

IPRs and CBMs : The Good, the Bad, and the Unknown

Seattle Intellectual Property Inn of Court
A Presentation by Group 6 – April 17, 2014

The Governing Statutes

35 U.S.C. § 311(a) In General.— Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) Scope.— A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section [102](#) or [103](#) and only on the basis of prior art consisting of patents or printed publications.

(c) Filing Deadline.— A petition for inter partes review shall be filed after the later of either—**(1)** the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

35 U.S.C. § 312(a) Requirements of Petition.— A petition filed under section [311](#) may be considered only if—**(1)** the petition is accompanied by payment of the fee established by the Director under section [311](#);

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—**(A)** copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) Public Availability.— As soon as practicable after the receipt of a petition under section [311](#), the Director shall make the petition available to the public.

35 U.S.C. § 313 If an inter partes review petition is filed under section [311](#), the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

35 U.S.C. § 314(a) Threshold.— The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section [311](#) and any response filed under section [313](#) shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) Timing.— The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section [311](#) within 3 months after—**(1)** receiving a preliminary response to the petition under section [313](#); or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) Notice.— The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) No Appeal.— The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

Overview of Today's Presentation

- Overview of Inter Partes Review and Covered Business Method Patent Review
- Appellate Panel I – Issues Related to IPRs and CBMs
- Statistics After the First Year of IPRs and CBMs
- Appellate Panel II – Additional Issues Related to IPRs and CBMs
- Takeaways/Conclusions/Q&A

Introduction to IPRs and CBMs

Kaustuv M. Das

Challenging Patents Under the AIA

- **Inter Partes Review**
- Post-Grant Review
- **Transitional Program for Covered Business Method Patents (CBMs)**
- Ex-Parte Reexaminations
- Pre-Issuance Third Party Submissions

Plus ça change, plus c'est la même chose

Pre-AIA	AIA
Pre-issuance 3d Party Submissions (Limited to citations)	Pre-issuance 3d party submissions (details and unlimited # of docs)
Ex-parte reexamination (post grant)	Ex-parte reexamination (post grant)
	Post-grant review
	Inter partes review CBMs
Inter partes reexamination	

Inter Partes Review Basics

- **Availability:** Prior to litigation (but > 9 months after issue) or within 12 months of service of complaint (or counterclaim of patent infringement) and prior to filing of DJ of invalidity.
- **Limitations:** Only § 102 and 103 challenges based on printed publications and patents.
- **Venue:** Patent Trial and Appeals Board (not Central Reexam Unit)
- **Standard for Grant:** Reasonable likelihood that petitioner would prevail with respect to at least one challenged claim.
- **Standard to Prevail:** Preponderance of the evidence (not clear and convincing evidence).
- **Timing:** PTAB decision within one year of grant (+ 6 months for good cause).

Covered Business Method Review Basics

- **Availability:** Prior to litigation or after service of complaint, but:
 - Claims are to “covered business method patent” not to “technological inventions”
 - Petitioner sued for infringement of such a patent
 - For “first to file” patents, time for PGR has expired.
- **Basis:** Any basis (including 101 and 112). For “first to invent” patents can rely only on 102(a) and 102(b) art (no 101 and 112).
- **Interlocutory Appeal:** Denials of motion to stay related litigation subject to interlocutory appeals.
- Other issues are similar to IPRs (i.e. before the PTAB, preponderance of the evidence to prove invalidity, decision within 1 year of initiation).

What is a Covered Business Method

- “Method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.”

- Does not include patents for technological inventions. Consider whether the claimed subject matter:
 - Recites a technological feature that is novel and nonobvious.
 - Solves a technical problem using a technical solution.

IPRs v. CBMs

- If available (i.e. patent claims arguably fall within definition of CBMs), there are certain advantages to CBMs over IPRs:
 - Broader grounds for challenges (101 and 112).
 - Can appeal denial of stay.
 - Estoppel effect is narrower.

Issues addressed by Appellate Panel

- **Estoppel:**
 - **IPRs** – in PTO, parallel litigation, and ITC actions the **real party in interest** is estopped on challenging validity on basis of art that was “raised or reasonably could have been raised”
 - **CBMs** – in PTO same standard as above; in other actions restricted to issues actually raised.
- **Under what circumstances to seek**
 - Technology
 - Strength of Art
- **Timing of initiation**
- **“Broadest reasonable interpretation” v. PHOSITA standard**
- **How are these AIA post-grant processes likely to evolve**

