



# NYS SCIENCE+TECHNOLOGY

## LAW CENTER

AT SYRACUSE UNIVERSITY COLLEGE OF LAW

PRESENTS



### PTAB Contested Proceedings:

Tips, Traps and Pitfalls for the  
Patent Owner and Petitioner



# Background

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

(available at:  
<http://nysstlc.syr.edu/webcasts>)



# 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” (FITF) patents)
  - Only within nine months after the issue or reissue date of the patent



# 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 non-FITF patents, upon issuance
  - As to FITF patents, 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



# Inter Partes Review

- 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

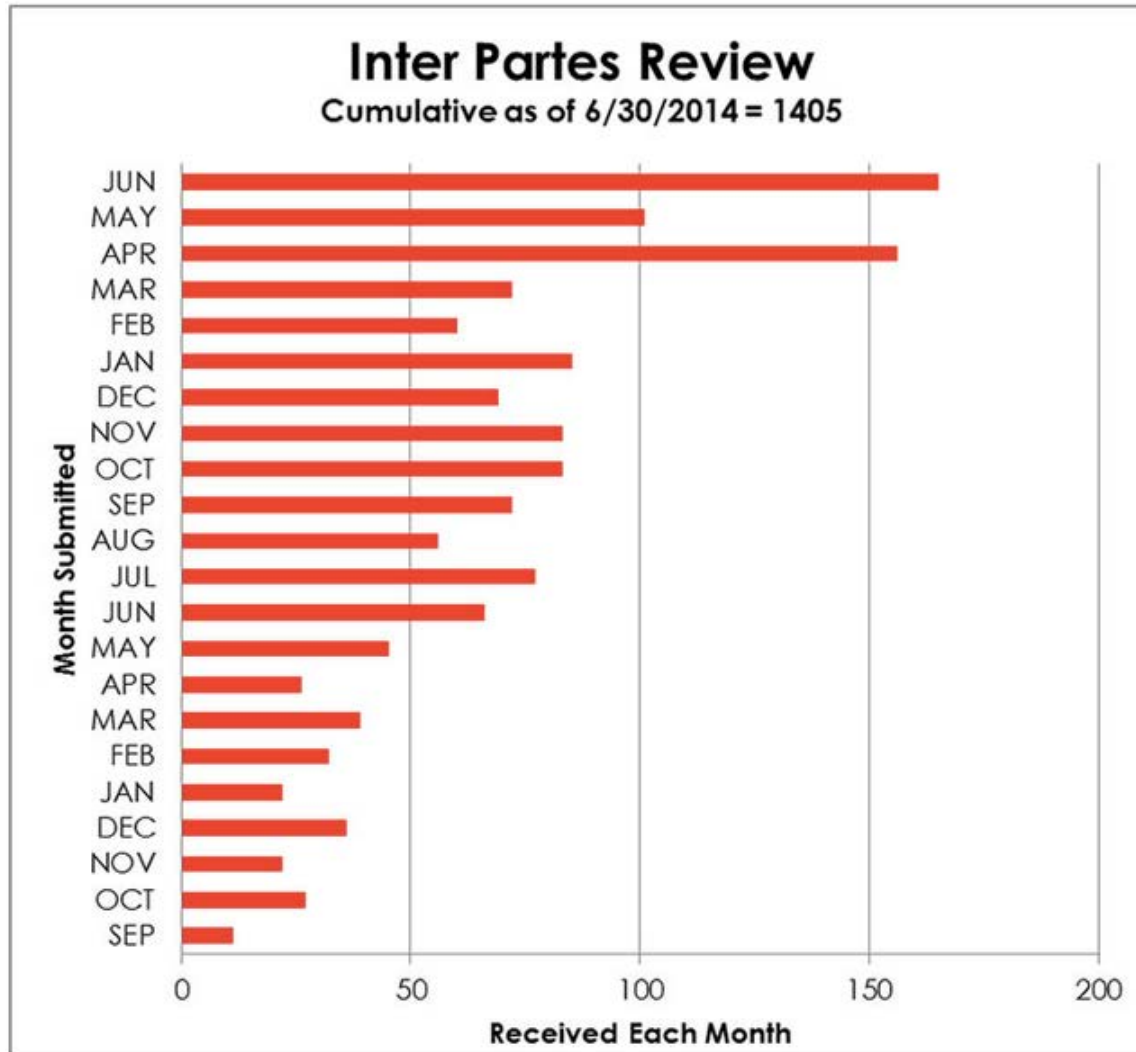
- Post-grant review for covered business method patents:
  - a method or corresponding apparatus for performing data processing or other operations for financial product or service.
  - excludes patents for technological inventions
- Available:
  - For any covered business method patent, except for FITF 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

