



Overview of U.S. Patent Post Grant Proceedings under the America Invents Act (AIA)



World Conference

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Leahy-Smith America Invents Act (AIA)

- Enacted September 16, 2011
- Several stated objectives
 - Provide fast track option for patent prosecution (“Track I” Examination)
 - Reduce patent prosecution backlog and quality (by adding additional resources)
 - ***Reduce district court patent litigation (“Post-Grant Patent Proceedings”)***
 - Achieve “harmonization” efficiencies with other patent jurisdictions (“First to File”)

Methods of Invalidating U.S. Patents

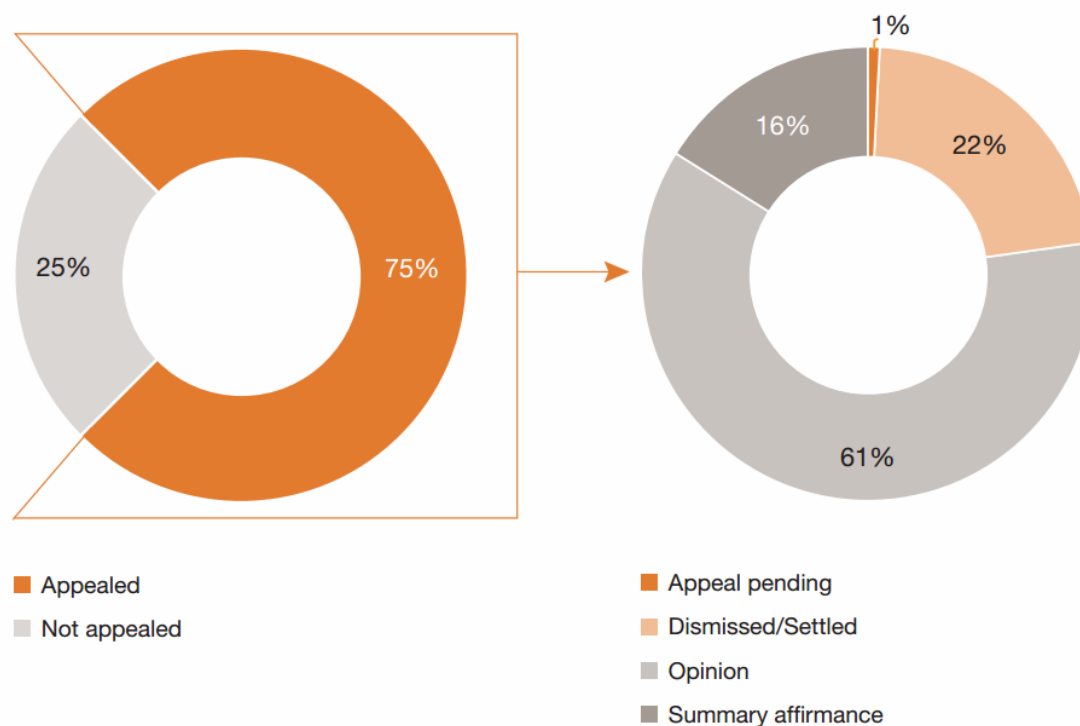
- USPTO
 - Post-Grant Patent Proceedings (*under AIA, since September 16, 2012*)
 - Carried out by Patent Trial and Appeal Board (PTAB)
 - Inter Partes Review (“IPR”)
 - Post-Grant Review (“PGR”)
 - Covered Business Method (“CBM”) Patents Review
 - Derivation Proceedings
 - Ex parte Reexamination (*since July 1, 1981*)
 - Carried out by Central Examination Unit (CRU)
- District Courts
 - Declaratory Judgment action
 - Invalidity counterclaim in infringement action

Post-Grant Procedure Costs: Comparatively Less

	<u>IPR</u>	<u>District Court Litigation</u>
Costs	~ \$500,000	~ \$1M to \$6M (depends on amount in controversy)
Length	18 months (to obtain a final decision)	33.9 months (for Jury Trials) 44.5 months (for Bench Trials)

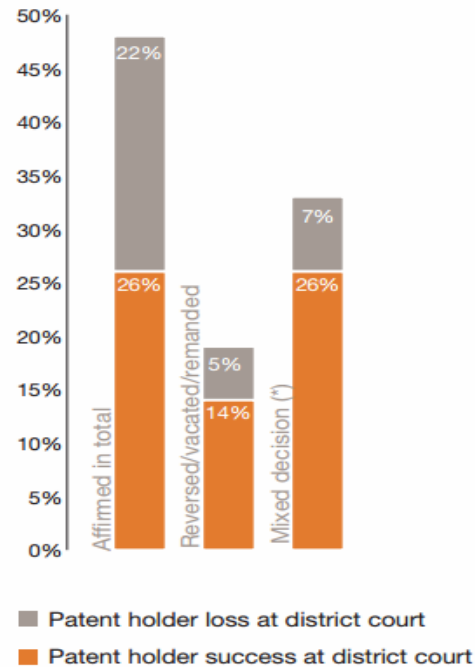
Patent Litigation: Likely Go to Appeal

Figure 22. Status of district court cases: 2006–2012 decisions



Defendants Have Significant Risk Of Loss On Appeal

Figure 24. Appeal outcome by success of patent holder in district court: 2006–2012⁵



(*) Mixed decisions are decisions in which the appeal was both affirmed in part and reversed, vacated or remanded in part.

