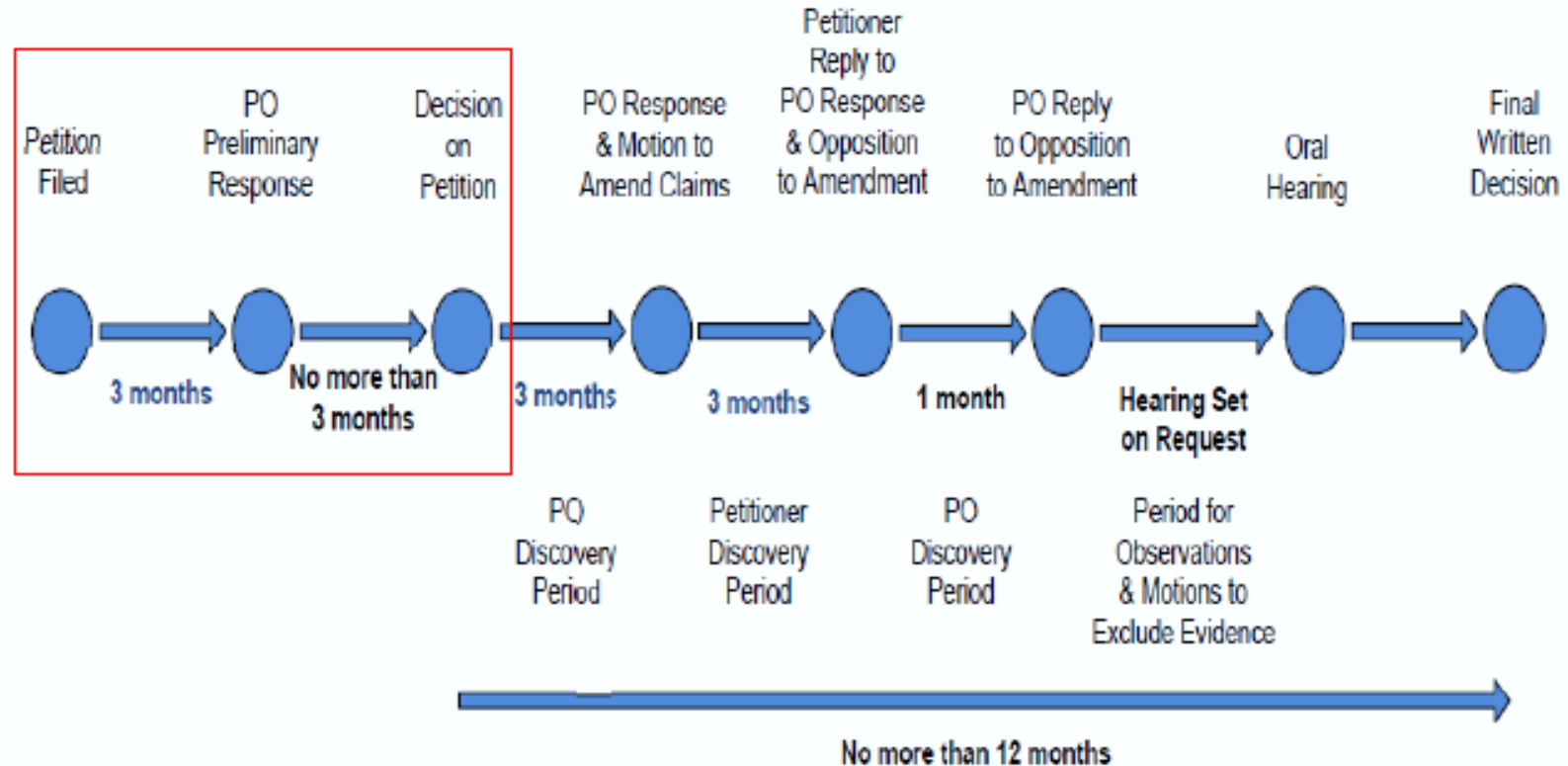
- Strong Articulated Analysis to catch the IPR initiation
 - Reasonable likelihood that petitioner will prevail with respect to at least one claim challenged

- Client needs
 - Settle?
 - Invalidation?

IPR Proceeding Timeline



IPR Pretrial



IPR –Pretrial

i. Petition

- 60 Page Limit:
 - Better to provide detailed analysis for limited number of challenges
 - Consider multiple IPRs
- Sound legal analysis and Citations to evidentiary record
 - Invitational IPR declined: e.g., *Veeam Software v. Symantec*, IPR2013-00145; *Heart Failure Tech. v. CardioKinetix*, IPR2013-00183 (denying petition); *Zetec, Inc. v. Westinghouse Elec. Co., LLC*, IPR 2014-00384 (127 grounds and denying petition)

IPR –Pretrial

i. Petition – Cont.