- Standard for grant of petition: same as PGR (more likely than not unpatentable)
- Grounds: same as PGR (any\* invalidity ground)

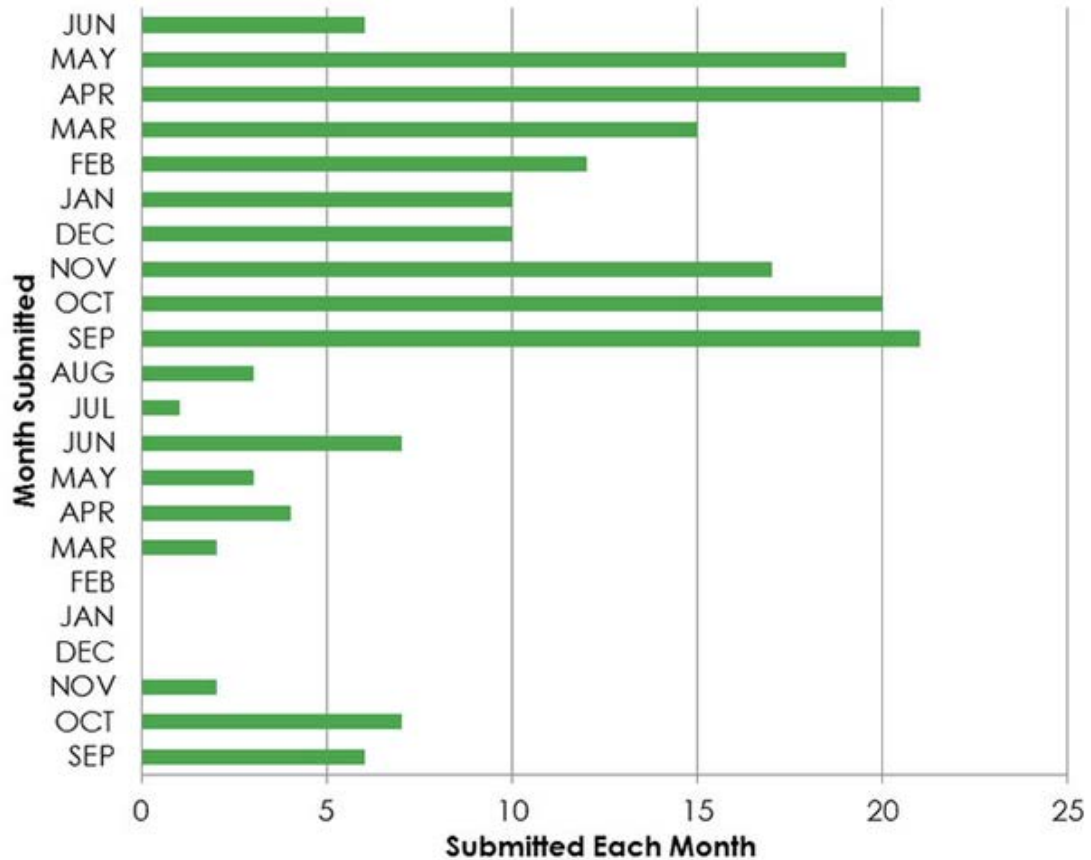




Source: [http://www.uspto.gov/aia\\_implementation/statistics.jsp](http://www.uspto.gov/aia_implementation/statistics.jsp)

# Covered Business Methods

Cumulative as of 6/30/2014 = 186



Source: [http://www.uspto.gov/aia\\_implementation/statistics.jsp](http://www.uspto.gov/aia_implementation/statistics.jsp)



# Why Popular?

- Claims given “broadest reasonable interpretation”
- No presumption of validity
- Preponderance of the evidence burden of proof
- Limited opportunity to amend claims
- Limited (IPR) or very limited (CBM) estoppel\*
- Lower (but still significant) cost (as compared with district court challenge)
- Faster than district court
- Improved chance for stay of concurrent litigation
- Statistics! (so far . . . )



# Agenda

- I. Eligibility/bars & estoppels
- II. Patent owner preliminary response
- III. Decision on institution
- IV. Claim amendments
- V. Also of note . . .