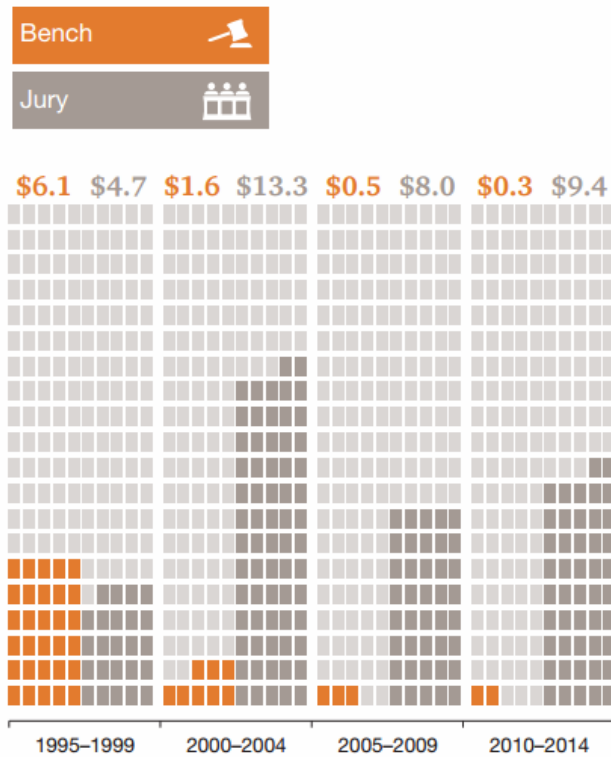
Juries Present A Wild Card

- Unpredictable Jury Awards
 - *Warsaw Orthopedic, Inc. et al v. NuVasive, Inc.*, 778 F.3d 1365 (Fed. Cir. 2015) – Federal Circuit overturned a \$102 million jury verdict
 - *Alfred E. Mann Found. for Sci. Research et al. v. Cochlear Corp.*, 2015 U.S. Dist. LEXIS 42277 (C.D. Cal. Mar. 31, 2015) – Judge overturned a \$131.2 million willful infringement damages awarded by the jury

Juries Have Been Generous

Figure 7. Median damages award: bench vs. jury decisions

Median damages award (in \$M)



IPR/PGR/CBM Advantages Over District Court Litigation

- Significantly less cost
- Significantly greater speed
- Lower burden of proof (essentially “preponderance of the evidence”)
- No juries
- Administrative patent judges are technically trained
- May be used to stay existing infringement trials in District Court
- Estoppels limit subsequent District Court action by petitioner and related parties

Comparison of Post-Grant Proceedings (1/3)

	PGR	IPR	CBM	Ex Parte Reexam
Patents Eligible	AIA Patents (Filed after 3/16/13)	All Patents	Business Method Patents	All Patents
Petitioner	Anyone Except Patent Owner	Anyone Except Patent Owner	Party Sued (or charge with infringement)	Anyone
Timing	Within 9 Months of Patent Issuance*	Pre-AIA Patent: Any time or within 1 yr of suit by Patent Owner* AIA Patent: After (a) 9 months of patent issuance, or (b) PGR term. & within 1 yr of suit by Patent Owner*	Any Time*	Any Time
Basis	Prior Art and Non-Prior Art Grounds	Prior Art Only	Prior Art and Non-Prior Art Grounds* No "Hidden" Prior Art	Prior Art Only

* - provided the petitioner has not already initiated a civil action for invalidity

Comparison of Post-Grant Proceedings (2/3)

	PGR	IPR	CBM	Ex Parte Reexam
Threshold	“More Likely Than Not”	“Reasonable Likelihood”	“More Likely Than Not”	Substant. New Ques. Of Patent.
Where Filed	PTAB	PTAB	PTAB	Examiner
Estoppel	Issues Raised or Reasonably Could Have Been Raised	Issues Raised or Reasonably Could Have Been Raised	Dist. Ct: Issues Actually Raised PTAB: Issues raised or reasonably could have been raised	Not Applicable
Duration	1 yr (or 1.5 yrs. for good cause) from Institution of PGR *	1 yr (or 1.5 yrs. for good cause) from Institution of IPR *	1 yr (or 1.5 yrs. for good cause) from Institution of CBM *	Not Mandated by Statute (“Special Dispatch”)

* - adjustable by PTAB with issue/party joinder

Comparison of Post-Grant Proceedings (3/3)

	PGR	IPR	CBM	Ex Parte Reexam
Stays - Parallel Litigation	Statutorily Specified-Automatic (w/ Excepts.)	Not Specified in Statute – at Court’s Discretion	Statute Specifies Factors to Consider by Court for Granting Stay	Not Specified in Statute – at Court’s Discretion
Anonymous Petitioner/ Requestor	Real Party-in-Interest Must be Identified	Real Party-in-Interest Must be Identified	Real Party-in-Interest Must be Identified	Anonymous Requestor Permitted
Filing Fees	\$30,000	\$23,000	\$30,000	\$12,000

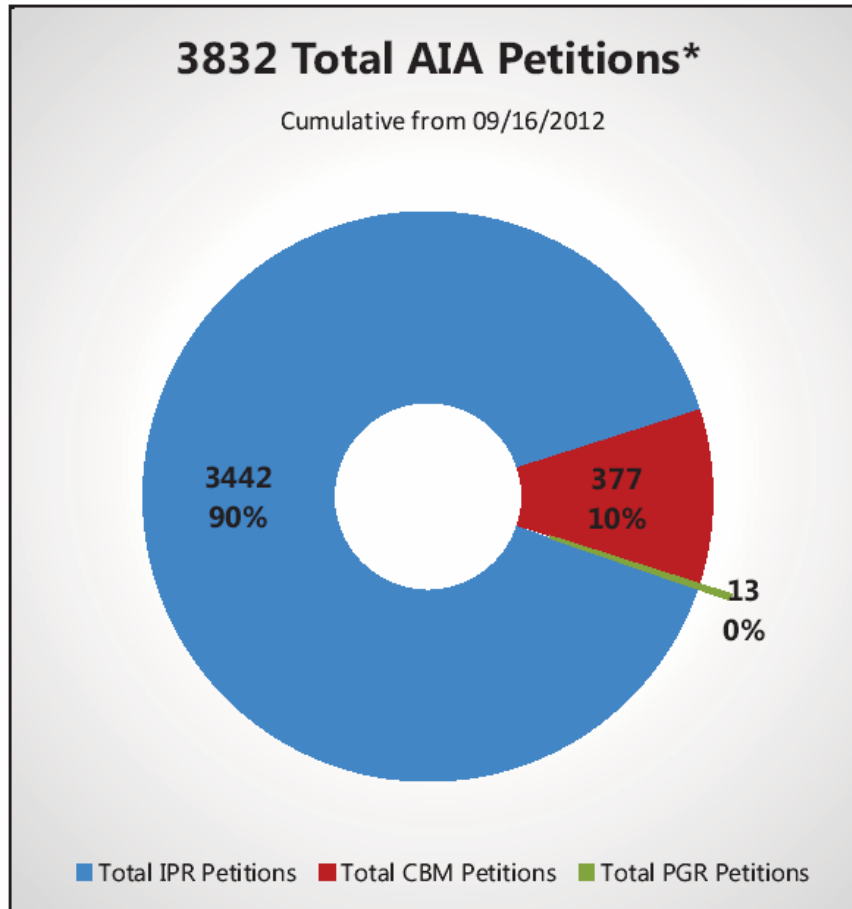
Comparison With Non-US Proceedings (1/2)