- Expert Declaration
 - Complex technology
 - Underling facts and support

- Analysis in Petition itself : No incorporation by reference from declaration

- Claim Construction: needs support & analysis

- Claim Chart
 - 2 column format
 - Pinpoint references
 - Must explained in Petition

IPR – Pretrial

ii. *Preliminary Patent Owner Response*

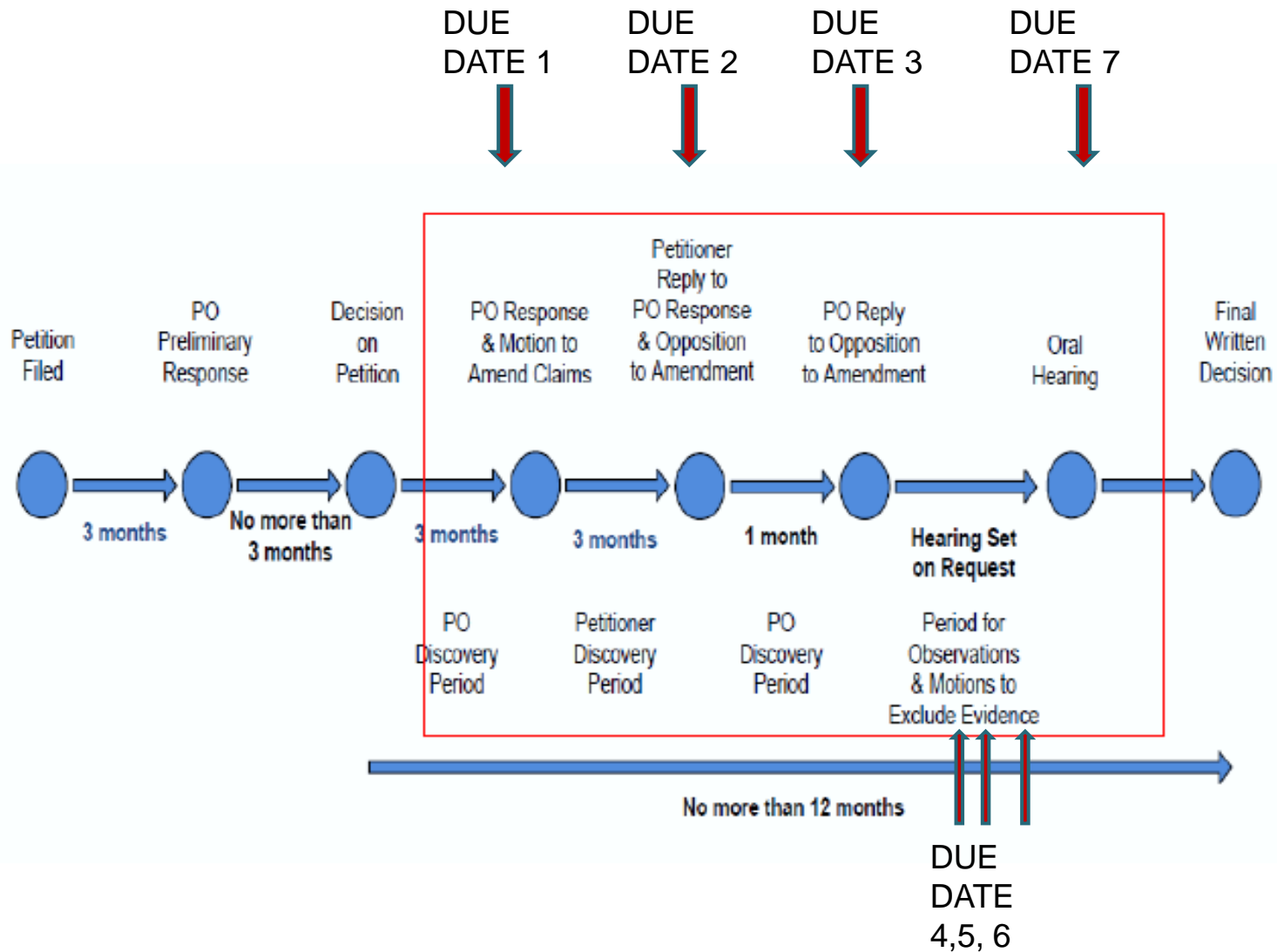
- 3 months from the filing date of petition
- No new testimonial evidence
- Identify procedural and substantive reasons to deny petition
 - Statutory Bar: 1 year bar, prior civil action filed
 - Failure to identify real party in interest/privy (IPR2013-00609)
 - Substantive weakness in Petition: lack of material limitations, teaching away of prior art, unreasonable claim constructions, etc.
- No amendment, but can disclaim patent claims