# I. Eligibility/Bars

- IPR is barred:
  - IF petitioner or its “real party in interest” (RPI) has filed a civil action challenging the validity of a claim of the patent
- OR
- IF more than one year has passed since the petitioner, its RPI or a privy has been served with an infringement claim
  - Except that a time-barred petitioner may ask to join another party’s IPR, within one month of its institution



# I. Eligibility/Bars

- PGR is barred:
  - IF petitioner or its RPI has filed a civil action challenging the validity of a claim of the patent



# I. Eligibility/Bars

- CBM is barred:
  - IF petitioner or RPI has filed a civil action challenging the validity of a claim of the patent

**AND**

  - UNLESS the petitioner, its RPI, or a privy has been charged with infringement under the patent



# I. Estoppels

- Final written decision of the PTAB . . .
  - in an IPR estops the petitioner, its RPI, and privies from raising in a subsequent USPTO, district court, or ITC proceeding any ground that petitioner raised or reasonably could have raised in the IPR
  - in a PGR estops the petitioner, its RPI, and privies from raising in a subsequent USPTO, district court, or ITC proceeding any ground that petitioner raised or reasonably could have raised in the PGR
  - in a CBM
    - estops the petitioner, its RPI, and privies from raising in a subsequent USPTO proceeding any ground that was raised or reasonably could have been raised in the CBM
    - estops the petitioner and its RPI from raising in a subsequent district court or ITC proceeding any ground that was raised in the CBM

(estoppels are by claim)





# I. Eligibility/Bars and Estoppels

- Issues:
  - A. Factors governing joinder
  - B. What triggers the IPR one-year-bar?
  - C. Who is an RPI? Who is a privy?
  - D. What does “reasonably could have raised” mean?



# I. Eligibility/Bars and Estoppels

## A. Factors governing joinder

- Similarity of issues/analyses
- Impact on schedule
- Pendency of joined proceeding

*e.g., Kyocera Corp. v. Softview, LLC*, IPR2013-0004,  
Paper 15 (PTAB June 20, 2013);  
*Dell, Inc. v. Network-a Sec. Solutions, Inc.*, IPR2013-00385,  
Paper 17 (PTAB July 29, 2013)

Decision on joinder motion  
is within PTAB's discretion



# I. Eligibility/Bars and Estoppels

## B. What triggers the one year IPR bar?

– PTAB guidance: One year bar . . .

- . . . is triggered by complaints pre-dating the AIA

*Samsung Electronics Co. Ltd. v. Fractus*, IPR2014-00008,  
Paper 19 (PTAB Jan. 2, 2014)

- . . . applies even if the petition is filed within one year of service of a second complaint

*Apple, Inc. v. VirnetX, Inc.*, IPR 2013-00348,  
Paper 18 (PTAB Feb. 12, 2014)

- . . . applies even if the second complaint asserts infringement of claims amended in reexamination

*BioDelivery v. MonoSol*, IPR2013-00315,  
Paper 40 (PTAB Dec. 18, 2013)

- . . . is triggered by service of a counterclaim for infringement

*St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*, IPR2013-00258,  
Paper 29 (PTAB Oct. 16, 2013)



# I. Eligibility/Bars and Estoppels

## B. What triggers the one year IPR bar?

– PTAB guidance:

- But dismissal of a complaint without prejudice means the civil action never existed

*Clio USA, Inc. v. The Procter and Gamble Co.*, IPR2013-00438, Paper 9  
(PTAB Jan. 19, 2014) (voluntarily dismissed DJ invalidity complaint  
does not bar IPR under 35 U.S.C. §315(a))

*Macauto U.S.A. v. BOS GmbH & KG*, IPR2012-0004, Paper 18  
(PTAB Jan. 14, 2013) (dismissal without prejudice does not trigger  
one-year bar of 35 U.S.C. §315(b))



# I. Eligibility/Bars and Estoppels

## C. “Real party in interest” / “Privy”

- No statutory definition
- USPTO (Trial Practice Guide):
  - “highly fact-dependent question”
  - “*See generally Taylor v. Sturgell*, 553 U.S. 880 (2008)”
  - “case-by-case basis taking into account how courts have viewed the terms”
  - “Courts invoke the terms ‘real party-in-interest’ and ‘privy’ to describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion”



# I. Eligibility/Bars and Estoppels

## C. “Real party in interest” / “Privity”

– USPTO (Trial Practice Guide):