	U.S. Post Grant Proceedings – PGR (AIA Patents only)	European Opposition	Japanese Opposition	Chinese Reexamination
Availability	Within 9 Months of Patent Issuance (CBM Anytime, IPR after 9 Months/PGR and within 1 yr of suit by Patent Owner)	Within 9 Months of Patent Issuance	Within 6 Months of Patent Issuance	Anytime After Issuance
Petitioner	Anyone Except Patent Owner	Anyone Except Patent Owner	Anyone	Anyone (subject to certain exceptions)
Basis	Statutory Matter, Utility Enablement, Written Description, Novelty, Obviousness, Novel or Unsettled Legal Questions	Sufficiency, Added Matter, Novelty, Inventive Step	Written Description, Double Patenting, Novelty, Inventive Step – Ownership and Unity of Invention are Excluded	Practical Applicability, Exceptions to Patentability, Sufficiency, Added Matter, Novelty, Inventiveness

Comparison With Non-US Proceedings (2/2)

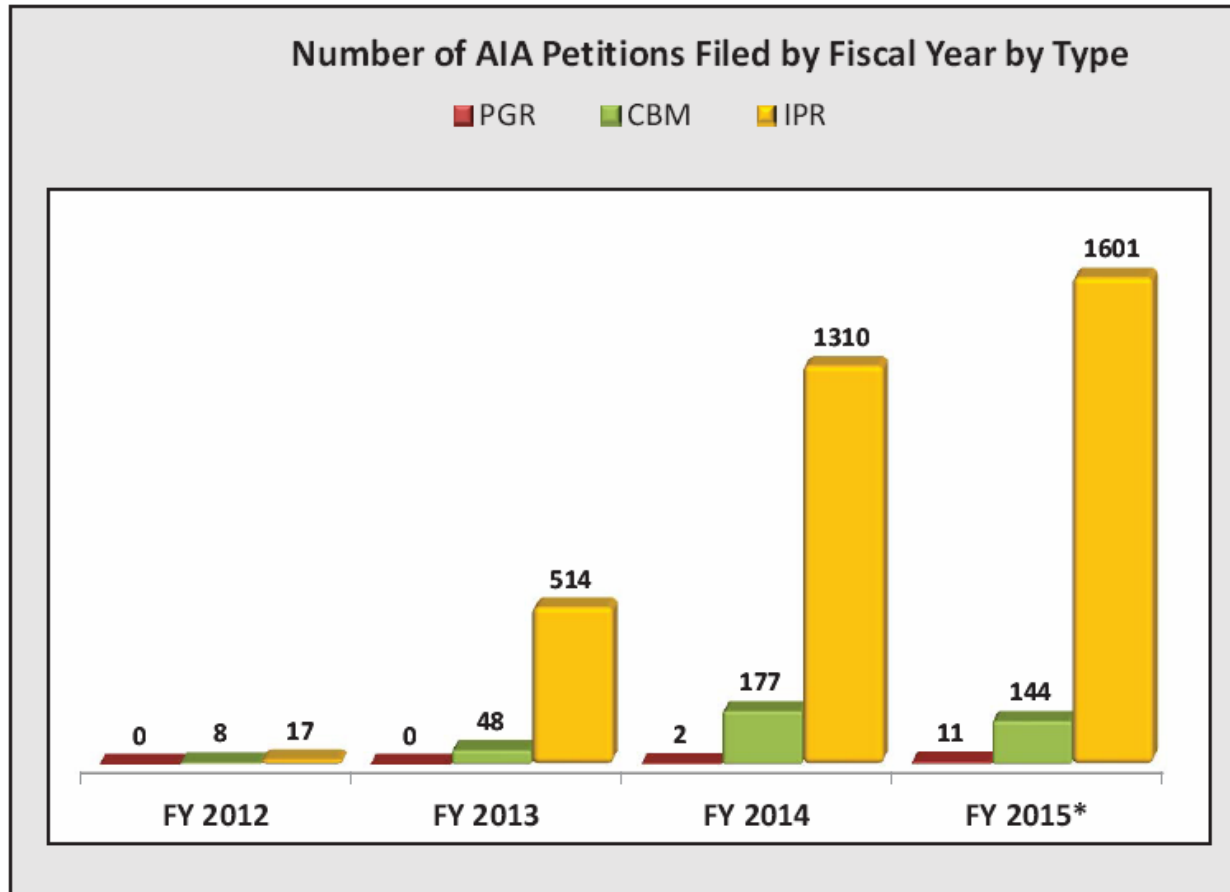
	U,S. Post Grant Proceedings - PGR	European Opposition	Japanese Opposition	Chinese Reexamination
Anonymity Permitted	No	Yes	No	Yes
Adjudicators	Panel of 3 to 5 Administrative Patent Judges	3 Person Panel (Granting Examiner, Chairman of the Panel plus One More Member)	Panel of 3 to 5 Trial Examiners	3 to 5 Person Panel from Chinese Patent Reexamination Board
Petitioner Estoppel	Yes	No	No	No
Discovery Permitted	Limited	None	None	None
Narrowing Claim Amendment Permitted	Limited	Yes	Yes	Yes
Filing Fees	US\$ 30,000	€ 745	¥ 16,500 plus ¥ 2,400 per claim	Approximately US\$ 485