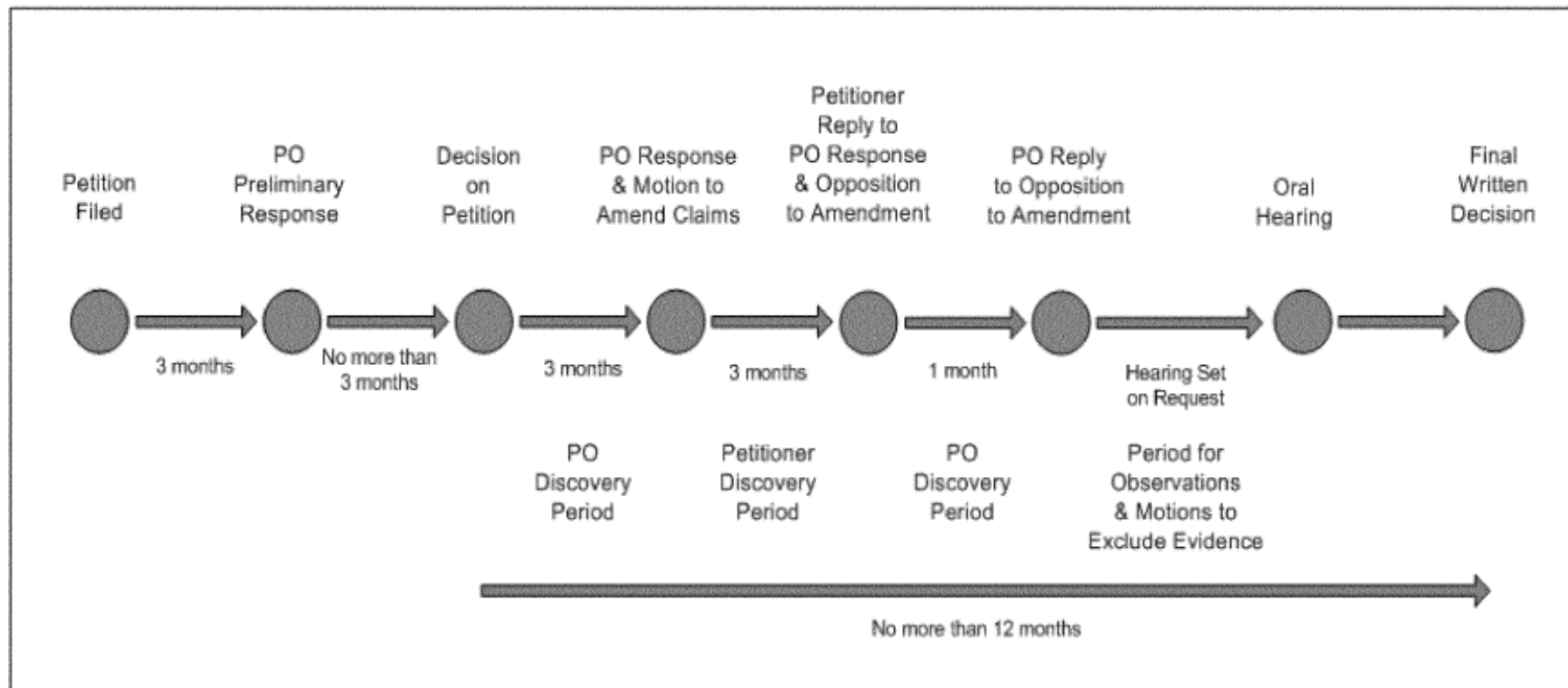
Issues Not Addressed by Appellate Panel

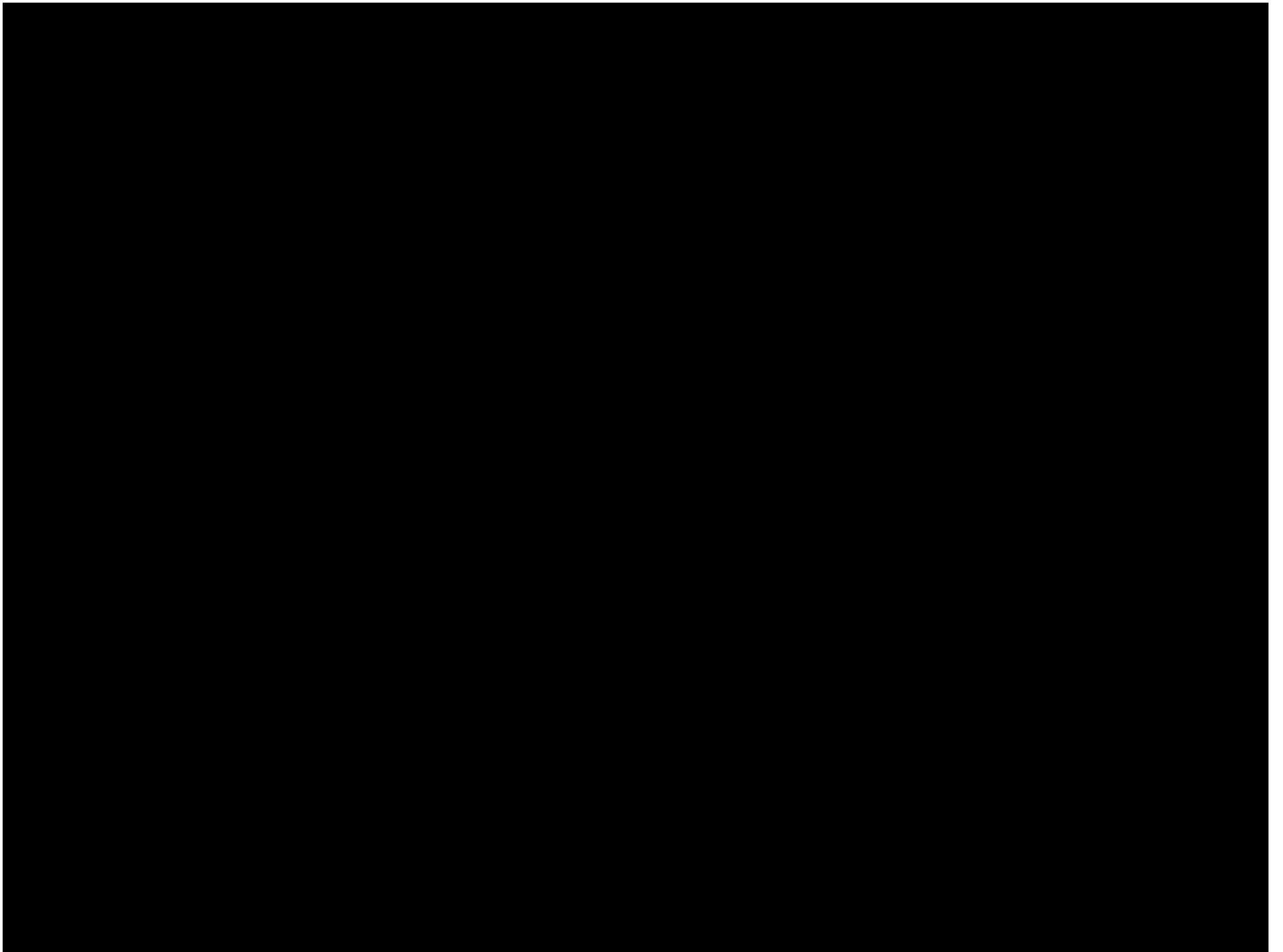
- **Patentee Estoppel**
- **Settlements** – when can parties voluntarily terminate an IPR or a CBM challenge
- **Protective Orders in Civil Litigation and PTAB**
 - Right to use confidential materials from civil litigation in an IPR or CBM challenge.
 - Prosecution bars (litigation v. non-litigation attorneys).
- **Composition of IPR Team v. Litigation Team**
- **Rules Governing Discovery in PGR**
- **Current Legislation in Congress**

Timing governing the Filing of IPRs and CBMs

- ***Inter Partes* Review and CBM Review**
 - Greater than 9 months after issuance; AND
 - After completion of post-grant review; AND
 - Before filing a Declaratory Judgment action; AND
 - Less than one year after filing of complaint (or counterclaim).