- “real party-in-interest” is the party that desires review of the patent, e.g.,
  - One who pays a third party to file the petition
  - One who directs or controls the content of the petition
- “privity” is “more expansive, encompassing parties that do not necessarily need to be identified . . . as a ‘real party-in-interest’”
  - Quoting legislative history: “Privity is essentially a shorthand statement that collateral estoppel is to be applied in a given case”



# I. Eligibility/Bars and Estoppels

## C. “Real party in interest” / “Privy”

– USPTO (Trial Practice Guide):

- “A common consideration is whether the non-party exercised or could have exercised control over a party’s participation in a proceeding”
- Insufficient, *without more*:
  - Membership in a trade association (which files a petition)
  - Membership in a joint defense group (where another member files a petition)



# I. Eligibility/Bars and Estoppels

## C. “Real party in interest” / “Privy”

– PTAB guidance: *without more*:

- Mere agreement (by a co-defendant) to be bound by a determination in an IPR not sufficient
- Supplier is not a privy of its customer
- Customer is not a privy of its supplier
- Litigation defendant is not a privy of the petitioner created via its merger
- Litigation defendant is not a privy of its acquirer





# I. Eligibility/Bars and Estoppels

## C. “Real party in interest” / “Privy”

– PTAB guidance:

- Existence of indemnification agreement between supplier and customer probative of the *opportunity* for control by the supplier, but doesn’t establish control
  - “Control of the litigation, or some sort of representation, constitutes a ‘crucial’ factor”
  - “[M]ore than a ‘mere possibility’ that [petitioner] controlled, or could have controlled, the [district court litigation]” is required. “Paying for trial expenses pursuant to indemnity normally does not establish privity or control.”
    - » Accordingly, even additional discovery to obtain the indemnity agreements not warranted



# I. Eligibility/Bars and Estoppels

## C. “Real party in interest” / “Privy”

– PTAB guidance:

- But, a petitioner’s predecessor was held to be its real party in interest, based on state successor liability law
  - PTAB: predecessor and petitioner “operated as one continuous entity,” sharing the same officers and customers, and holding themselves out as one continuous entity

*Anova Food LLC v. Sandau*, IPR2013-00114,  
Paper 17 (PTAB Sept. 13, 2013)



# I. Eligibility/Bars and Estoppels

## C. “Real party in interest” / “Privy”

- Patent owners should consider:
  - Requesting indemnification agreements in district court discovery (where possible)
  - Pending Federal Circuit guidance, raising RPI and privity issues (where appropriate) at PTAB (e.g., in POPR) to preserve the issue for appeal

*Scott A. McKeown, Lack of PTAB discovery to shift privity question to district courts (Feb. 4, 2014), available at <http://www.patentspostgrant.com/lang/en/2014/02/lack-of-ptab-discovery-to-shift-privity-question-to-district-courts>*

- Difference between existence and *triggering* of indemnity obligation?



# I. Eligibility/Bars and Estoppels

## C. “Real party in interest” / “Privy”

- Petitioners: agreements conveying power to control the litigation decisions of other parties may create privity
- Patent owners AND petitioners:
  - For purposes of CBM *standing*, legislative history suggests that a customer is a privy
    - S. Schumer (D-NY): a “privy is a party that has a direct relationship to the petitioner” and “it effectively means customer of the petitioner.”
- Patent owners AND petitioners:
  - RPI and privity are HIGHLY fact-dependent determinations!



# I. Estoppels

## D. “[R]easonably could have raised”

- IPR – petitioners only “could have raised” 102 and 103 grounds, based on patents and printed publications
  - Clearly, petitioners/RPIs/privities not estopped from raising other (noncumulative) prior art (e.g., on sale/public use grounds) or §101, §112 grounds)
  - But how exhaustive must be the petitioner’s prior art search?
    - S. Kyl (former R-AZ): “[R]easonably’ ensures that could-have-raised estoppel extends only to that prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover”
    - What does THAT mean? – courts will decide



# I. Estoppels

## D. “[R]easonably could have raised”

- PGR/CBM:

- Same issue as above re print prior art: how exhaustive must search be?

- But limited window for filing PGR

- What was publicly available (or available via district court discovery) re allegedly invalidating sales/uses?

- Potentially VERY broad estoppel -- §§101 and 112 grounds may also be raised in PGR



# I. Estoppels

- Other interesting estoppel questions:
  - Estoppels are triggered by “final written decision” of the PTAB
    - Should concurrent litigation remain stayed pending Federal Circuit resolution, since estoppel may “evaporate”?
    - Is a petitioner estopped (once a final written decision is issued) from re-raising grounds included in petition but not relied on by PTAB in institution decision?