Post-Grant Proceeding Statistics (1/7)

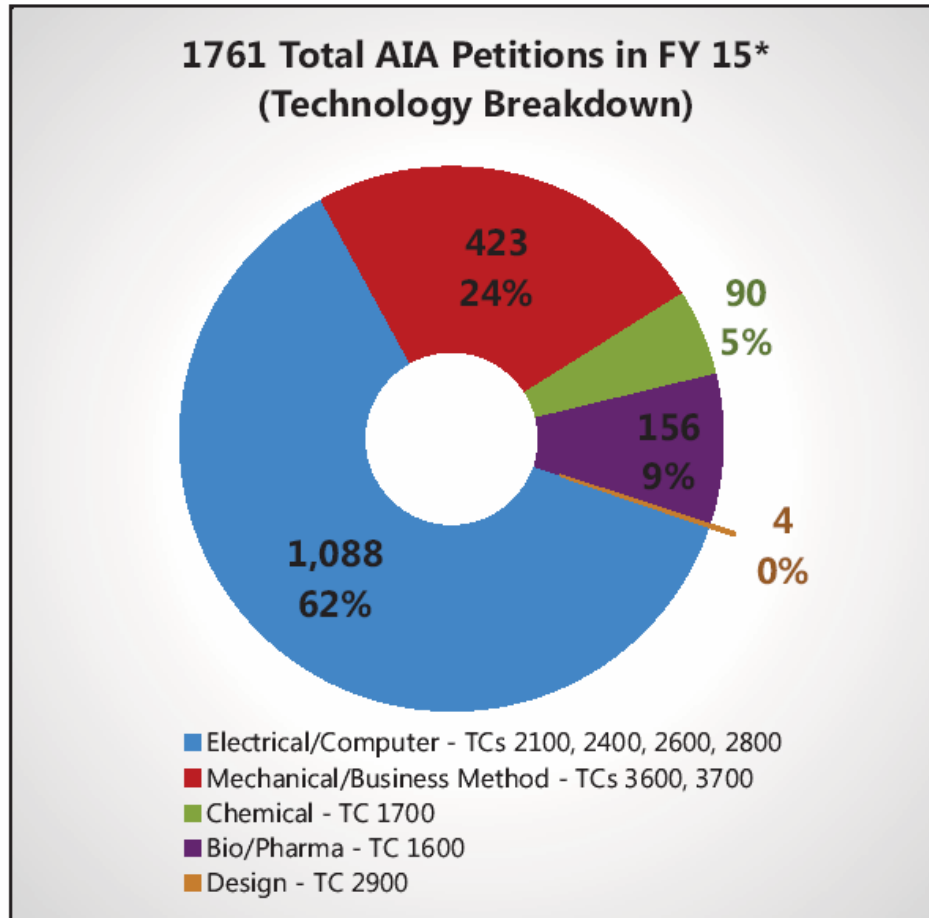


***Data current as of: 8/31/2015**

Post-Grant Proceeding Statistics (2/7)

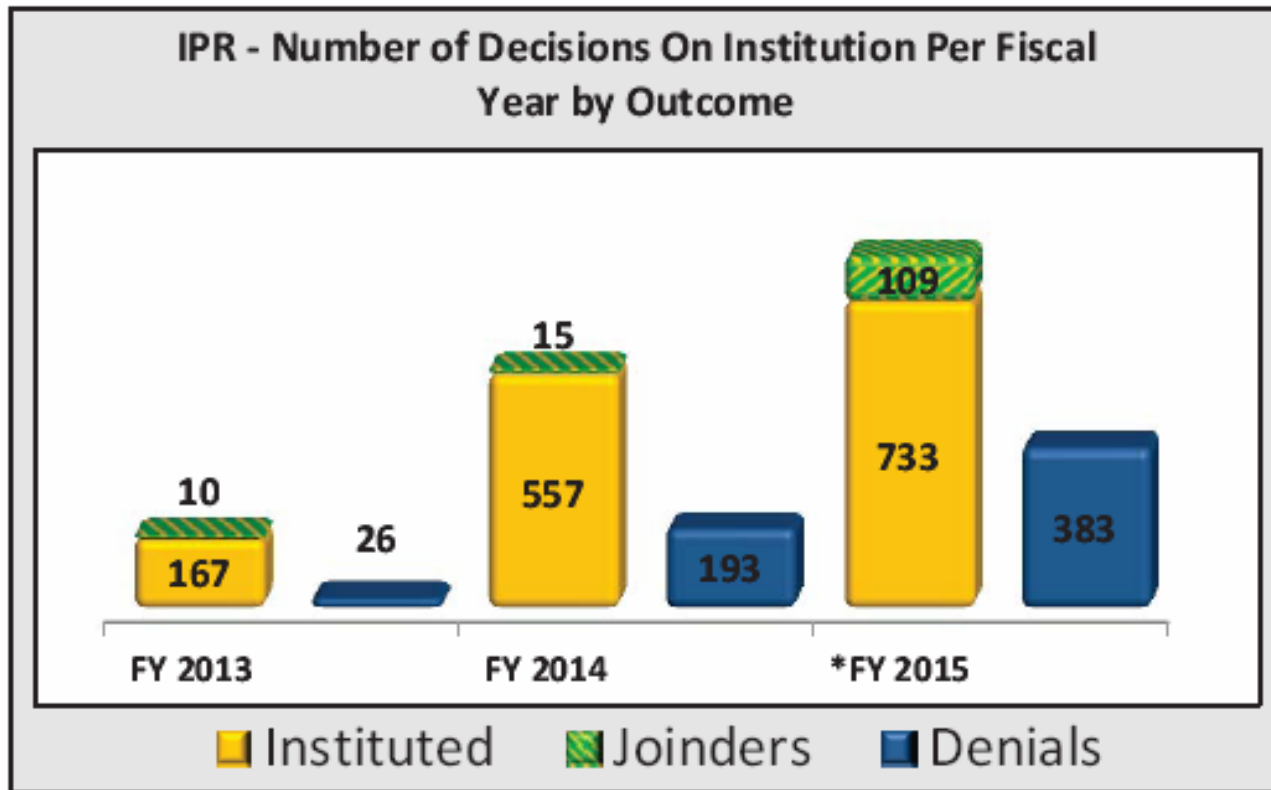


Post-Grant Proceeding Statistics (3/7)



