

# **Patent Office Post-Grant Contested Proceedings: New Challenges, New Opportunities**

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# Four New Contested Proceedings

- Inter partes review
- Post-grant review
- Transitional post-grant review for “covered business method” patents
- Derivation proceedings\*

\*Derivation challenge may involve an application or patent

# Patent Trial and Appeal Board

- Effective September 16, 2012, replaced the Board of Patent Appeals and Interferences
- Jurisdiction:
  - Ex parte appeals (original prosecutions, reexaminations, reissues)
  - Legacy inter partes reexaminations and interferences
  - New contested proceedings

# Patent Trial and Appeal Board

- USPTO plans to bring the total number of trial judges to approximately 220 by the end of 2013
  - New judges have been selected from USPTO examining corps and Office of General Counsel, agencies (e.g., ITC and DOJ), and private practice
  - In addition to those stationed in Alexandria VA, some have begun work at the four satellite offices (Detroit, Denver, Dallas, and Silicon Valley)

# Derivation Proceedings

- First-inventor-to-file regime replacement for interferences
- Available:
  - only to “[a]n applicant for patent”
  - only within one year “of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention”
- Standard for grant of petition (institution of proceeding):
  - petition must “set forth with particularity the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, the earlier application claiming such invention was filed”
  - petition must be “supported by substantial evidence”

# Derivation Proceedings

- PTAB may defer action on a petition
  - “until the expiration of the 3-month period beginning on the date on which the Director issues a patent that includes the claimed invention that is the subject of the petition”
  - (or stay a proceeding that has been instituted) until the termination of an ex parte reexamination, inter partes review or post grant review “involving the patent of the earlier applicant”
- Generally, once the petition has been accorded a filing date, the USPTO will hold the petition until the petitioner’s claim is otherwise in condition for allowance.

# Post-Grant Review

- Available:
  - Only as to patents whose challenged claims have an effective filing date of March 16, 2013 or later (“first inventor-to-file” patents)
  - Only within nine months after the issue or reissue date of the patent
- PGR may not be instituted:
  - If the petitioner filed a civil action challenging the validity of a claim of the patent before filing the petition
- Final written decision in a PGR estops the petitioner from raising in a subsequent USPTO, district court, or ITC proceeding any ground that was raised or reasonably could have been raised in the PGR

# Post-Grant Review

- Standard for grant of petition (institution of proceeding):
  - Petition shows that it is more likely than not that at least one challenged claim is unpatentable, or
  - Petition raises a novel or unsettled legal question important to other patents or patent applications
- Grounds:
  - Any invalidity defense available under 35 U.S.C. § 282 (e.g., non-statutory subject matter, anticipation, obviousness, lack of written description, non-enablement – but not failure to satisfy best mode)
  - Double patenting is not a basis



# Inter Partes Review

- Available (as to any patent) after the later of:
  - Nine months after the challenged patent's issue or reissue date
  - Date of termination of a PGR if one has been instituted
- IPR may not be instituted:
  - If the petitioner filed a civil action challenging the validity of a claim of the patent before filing the petition
  - If more than one year has passed since the petitioner was served with a complaint charging infringement of the subject patent
  - On any ground that the petitioner raised or reasonably could have raised during a prior inter partes or post-grant review (including a CBM) that resulted in a final written (PTAB) decision

# Inter Partes Review

- Final written decision in an IPR estops the petitioner from raising in a subsequent USPTO, district court, or ITC proceeding any ground that was raised or reasonably could have been raised in the IPR
- Standard for grant of petition (institution of proceeding): petition shows that there is a reasonable likelihood of prevailing on at least one challenged claim
- Grounds:
  - Anticipation or obviousness based solely on patents or printed publications

# Transitional Program for CBMs

- Post-grant review for covered business method patents:
  - a method or corresponding apparatus for performing data processing or other operations for financial product or service.
  - excludes patents for technological inventions
- Available:
  - For any covered business method patent, except for first-inventor-to-file patents for the first nine months after issue (i.e., while they are susceptible to PGR)
  - BUT ONLY to petitioners who have been sued for or charged with infringement of the patent at issue