Donald R. Banowit & Jonathan M. Strang, *The interface between district court litigation and contested office proceedings under the AIA: petitioner estoppels* (Nov. 12, 2012), available at <http://skgf.com/media/pnc/7/media.2057.pdf>



## II. Patent Owner Preliminary Response

- Optional: “the patent owner [has] the right to file a preliminary response . . . that sets forth reasons why no inter partes review [or post-grant review] should be instituted based upon the failure of the petition to meet any requirement of this chapter”
  - Most have filed POPRs
- Time for filing: “no later than three months after the date of a notice indicating that the request to institute . . . has been granted a filing date”
  - Patent owner may expedite proceeding by filing election to waive
  - About 20% have waived





## II. Patent Owner Preliminary Response

- Cannot include:
  - New testimony evidence
  - Amendments
- Can:
  - Present claim construction arguments
  - Show petitioner is barred or estopped
  - Attack prior art status
  - Argue the merits
  - Argue against joinder



## II. Patent Owner Preliminary Response

### PROs:

- “prevent institution”
- “get the last word”
- “pick the low-hanging fruit”
- “get out early”

### CONs:

- “allow institution and trigger estoppel”
- “buy time”
- “keep the element of surprise”
- “conserve resources”

Carly S. Levin, Fabian M. Koenigbauer, Meaghan Hemmings Kent, Steven J. Schwarz, *IPR spotlight series: Evaluating whether to file a preliminary patent owner response* (June 13, 2014), available at <http://www.venable.com/ipr-spotlight-series-evaluating-whether-to-file-a-preliminary-patent-owner-response-06-13-2014/>



### III. Decision on Institution

“The determination . . . whether to institute . . . shall be final and nonappealable.”

35 U.S.C. §§ 314(d), 324(d)

*St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014) (no jurisdiction to review decision denying institution)

*In re Procter & Gamble Co.*, 749 F.3d 1376 (Fed. Cir. 2014) (decision to institute not immediately reviewable via mandamus)

*In re Dominion Dealer Solutions*, 749 F.3d 1379 (Fed. Cir. 2014) (decision not to institute not immediately reviewable via mandamus)

*Dominion Dealer Solutions, LLC v. Lee*, No. 3:13CV699, 2014 WL 1572061 (E.D. Va., Apr. 18, 2014) (dismissing collateral suit invoking APA to challenge decision denying institution)



## IV. Claim 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 involved ground of unpatentability
  - 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 subject matter (“claim that is not patentably distinct”) disclaimed in any other proceeding



## IV. Claim Amendments

- PTAB Guidance: Patent owner . . .
  - bears burden of proving the “general patentability over [the] prior art” of the proposed amended claims
    - by preponderance of the evidence
  - must describe the level of skill in the art (skills and ordinary creativity of one of ordinary skill in the art)
  - must distinguish the prior art of record, and the (known) prior art in general

*Idle Free Sys. Inc. v. Bergstrom Inc.*, IPR 2012-00027,  
Paper 66 (PTAB Jan. 7, 2014)



# IV. Claim Amendments

- PTAB Guidance:
  - “[I]f a feature Z is proposed to be added to a claim to render it patentably distinct from the prior art, it would be essential for patent owner to establish the significance of feature Z from the perspective of the level of ordinary skill in the art. It is of little value only to state that no prior art teaches or suggests multiple claim elements including feature Z.”
  - patent owner should
    - “indicate whether feature Z was known in any context, and if so, then explain why that context is so remote or different from that of the claimed invention that one with ordinary skill in the art would not have applied that teaching to arrive at the claimed invention.”
    - explain “why one with ordinary skill in the art would not have adapted relevant basic or general techniques taught in textbooks in the field of the invention to the particular use required by the claimed invention.”