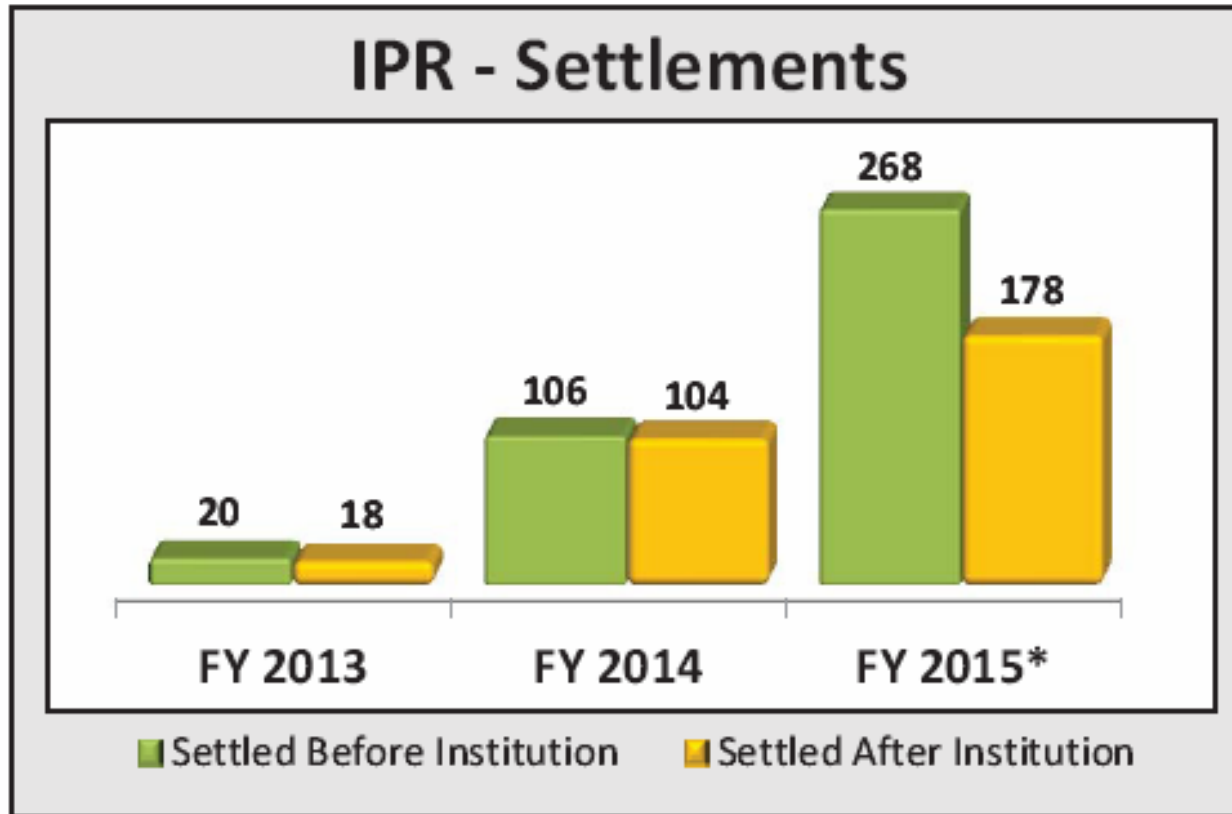
*Data current as of: 8/31/2015

Post-Grant Proceeding Statistics (4/7)