Timing of PTAB Activity in IPRs and CBMs





Statistics After the First Year of IPRs and CBMs

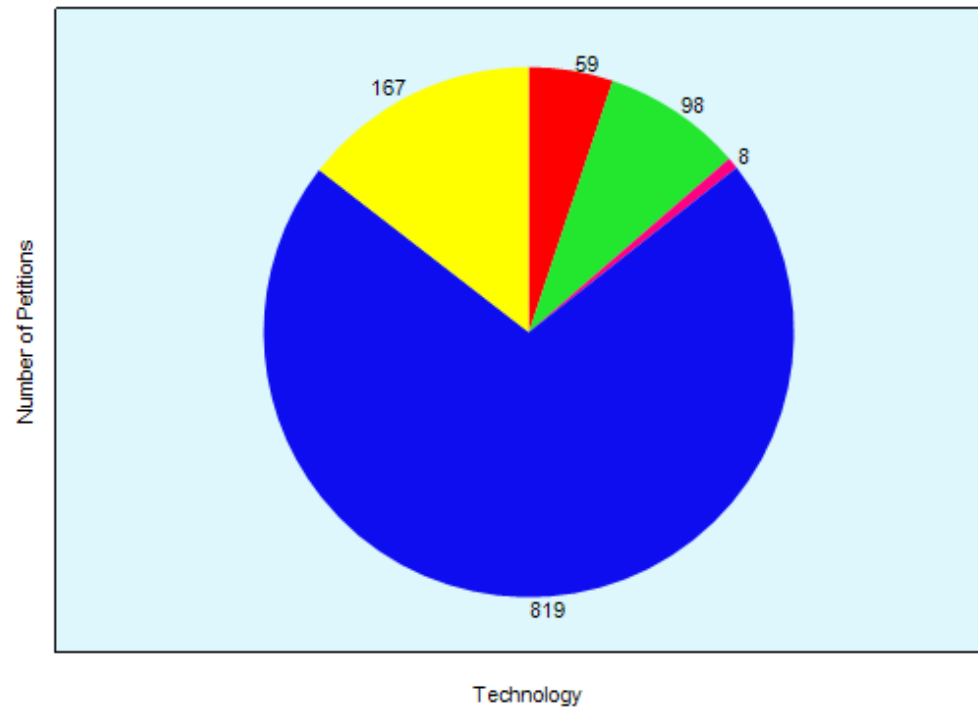
Govinda Jayasinghe

Total Number of AIA Petitions by Category within last three years

FY	Total	IPR	CBM	DER
2012	25	17	8	-
2013	563	514	48	1
2014	563	466	93	4
Cumulative	1,151	997	149	5

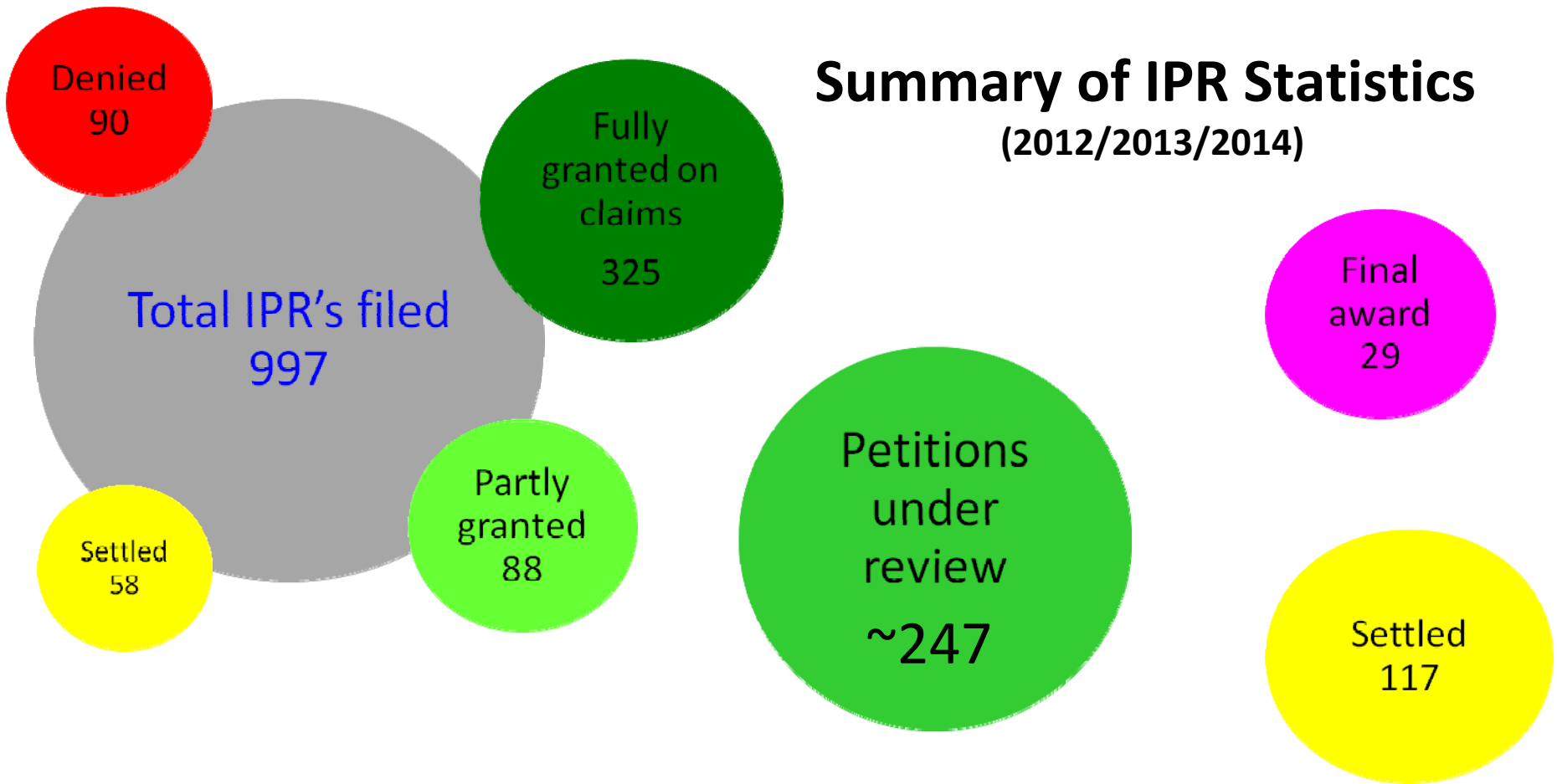
Total Number of AIA Petitions by Technology