*Avaya Inc. v. Network-1 Sec. Solutions, Inc.*, IPR2013-00071,  
Paper 38 (PTAB July 22, 2013)



## IV. Claim Amendments

- Plus:
  - 14 point font, double spaced, 15 page limit
  - listing of each amended claim in the body of the motion
  - show “support in the original disclosure of the patent for each claim that is added or amended”



## IV. Claim Amendments

- May 20, 2014: First successful motion to amend in a PTAB contested proceeding
  - Patent owner's only response was (unopposed) motion to cancel claims 1-26 and substitute new claims 27-45
    - PTAB granted as to new claims 27-44, denied as to 45
    - New independent claim 27 limited the claimed method (of repelling insects) to five previously-included compounds
  - Motion:
    - Identified cited reference as closest prior art
    - Showed that reference did not disclose/suggest the five recited compounds
    - Included expert declaration and several publications showing level of skill and unexpected significance of minor structural changes

*Int'l Flavors v. The United States*, IPR2013-00124,  
Paper 12 (PTAB May 20, 2014)





# IV. Claim Amendments

- May 20, 2014: First successful motion to amend in a PTAB contested proceeding
  - Commentators:
    - Case is “unusual”

Dorothy Whelan, Karl Renner, Stuart Nelson, *Amendments, Live Testimony, and Disclaiming to Avoid the Broadest Reasonable Interpretation Standard - The PTAB has Spoken...*, available at <http://fishpostgrant.com/wp-content/uploads/6-11-14-PG-Webinar.pdf> (June 12, 2014)
    - Perhaps of limited utility (confined to unpredictable arts – stricter obviousness test)

Brett Thompsen, *International Flavors – A True Guide For Amending Claims During An IPR?*, available at [http://www.bakerbotts.com/file\\_upload/PostGrantReport062014-InternationalFlavors-ATrueGuideForAmendingClaimsDuringanIPR.htm#footnote12r](http://www.bakerbotts.com/file_upload/PostGrantReport062014-InternationalFlavors-ATrueGuideForAmendingClaimsDuringanIPR.htm#footnote12r) (June 2014)



## V. Also of note . . .

- Non-competitor “watchdog” challengers lack Article III standing to pursue Federal Circuit appeals

*Consumer Watchdog v. Wisconsin Alumni Research Found.*,  
753 F.3d 1258 (Fed. Cir. 2014)



## V. Also of note . . .

- PTAB has held that it has the discretion to deny a petition without consideration of its merits, as
  - Not complying with the Board’s rules:
    - a petition must include “[a] full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence” and “where each element of [each challenged] claim is found in the prior art patents or printed publications relied upon [and] the relevance of the evidence to the challenge raised.”
  - Including “numerous grounds and underdeveloped assertions [which] would place a significant burden on the Board and contravene the efficient administration of the Office” and which “plac[e] a significant and unfair burden on the Patent Owner to respond adequately”
    - “Petition presents no fewer than 127 asserted grounds of unpatentability”
      - e.g., “any of Hölzl, Holt, Eberhard et al., or Hedengren et al. in view of Junker et al. and Sullivan or Begley et al.” – “in reality, eight grounds”

*Zetec, Inc. v. Westinghouse Elec., LLC*, IPR2014-00384,  
Paper 10 (PTAB July 23, 2014)



## V. Also of note . . .

- Duty of candor in concurrent litigation
  - U.S. District Judge Mark Davis admonished counsel for both parties
    - Counsel did not disclose that the defendant had filed IPR petitions on the patents-in-suit, during court’s consideration of motion for summary judgment of invalidity
    - “A patent infringement suit with an invalidity counterclaim, and an IPR proceeding involving the validity of the same patent claims, fit into that category of related matters requiring notification to the respective adjudicative tribunals” under
      - “general duty of candor and good faith”
      - Rule 3.3: Candor Toward the Tribunal
    - Matters because court could have considered whether to stay, and because defendants “in effect had two bites at the [validity] apple”

*Virginia Innovation Sciences, Inc. v. Samsung Electronics Co.*,  
983 F.Supp.2d 713 (E.D. Va. 2014)



## V. Also of note . . .

- USPTO is seeking “public comment on all aspects of the new administrative trial proceedings,” particularly:
  - Claim construction standard
  - Motion to amend practice
  - Patent owner preliminary response: allow new testimonial evidence?
  - Obviousness: discovery of petitioner’s evidence?
  - Real party in interest: timing of patent owner’s challenge
  - Additional discovery factors
  - Coordination of multiple (contested and ex parte) post-grant proceedings
  - Circumstances justifying extension of 1 year period to issue determination
  - Oral hearing: allow live testimony? change format?
- Comments due September 16, 2014

Request for Comments on Trial Proceedings Under the America Invents Act  
Before the Patent Trial and Appeal Board,  
79 FR 36474 (June 27, 2014)



**Questions? Comments?**