*Data current as of: 8/31/2015

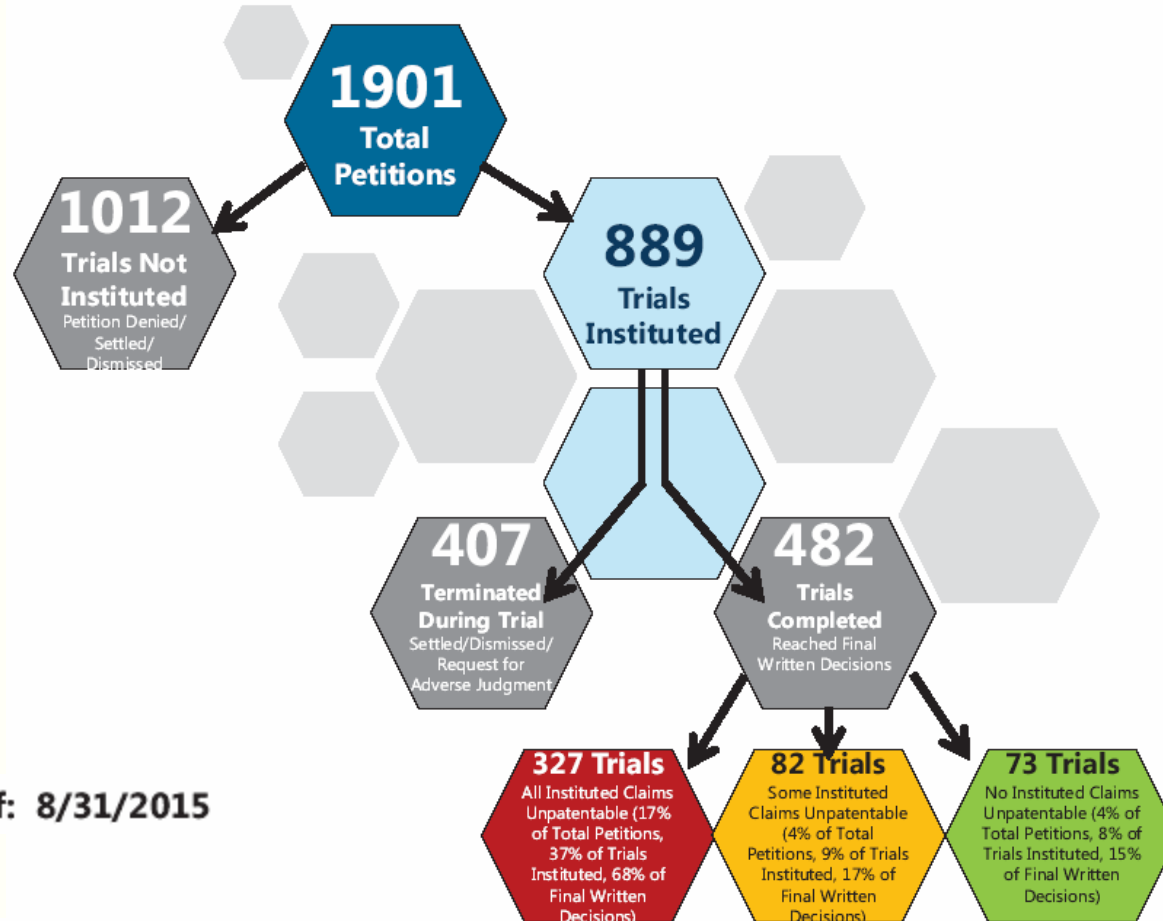
Post-Grant Proceeding Statistics (5/7)



*Data current as of: 8/31/2015

Post-Grant Proceeding Statistics (6/7)

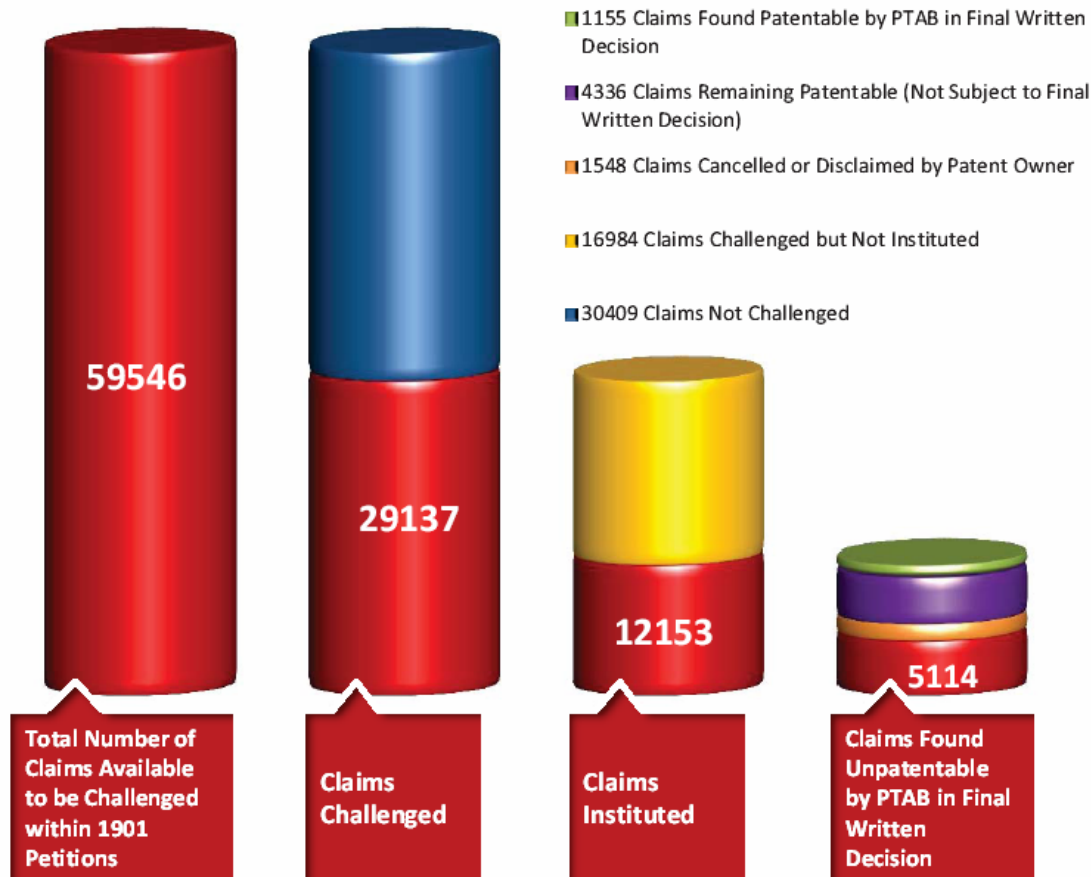
Disposition of IPR Petitions Completed to Date*