IPR- Pretrial

iii. Decision to initiate IPR

- PTAB 3 administrative judges - “*persons of competent legal knowledge and scientific ability.*”
- Reasonable likelihood standard
- Scheduling Order: DUE DATE S1 to 7
- Motion to Object: w/in 5 days
- Request for Rehearing: w/in 14 days
 - Less than 10% of the motion for reconsideration accepted
 - Standard: PTAB’s abuse of its discretion (misapplication of the law)
e.g., *PNY Tech., Inc. v. Phison Elec. Corp.*, (IPR2013-00472)
(misapplication of the inherency)
- Joinder: w/in 1 month
 - Filing a Motion for Joiner and Petition
- Non appealable
 - Writ of Mandamus ?

IPR - Trial



IPR - Trial

i. Supplemental Information

- Request within 1 month from the institution
- Relevant to the claims of trial institution
- Show why the information reasonably could not have been obtained earlier + “the interest-of-justice”

IPR - Trial

ii. PO Response & Amendment

- 3 months from Initiation Decision
- 60 Page Limit (Motion to exceed: “interest of justice”)
- New issue not raised in PO Preliminary Response (e.g., secondary consideration) (testimonial evidence)

- Motion to Amend: the *Idle Free* decision : *Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027 (Paper 26)
 - One-for-one claim substitution (claim-by-claim basis)
 - Patent Owner should identify (i) how the amendment responds to a ground of unpatentability involved in the trial and (ii) why the amendment does not enlarge the scope of the claim or introduce new matter.
 - Need to show patentable distinction (no search, no OA by PTAB)
 - Rarely granted so far.
 - Petitioner Opposition to PO Amendment
 - PO Reply to Petitioner Opposition to Amendment

IPR-Trial

ii. Discovery

- Initial disclosures
- Routine Discovery
 - Production of any exhibit cited in a paper or testimony;
 - Cross-examination of the opposing party's witness; and
 - Relevant information that is inconsistent with a position advanced during the proceeding.
- Additional Discovery is only available on a showing that the requested discovery would be productive under an interest-of-justice standard: rarely allowed. *Garmin v. Cuozzo* IPR2012-00001
 - Protective orders available to preserve confidential information