Number of Petitions by Technology



Technology ■ Electrical /Computer ■ Mechanical ■ Bio/Pharma ■ Chemical ■ Desing

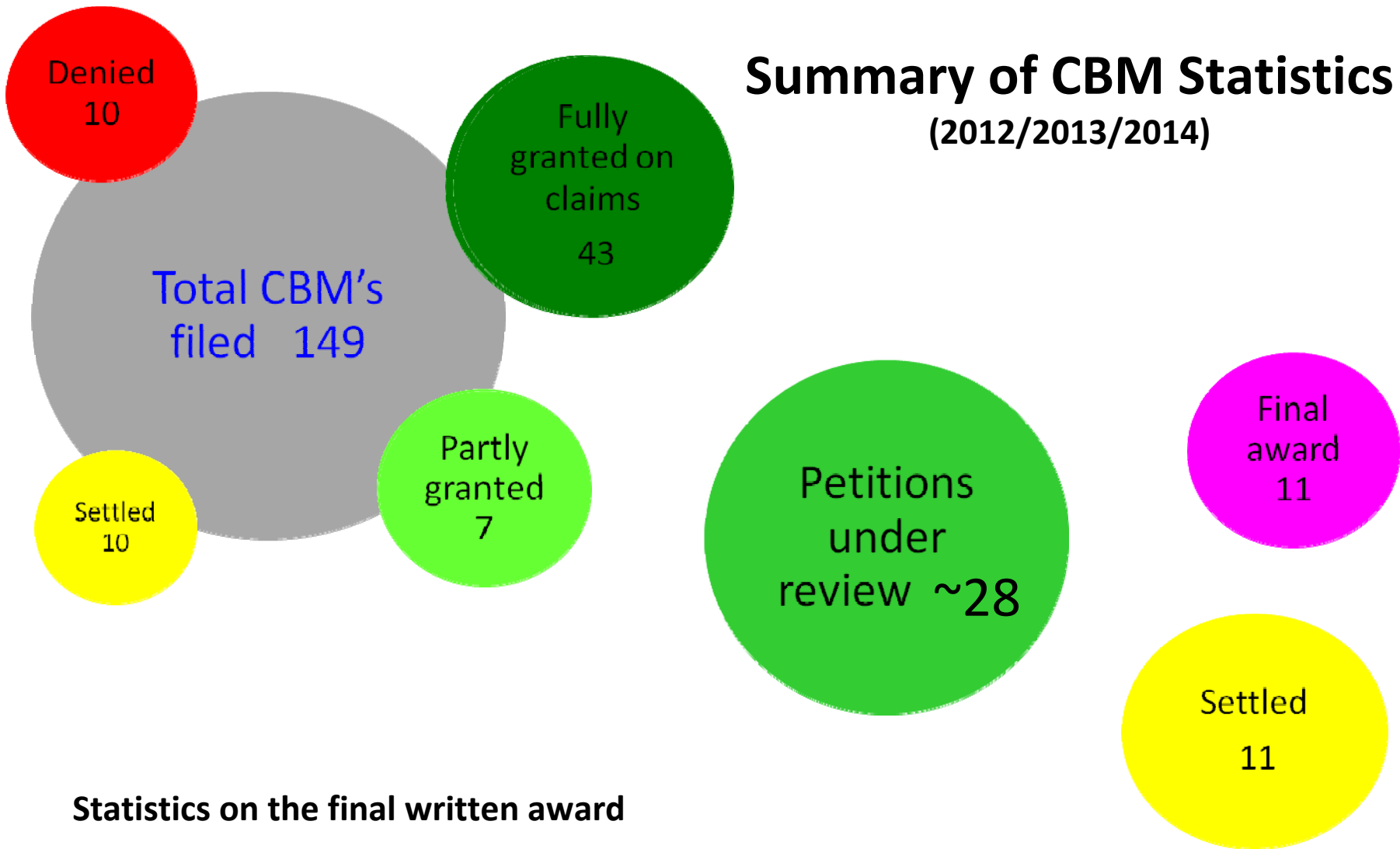
Summary of IPR Statistics (2012/2013/2014)