*Data current as of: 8/31/2015

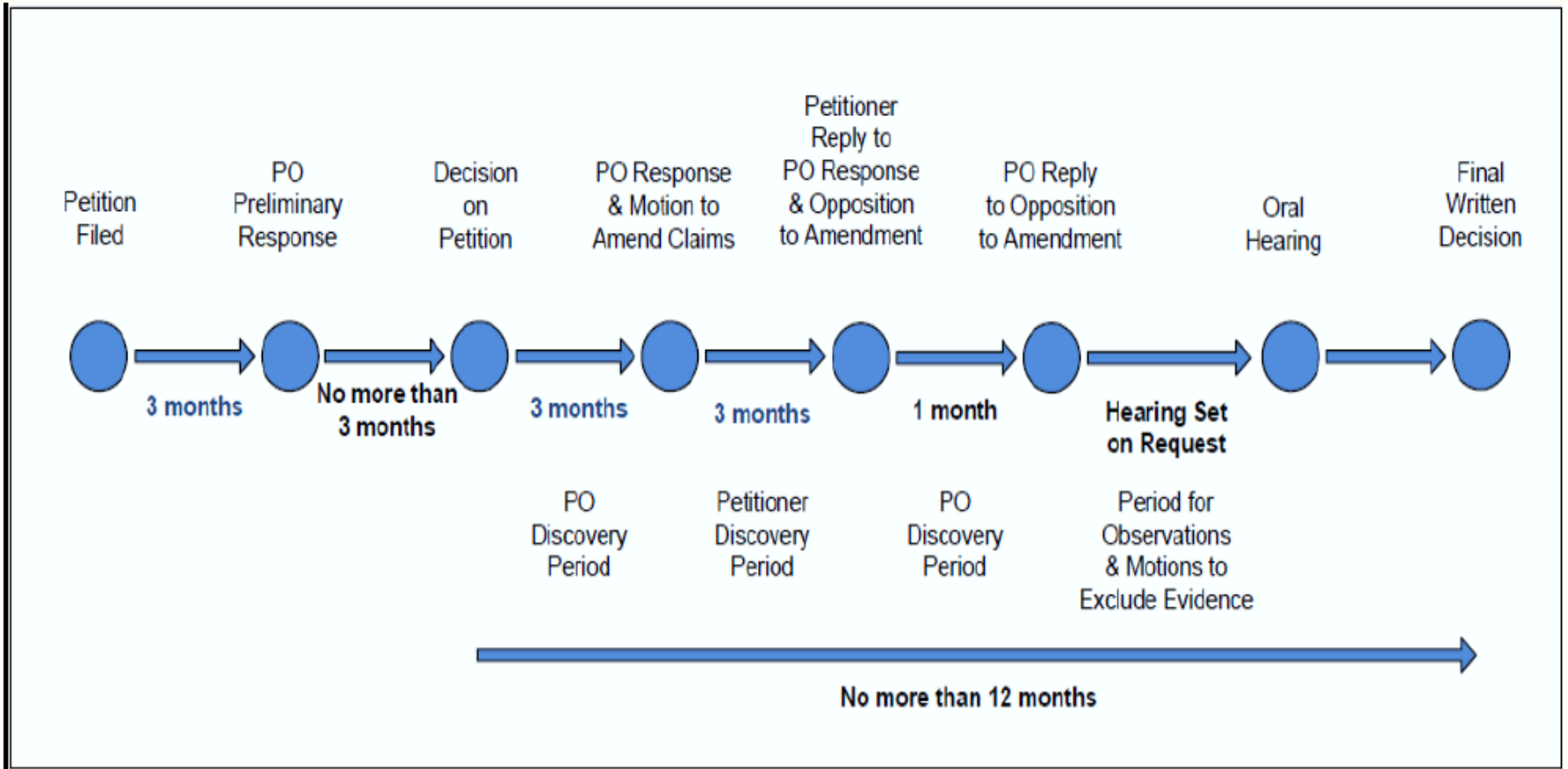
Post-Grant Proceeding Statistics (7/7)

IPR Petitions Completed to Date*



*Data current as of: 8/31/2015

Timeline - IPR, PGR, and CBM



Content of Petitions

- Significant Page Limitations (60 pages for IPR, 80 pages for PGR and CBM)
- IPR and PGR
 - Certify Patent is Eligible for Consideration under IPR/PGR
 - Certify Petitioner is Not Estopped
 - Identify Patent Claims Challenged
 - Set Forth Specific Explanation(s) of the Challenge(s)
- CBM
 - Same Items for IPR and PGR Plus:
 - Demonstrate that Patent is a “Covered Business Method”
 - Demonstrate that Petitioner has been Charged with Infringement (Activity Sufficient to Support a DJ Complaint)

Review of Decisions: Petition, Interlocutory Motions

- Decision on Petition is Not Subject to Appeal but is Subject to Rehearing by PTAB
- Decisions on Interlocutory Motions are Subject to Rehearing by PTAB
 - Decisions made by a Single Panel Member will be Re-heard by the Entire Panel
- Standard of Review: Abuse of Discretion

Practice Tips (1/2)

- Arguments Must be Set Out in the Papers
 - No Arguments May be Incorporated by Reference to Separate Patents or Expert Reports
- Separate Statement of Material Facts
 - Permitted, But Not Required in Petitions/Motions
- Arguments Should be Focused and Concise with Citations to the Evidentiary Record
 - No Need for Extended Discussion of General Patent Law Principles
- Oppositions and Replies
 - Must Include Statement of Material Facts in Dispute
 - Undisputed Facts are Taken as Admitted
 - List of Disputed Facts Counts Toward Page Limits

Practice Tips (2/2)

- ***Privies, Real Parties-in-Interest (RIPs) and Estoppel***
 - Petition must identify each “Privy” and “Real-Party-in-Interest”
 - A Final Written Decision by the PTAB estops Petitioner, Privies and Real-Parties-in-Interest from asserting claims in Dist. Ct. that the Petitioner raised/ reasonably could have raised in the PTAB proceeding
 - For CBMs, estoppel is limited to claims actually raised
- ***Who is a Real-Party-in-Interest?***
 - Highly fact dependent
 - At a minimum, “the party or parties at whose behest the petition has been filed.” Office Patent Trial Practice Guide (Aug. 14, 2012)
 - *Funding and Control* – Where a party funds and directly controls a Patent Trial Proceeding, it is likely that the party will be found to be a RIP (even if not a privy of the Petitioner)
 - *Joint Defense Group* - Mere participation without funding or control is typically not enough to be a RIP

Some Strategic Considerations (1/2)