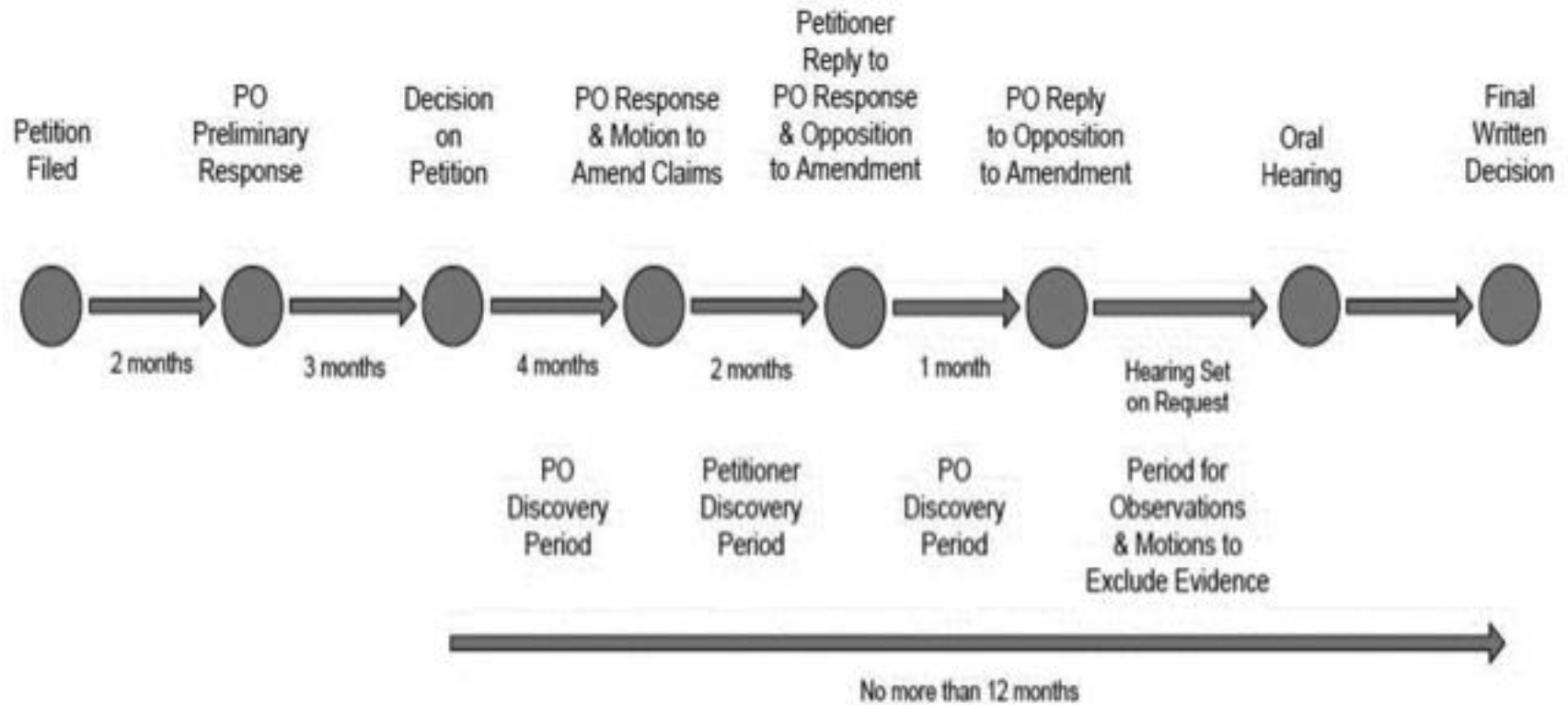
# Transitional Program for CBMs

- CBM may not be instituted:
  - If petitioner has not been sued for or charged with infringement
  - Within nine months of issue or reissue, if the patent is a first-inventor-to-file patent
  - On any ground that the petitioner raised or reasonably could have raised during a prior inter partes or post-grant review (including a prior CBM) that resulted in a final written (PTAB) decision
    - But: CBM creates no “reasonably could have raised” estoppel as to district court or ITC proceedings
- Standard for grant of petition: same as PGR (more likely than not unpatentable)
- Grounds: same as PGR (any\* invalidity ground)

# IPR, PGR, CBM

- USPTO must complete proceedings within 12 months from institution (not petition), with 6 months good cause exception possible
  - For first four years, USPTO may limit the number of IPRs that may be filed (hurry!)
- Pro hac vice admission:
  - Lead counsel must be registered practitioner
  - Pro hac vice recognition may be given (for back up counsel) on good cause showing
  - All counsel will be subject to USPTO ethics and discipline rules
  - Board may disqualify counsel for cause after notice and opportunity for hearing