Statistics on the final written award

	Fully granted (cancelled all claims)	Partially granted (cancel some claims)	Decision not yet available	Total
IPR	9	2	18	29

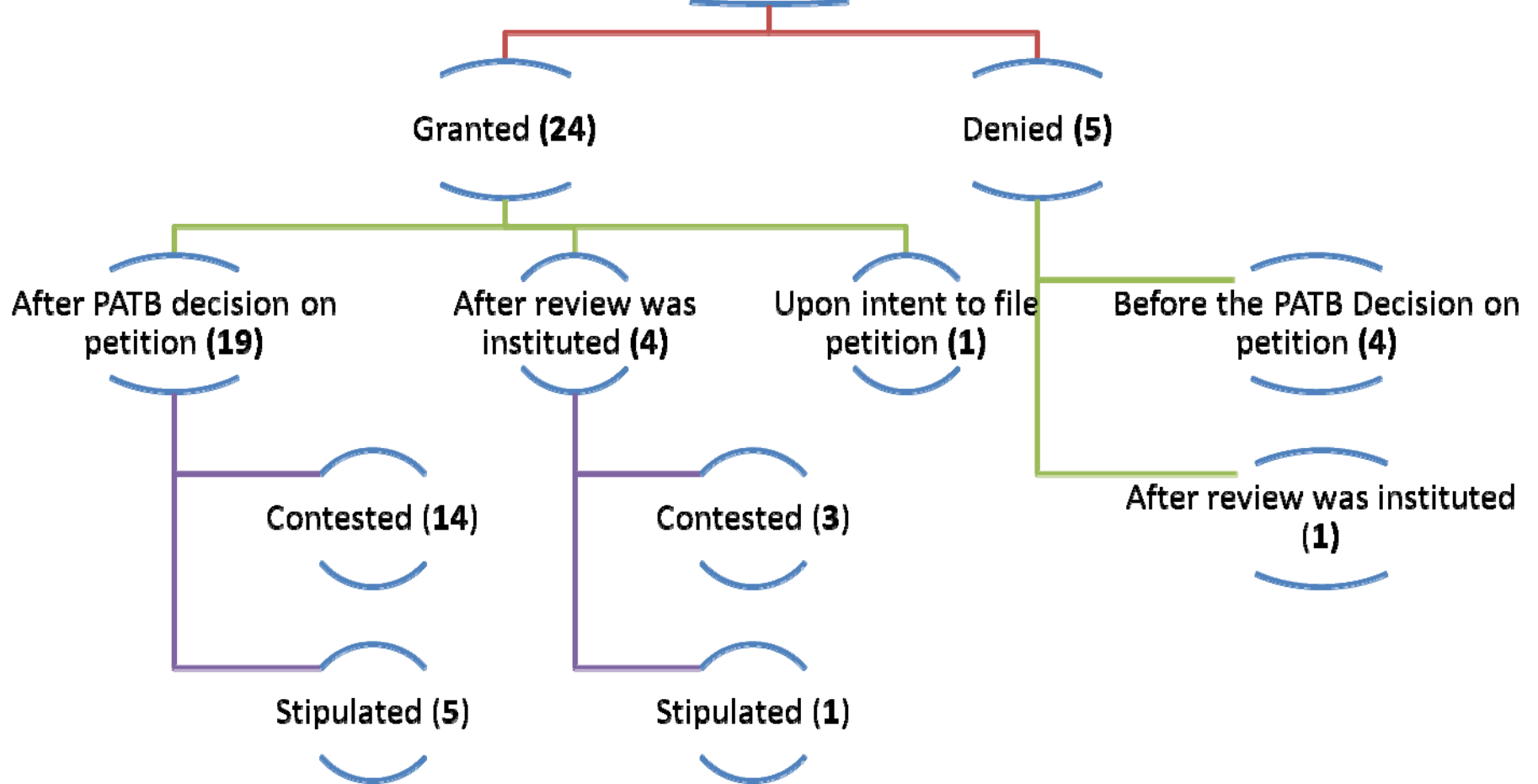
Summary of CBM Statistics (2012/2013/2014)