IPR – Trial

iii. Petitioner Reply to PO Response

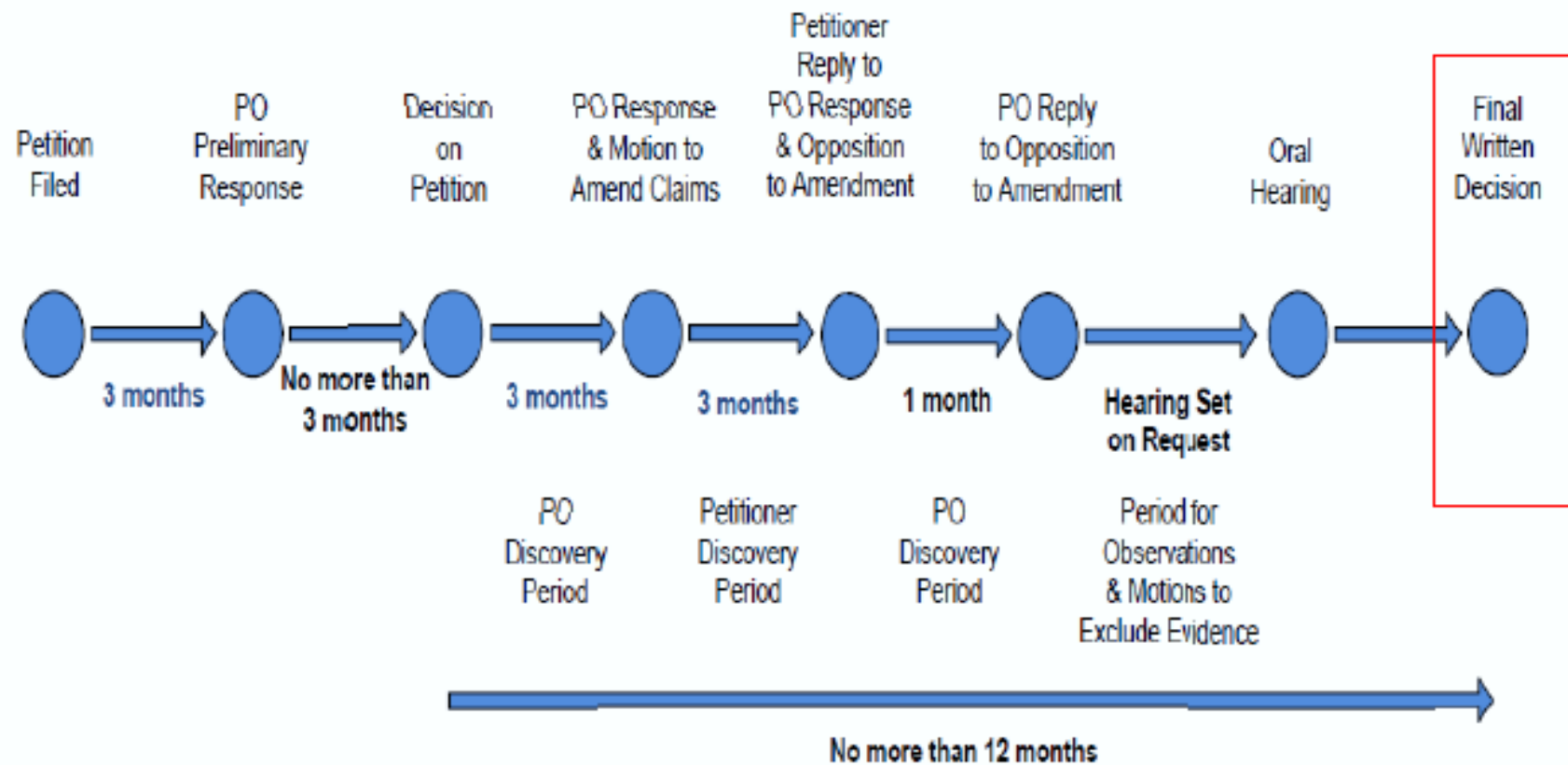
- 15 Page Limit (motion to exceed: “interest of justice”)
- No new arguments/evidence, except to respond to previous filing (e.g., second expert declaration)
- PO Sur-reply may be granted under conditions (*Zodiac Pool Systems, Inc. v. Aqua Products, Inc.*, IPR2013-00159 (only rebuttal of allegation in Petitioner’s expert declaration attached to Petitioner Reply))

IPR-Trial

iv. Oral Hearing

- Must request in separate filing that outlines arguments
- Demonstrative exhibits should serve as visual aids
- Attorneys should be very well prepared to answer questions about the entire record.
- PTAB 3 judges either in person or via video or telephone attendance

IPR –After Trial



IPR After Trial

i. Written Final Decision

- Issued not more than 12 or 18 months from institution on trial.
- About 1/3 of the claims instituted survived so far.
- Appealable to CAFC
- Rehearing - misapprehended or overlooked issue

IPR –After Trial

ii. Estoppel

- PTAB’s “final written decision”
- “Raised or reasonably could have raised” in the IPR
- Proceedings before the PTO, Civil Actions and Other Proceedings - District Court and ITC actions
- Applies to both pending and prospective actions
- Does not apply to IPR proceedings that settled

Stay Pending IPR

- About 70% district court litigations stayed pending IPR
- Prior to or after PTAB Initiation Decision
- Strong benefit for defendant in district court litigation

PTAB Decision & Court Decision

PTO's cancellation of patented claims binds on federal district court over a case involving same claims: no reciprocal binding effect

- *Fresenius USA Inc. v. Baxter Int'l Inc.*, 721 F.3d 1330 (Fed. Cir. 2013) (“Fresenius II”).
- *In re Baxter Int'l Inc.*, 678 F.3d 1357 (Fed. Cir. 2012), reh'g *en banc* denied 698 F.3d 1349 (Fed. Cir. 2012) : a district court finding of patent validity, even if also affirmed by the Federal Circuit, is not similarly binding on the PTO
- CBM2012-00007, Patent 5,361,201 (PTAB Jan. 30, 2014) *and CoreLogic Information Solutions Inc. v. Fiserv Inc.*, No. 2:10-CV-132-RSP (E.D. Tex.)

Settlement in IPR

- Any stage of IPR, before or after initiation
- File a joint motion to terminate a proceeding accompanied by a true copy of the settlement agreement
- Discretion of the Office to proceed to a final written decision (CBM 2012-000007 case: settlement after the PO's response is too late to terminate)
- Multiple Petitioners: Terminate with respect to the petitioner settled
- Request the settlement agreement be treated as a business confidential

Thank You

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