- Strength of patent relative to the prior art
 - Strong prior art and technically complex patents favor post-grant procedures
 - Estoppel may not effectively matter if best chance to invalidate is by post-grant procedure
- Timing
 - IPR must be brought within 12 months after first service of District Court Action on Petitioner, Privies or RIPs
 - Joinder may provide path to IPR after 12 months
 - Joint Defense Group activities should be carefully conducted
- Use of Experts
 - Early selection is key
 - Particularly critical for obviousness arguments (35 USC § 103)

Some Strategic Considerations (2/2)

- Parallel District Court litigation
 - Timing is important for successful litigation stay request based on parallel post-grant proceeding (average 60% success rate)
 - District Court discovery may provide evidence/motivation for successful Additional Discovery request in post-grant proceeding
- Settlement
 - Settlement opportunity should be enhanced with stay in District Court
 - Greater probability of dismissal without judgment early on in post-grant proceeding provides leverage for early settlement

Discovery Overview

- 37 CFR § 42.51, the umbrella rule for discovery in contested cases, defines only three types of discovery:
 - Mandatory Initial Disclosures
 - Routine Discovery
 - Additional Discovery

Mandatory Initial Disclosures

- “***Mandatory initial disclosures***” is a misnomer as rules require no initial disclosures beyond mandatory notices and routine discovery
- ***Without agreement*** -- If parties fail to agree to mandatory initial disclosures, a party may seek initial disclosures by motion
- ***With Agreement*** -- Parties must submit any agreement reached on initial disclosures by no later than filing of or deadline for Patent Owner (PO) preliminary response
 - Initial disclosures filed as exhibits to agreement
 - PTO Trial Practice Guide suggests two optional types of initial disclosures

Agreed Upon Mandatory Initial Disclosures

- **Option 1** -- modeled after FRCP Rule 26(a)(1)(A)
 - Name, address, and telephone number of each individual likely to have discoverable information -- along with subjects of that information -- that disclosing party may use to support claims or defenses, unless solely for impeachment
 - A copy -- or description by category and location -- of all documents, ESI, and tangible things disclosing party has in its possession, custody, or control and may use to support claims or defenses, unless solely for impeachment
- **Option 2** -- where petition alleges 1) prior non-published public disclosure OR 2) obviousness
 - Detailed information relating to the petitioner's case concerning the non-published public disclosure (e.g., who, what, where, when of the disclosure) or obviousness (e.g., details regarding secondary indicia of non-obviousness)

Routine Discovery

- Routine discovery comprises:
 - Exhibit(s) cited in paper or testimony (must be served with citing paper or testimony)
 - Cross examination of any person providing an affidavit prepared for the proceeding
 - Inconsistent information -- relevant information that is inconsistent with any position advanced by a party must be served *concurrently* with the document or thing that contains inconsistency
 - Privileged information excluded
 - Extends to inventors, corporate officers, and persons involved in preparation or filing of documents or things
 - Examples in PTO Trial Practice Guide, p. 25

Routine Discovery (cont.) – Cross Exam

- Any affiant or declarant must be made available for cross-examination, i.e., testimony is “uncompelled.”
 - Patent owner may begin deposing petitioner’s declarants once proceeding instituted (i.e., petition granted)
- Very long deposition time limits
 - Up to two (2) days of deposition testimony for each deponent including seven (7) hours cross-examination, four (4) hours redirect examination, and two (2) hours re-cross examination for uncompelled direct deposition testimony
- Speaking objections and witness coaching during testimony strictly prohibited
 - Objections limited to single word or term (e.g., “Objection, form”)
 - Sanctions may be imposed

Additional Discovery

- Any type of discovery available under FRCP, including:
 - Evidence to support patent owner's sufficient concerns regarding petitioner's certification of standing
 - Request for production of documents and things referred to during cross-examination
 - Mandatory initial disclosures
- Parties may agree to additional discovery
- Absent agreement, party must request any discovery beyond routine discovery:
 - *PGR and CBM* – moving party must show good cause AND discovery is limited to evidence directly related to factual assertions advanced by either party
 - *IPR* – moving party must show additional discovery limited to what is necessary in interests of justice

Additional Discovery – Interest-of-Justice Standard

- Five Factor Test used for evaluating additional discovery requests (*Garman v. Cuzzo*, IPR2012-00001 (26) (PTAB 2013))
 1. More Than a Possibility and Mere Allegation
 2. Litigation Positions and Underlying Basis
 3. Ability to Generate Equivalent Information by Other Means
 4. Easily Understandable Instructions
 5. Requests Not Overly Burdensome to Answer
- Requests for specific documents with a sufficient showing of relevance are more likely to be granted, whereas requests for general classes of documents are typically denied

Sanctions

- Per rule 42.12, Board may impose sanctions for abuse of discovery, and has discretion to impose:
 - Order holding facts established in proceeding
 - Order expunging or precluding a party from filing a paper
 - Order precluding a party from presenting or contesting a particular issue
 - Order precluding a party from requesting, obtaining, or opposing discovery
 - Order excluding evidence
 - Order providing for compensatory expenses, including attorney fees
 - Order requiring terminal disclaimer of patent term
 - Judgment in the trial or dismissal of the petition

Post-Grant Proceeding Statutes, Rules and Resources

- Statute
 - Inter Partes Review (“IPR”) -- 35 USC § 311 et seq.
 - Post-Grant Review (“PGR”) -- 35 USC § 321 et seq.
- Rules
 - Umbrella Trial Rules -- 37 CFR §§ 42.1 – 42.80
 - Inter Partes Review (“IPR”) -- 37 CFR §§ 42.100 – 42.123
 - Post-Grant Review (“PGR”) -- 37 CFR §§ 42.200 – 42.224
 - Covered Business Method (“CBM”) Patent Review -- 37 CFR §§ 42.300 – 42.304
 - Amendments to the Rules of Practice – 80 Fed. Reg. 96, 28561-66 (May 19, 2015)
- Office Patent Trial Practice Guide (“PTO Trial Practice Guide”)
 - www.uspto.gov/aia_implementation/trial_practice_guide.pdf
- USPTO Post-Grant Practice Hotline
 - +1 (571) 272-7822

Thank You