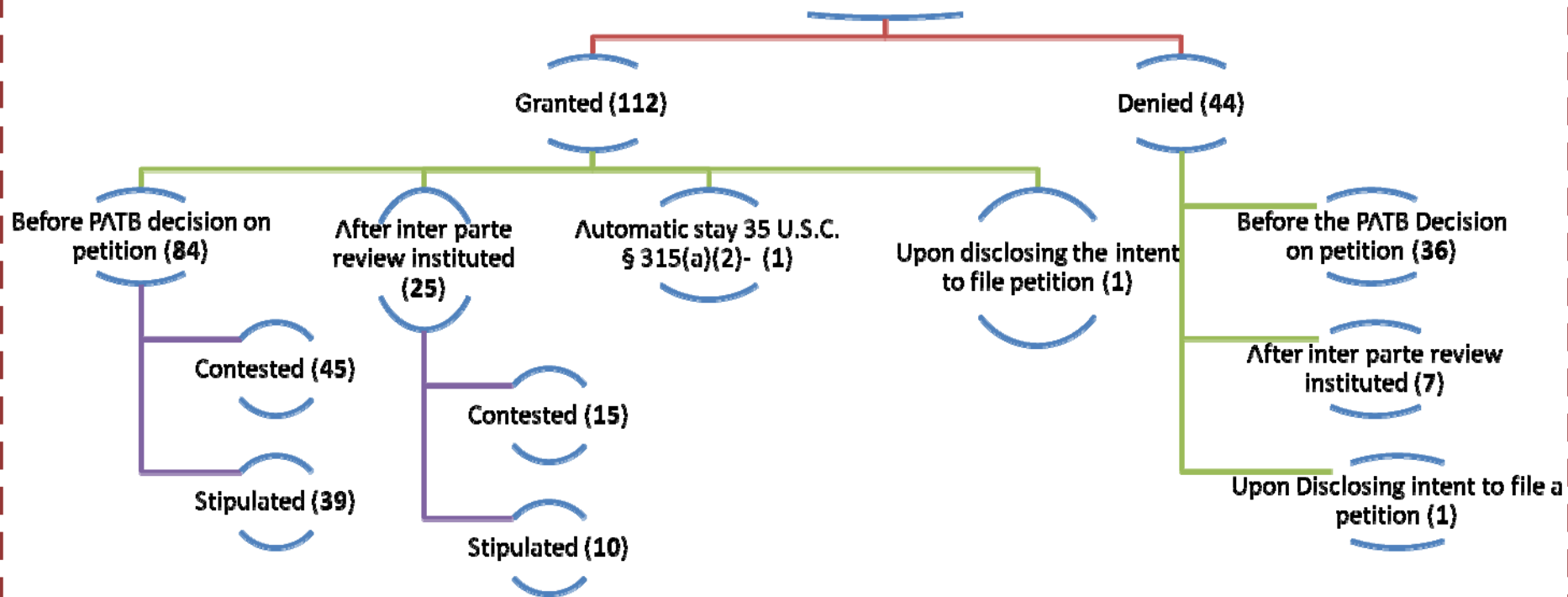
Statistics on the final written award

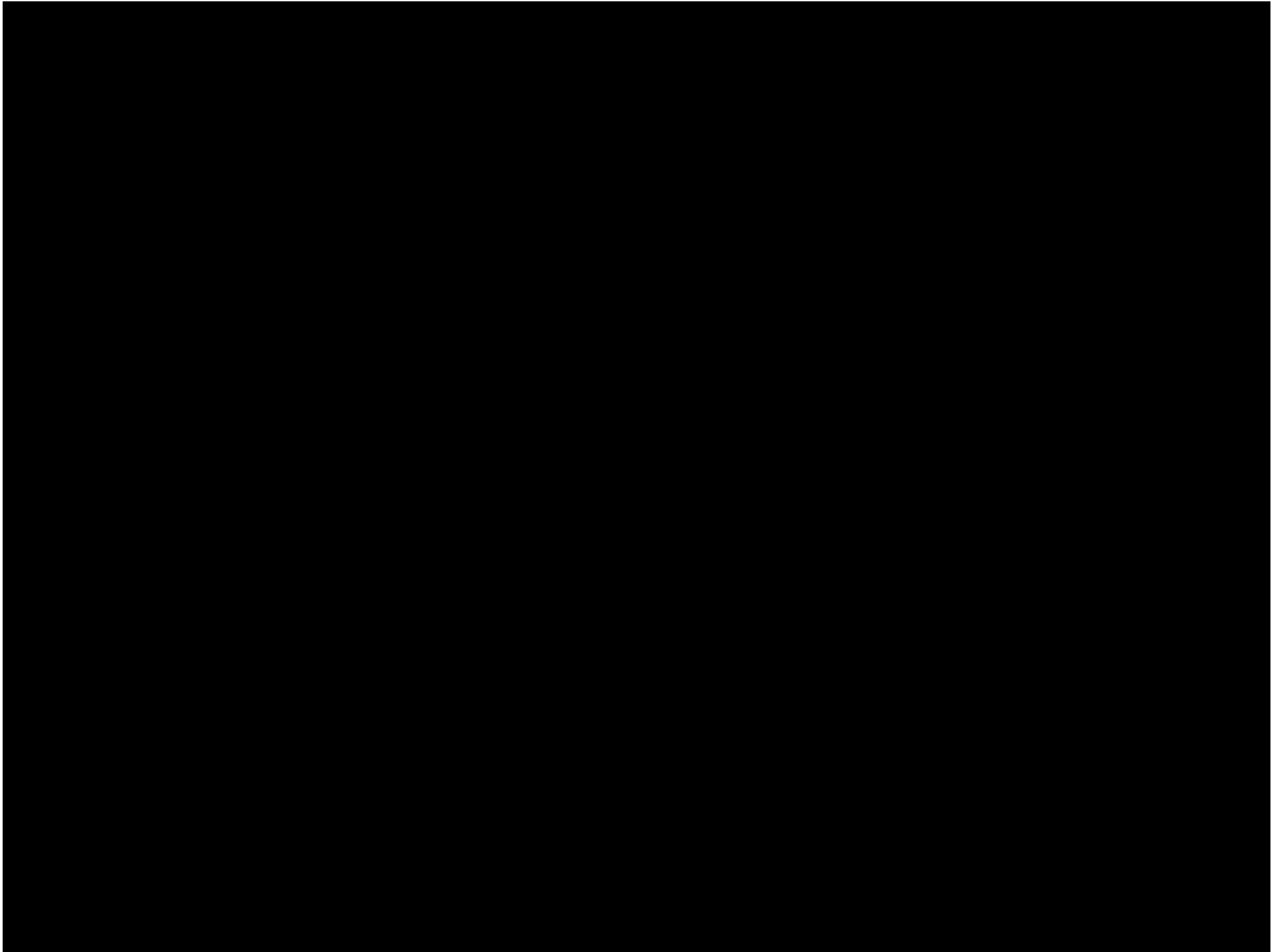
	Fully granted (cancelled all claims)	Partially granted (cancel some claims)	Decision not yet available	Total
CBM	7	-	4	11

Stay orders in DC proceedings on CBM (applications 29)



Stay orders in DC proc. – IPR (156 applications)





Takeaways/Conclusions/Q&A

Steve McGrath

Summary of New Proceedings

- **Key Similarities:**
 - All bench trial based proceedings
 - All intended as alternative validity challenge to district court
 - All generally tools for eventual defendants
 - All come with preclusive effects/impact on litigation
- **Key Differences:**
 - Standards for grant (i.e., “more likely than not” invalid vs. substantial likelihood of prevailing vs. old SNQ) and burdens
 - Challenge Grounds (i.e., 102 & 103 printed pubs for IPR vs. more for PGR/CBM)
 - Scope (i.e., newly issued vs. old; CBM vs. not)

“The Good and the Bad” — Who Do These Favor?

- **Debatable**, but current general belief that favor challengers
 - At least may be more effective than past proceedings
 - Sufficient pro-petitioner concern that PTAB this week said it is “*not a death squad*” for patents (responding to J. Rader)
- **Skewed Results?** PTAB suggests given cost, effort, and preclusion, disproportionate number good cases filed
- **Still Depends on Perspective**
 - Steep potential downsides including price and preclusion