# USPTO Timeline: IPR, PGR, CBM



# Fees

- Inter partes review:
  - \$9000 petition fee (up to 20 claims)
  - \$14,000 institution fee (up to 15 claims)
- Post-grant review (including CBM):
  - \$12,000 petition fee (up to 20 claims)
  - \$18,000 institution fee (up to 15 claims)

# Pre-Institution

- Petitions:
  - Page limits (IPR – 60; PGR – 80)
  - Closely scrutinized by panel; redundant grounds disregarded
  - Most so far have been accompanied by expert declaration(s)
- Optional preliminary patent owner response:
  - Page limits (IPR – 60; PGR – 80)
  - No declaration evidence (except IOJ), but patent owner may argue:
    - (1) The petitioner is statutorily barred from pursuing a review.
    - (2) The references asserted to establish that the claims are unpatentable are not in fact prior art.
    - (3) The prior art lacks a material limitation in all the independent claims.
    - (4) The prior art teaches or suggests away from a combination that the petitioner is advocating.
    - (5) The petitioner's claim interpretation for the challenged claims is unreasonable.
    - (6) If a petition for post-grant review raises 35 U.S.C. 101 grounds, a brief explanation of how the challenged claims are directed to a patent-eligible invention.



# So far (as of June 28) . . .

- IPR:
  - 326 requested
  - ~90% grant rate (as to some/all challenged claims)
- CBM:
  - 31 requested

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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GARMIN INTERNATIONAL, INC. ET AL.  
Petitioner

v.

Patent of CUOZZO SPEED TECHNOLOGIES LLC  
Patent Owner

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Case IPR2012-00001 (JL)  
Patent 6,778,074

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Before MICHAEL P. TIERNEY, *Lead Administrative Patent Judge*, JAMESON  
LEE and JOSIAH COCKS, *Administrative Patent Judges*.

LEE, *Administrative Patent Judge*.

DECISION TO INITIATE  
TRIAL FOR INTER PARTES REVIEW

BACKGROUND

Petitioner Garmin International Inc. et al. requests inter partes review of claims 1-20 of US Patent 6,778,074 ('074 Patent) pursuant to 35 U.S.C. §§ 311 et seq. The Patent Owner, Cuozzo Speed Technologies LLC., has waived its right to

# Post-Institution

- Timeline:
  - Patent owner discovery period; patent owner response (plus any motion to amend) due 3 months after institution (default date)
  - Petitioner discovery period; petitioner reply/opposition to motion to amend) due 3 months after PO response
  - Patent owner reply to opposition to amend due 1 month after petitioner reply
  - Oral hearing set on request
  - Written decision (no more than 12 months after institution (extendable up to 6 months if USPTO can show cause)

# Discovery

- Three categories:
  - Mandatory initial disclosures
  - Routine discovery
  - Additional discovery

# Discovery

- Mandatory Initial Disclosures
  - Two options described in rules
  - Optional! (by agreement or by motion)
- Routine Discovery:
  - Any exhibit cited in a paper or in testimony
  - Cross-examination, via deposition, of opponent's declarants
  - “[R]elevant information that is inconsistent with a position advanced by the party during the proceeding”
    - Must be served “concurrent with the filing of the documents or things that contains the inconsistency”, “unless previously served”

# Discovery

- Additional discovery
  - For IPR: “interest of justice”
  - For PGR/CBM: “good cause shown” (“limited to . . . factual assertions advanced by either party in the proceeding”)
- Don’t count on it. See *Garmin International Inc. v. Cuozzo Speed Technologies LLC*, slip op. IPR2012-00001 (PTAB Mar. 5, 2013). Five “interests of justice” criteria:
  - Need More Than a Possibility and Mere Allegation
  - Cannot Request Litigation Positions and Underlying Basis
  - Won’t Get If Can Generate Equivalent Information By Other Means
  - Questions/Instructions Should Be Easily Understandable
  - Requests Must Not Be Overly Burdensome to Answer

# Amendments

- Limited opportunity for patent owner to amend:
  - Right to file only one motion presenting new/amended claims (must “confer” with Board)
  - Amendments must respond to ground on unpatentability involved
  - Presumption is one new claim per cancelled claim
  - Any additional motion only upon joint request of both petitioner and patent owner to materially advance settlement
  - Cannot broaden scope; intervening rights apply
- Patent owner estoppel: cannot recover disclaimed subject matter (“claim that is not patentably distinct”) in any other proceeding