 - Also, different burdens for claims construction standard
 - May favor petitioner for validity; later hurt for infringement
 - Not binding, but practical “first forum” influence (especially if lit stayed pending IPR/PGR)

“The Unknown”

- Many important issues still unknown or evolving
- Need more time, PTAB trial decisions, and Fed. Cir. appeals to see how things play out, such as:
 - Estoppel effects—precise boundaries of “reasonably could have raised”
 - Burdens—interplay of burdens in different venues (i.e., claims construction and invalidity)
 - Procedure—real world application of procedure on issues such as discovery, expert use, etc.
 - Long term “success” stats for both invalidity and successful defense and/or amendment of claims

What is Clear—At Least Somewhat?

- **Increasing Popularity:** Already exceeding expectations and picking up as more figure them out
- **IPR Centerpiece:** Impacts most of currently circulating patents; expect bulk of action there
- **Importance of Early Stage:** Much of fight will be at the initiation stage—by both parties
 - Petitioners narrowly focus case and clearly explain reasoning
 - Patentees same, but also pre-merits issues such as standing, estoppel
- **Long Term Strategy Required:** Must consider broader litigation strategy and how differences, such as cc at district court vs. PTAB, impact future efforts/needs
- **Change Will Come:** still developing; expect issues to evolve

Thank You
Comments/Questions?