# Oral Hearing

- First-ever AIA contested proceeding oral hearing was held (in a CBM) on April 17, 2013: SAP America, Inc. v. Versata Development Group, Inc., CBM2012-00001
  - Hearing was expedited (SAP agreed to limit challenge to Section 101 grounds), and was broadcast live:  
<http://www.uspto.gov/ip/boards/bpai/CBM2012-00001.061.pdf>
  - Demonstratives:
    - SAP: <http://www.reexamlink.com/wp-content/uploads/2013/04/SAP-PPT-slides-Exhibit-1036.pdf>
    - Versata: <http://www.reexamlink.com/wp-content/uploads/2013/04/Versatas-PPT-slides-exhibit-65.pdf>
  - Transcript: <http://www.reexamlink.com/wp-content/uploads/2013/04/Trial-Transcript-SAP-v-Versata.pdf>



# Final Written Decision

- First “final written decision” issued June 11, 2013 in SAP v. Versata (CBM2012-00001): [http://e-foia.uspto.gov/Foia/RetrievePdf?system=PRPS&flNm=CBM2012-00001\\_70](http://e-foia.uspto.gov/Foia/RetrievePdf?system=PRPS&flNm=CBM2012-00001_70)
  - Time from petition to decision: 9 months
  - Could wipe out \$345M judgment against SAP
  - PTAB:
    - Defended “broadest reasonable interpretation” standard
    - Applied recent §101 caselaw
    - Credited petitioner’s expert over patent owner’s

# Settlement

- Proceeding “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 . . . is filed”
  - Can occur before or after institution
  - Avoids estoppel
  - Petition/cited prior art remains public information
  - “Office may terminate the review or proceed to a final written decision”
    - E.g., if claims are clearly unpatentable and owner has filed no response to the petition

# Settlement

- Procedure:
  - Settlement agreement(s) must be in writing and filed with the PTAB
  - May be filed as “business confidential information,” available only to federal agencies “on written request” or “to any person on a showing of good cause”
  - Submit joint motion to terminate
- Or, settle privately and walk away (notify PTAB)
  - Keep settlement terms completely private
  - Formal estoppel would likely attach (but presumably the agreement effectively estops the petitioner)
  - Appears likely PTAB would still terminate

# Estimated Costs

<http://usptopost-grant.com/2012/05/20/uspto-post-grant-opposition-costs-a-forum-conveniens-for-invalidity-disputes/>

DISTRICT COURT ACTION		USPTO INTER PARTES REVIEW		USPTO POST-GRANT REVIEW	
Discovery	\$1.5 M	Petition	\$73 K	Petition	\$97 K
		Prelim. Response	\$34 K	Prelim. Response	\$34 K
Trial	\$1.0 M	Trial (each party)	\$193 K	Trial (each party)	\$242 K
Total	<b>\$2.5 M</b>	<b>Total</b> (petit.)	<b>\$266 K</b>	<b>Total</b> (petit.)	<b>\$339 K</b>
		(PO)	<b>\$227 K</b>	(PO)	<b>\$276 K</b>

# Challenges & Opportunities

- New post-grant proceedings: design generally favors petitioners
  - Generally more opportunities for petitioners
  - Generally more challenges for patent owners
- Next up: considerations for petitioners, patents owners, and both

# Petitioner's Perspective

- Challenges:
  - Petition requires claim construction
  - Page limits
  - CBM has standing requirement
  - PGR: only within nine months of issue
  - IPR: only within twelve months of being sued (served with complaint)
  - Estoppel (no anonymity)
    - PGR, in particular – broad estoppel; Congress did not “fix”

# Petitioner's Perspective

- Opportunities:
  - Claims given “broadest reasonable interpretation”
  - No presumption of validity
  - Preponderance of the evidence burden of proof
  - PGR: grounds not limited to prior art
  - CBM: very limited estoppel (as to district court and ITC proceedings); no litigation timing limits
  - Lower (but still significant) cost (as compared with district court challenge)
  - Improved chance for stay of co-pending litigation

# Patent Owner's Perspective

- Challenges:
  - No standing requirement
  - No sovereign immunity (for state universities)
  - Grounds need not be NEW
  - Limited opportunity to amend claims/patent owner estoppel



# Considerations for Both

- Speed of proceedings
  - Particular challenge for patent owners, who don't control the timing
  - Patent owners must plan and budget for PGR and IPR attacks
- PTAB is closely scrutinizing petitions
- Opportunity to cross-examine the other party's declarants
- Judges are technically-trained patent experts
- Need for specialized counsel

Questions? Comments?