

PTAB Hot Topics in the Hi-Tech Space

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NJIPLA/NYIPLA PTAB Program

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Agenda

- Statistics
- Important PTAB and Federal Circuit Decisions
- Strategic Considerations
- Proposed Rule Changes
- Discussion Topics

Statistics

AIA Petition Dispositions (as of September 30, 2015)

		Trials Instituted	Joinders	Percent Instituted	Denials	Total No. of Decisions on Institution	Settlements
IPR	FY13	167	10+	87%	26	203	38
	FY14	557	15+	75%	193	765	210
	FY15	801	116	68%	426	1343	464
CBM	FY13	14	0	82%	3	17	3
	FY14	91	1+	75%	30	122	27
	FY15	91	10	70%	43	144	46
PGR	FY16	3	0	100%	0	3	2

USPTO Statistics, <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf>

IPR and CBM - Statistics

- Institution rates are down but still a concern for patent owners
 - IPRs -- 68% in FY15 down from 87% in FY13
 - CBMs -- 70% in FY15 down from 82% in FY13
- Joinders have skyrocketed in the last year
 - IPRs -- 10 in FY13, 15 in FY14, 116 so far in FY15
 - CBMs -- 0 in FY13, 1 in FY14, 10 so far in FY2015
- Settlement rates have also risen to approximate the rate of denied petitions
 - IPRs -- 38 in FY13, 210 in FY14, 464 so far in FY2015
 - CBMs -- 3 in FY13, 27 in FY14, 46 so far in FY2015
- More decisions not to institute CBM based upon jurisdiction/standing
 - Petitioners are testing the meaning of “covered business method”

IPR -- Patent and Claim-By-Claim Outcomes

Category	Percentage
IPR - Instituted Claims Cancelled/Conceded by Owner	80% of all instituted claims
IPR – Instituted Claims Survived	20% of all instituted claims
IPR – Patent Reviewed, No Claims Survived	73% of patents under review

Takeaways...

- ...if institution is granted, claims fall about 80% of the time in IPRs
- ...motions to amend are granted very infrequently (5 total to date)
- ...in a high percentage of cases, no claims survive at all

*Data as of November 1, 2015 via DocketNavigator

CBM – Patent and Claim-By-Claim Outcomes

Category	Percentage
CBM - Instituted Claims Cancelled/Conceded by Owner	95% of all instituted claims
CBM – Instituted Claims Survived	5% of all instituted claims
CBM – Patent Reviewed, No Claims Survived	88% of patents under review

Takeaways...

- ...if institution is granted, claims fall about 95% of the time in CBMs
- ...nearly every instituted Section 101 challenge has resulted in claims being cancelled
- ...in a high percentage of cases, no claims survive at all

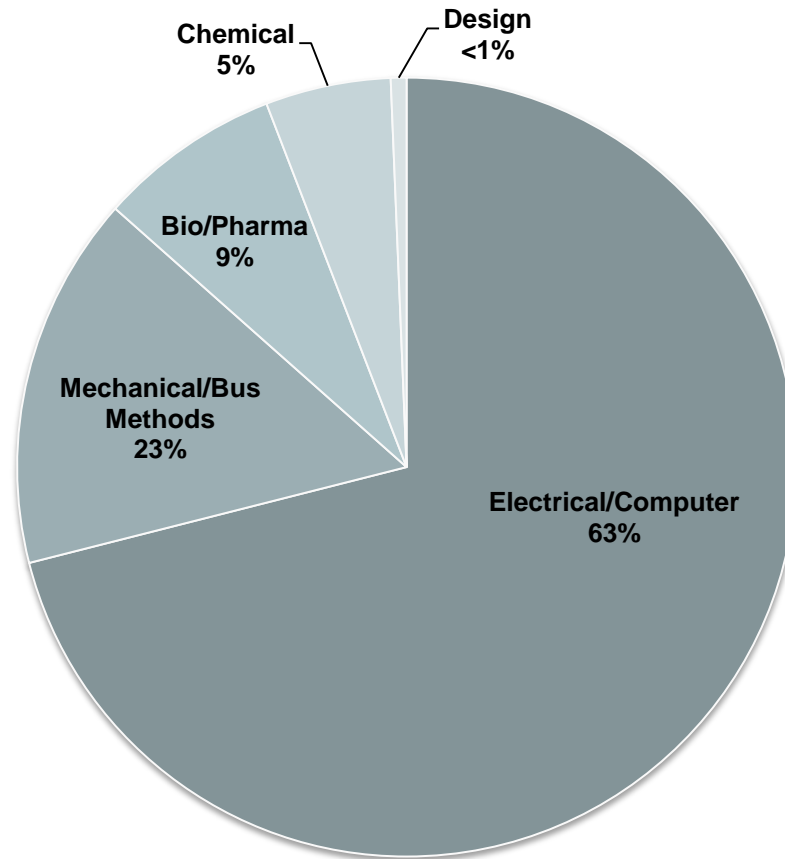
*Data as of November 1, 2015 via Docket Navigator

Technology Areas

Breakdown of AIA Petitions by Technology Area

Takeaways...

- ...Electrical/Computer patents are still the main attraction, but overall percentage has dropped ~6% over the last year
- ...Bio/pharma made up the difference, jumping from 4 to 9% over the same time
- ...Mech/Bus methods and chemical have held steady



Important PTAB and Federal Circuit Decisions

Real-Party-In-Interest

- *ZOLL Lifecor Corp. v. Philips Electronics N. Am. Corp.* (IPR2013-00609)
 - › Factors for determining whether a non-party, corporate affiliate is a real party-in-interest that must be disclosed, include: (1) "existence of a financially controlling interest," (2) "non-party's relationship with the petitioner," (3) "non-party's relationship to the petition itself, including the nature and/or degree of involvement in the filing," and (4) nature of the entity filing the petition
- *Atlanta Gas Light v. Bennett Regulator Guards* (IPR2013-00453)
 - › In its preliminary response, patent owner argued that AGL failed to list all real parties-in-interest. The PTAB instituted the IPR, calling patent owner's contentions "speculative", but discovery into the issue was allowed and showed significant "corporate blurring". The PTAB held that an unidentified parent was the real party-in-interest and dismissed the petition as time barred because petitioner lost its filing date

Timing: 1-Year Time Bar

- *Apple Inc. v. Rensselaer Polytechnic Institute* (IPR2014-00320)
 - › Where a first district court complaint was dismissed without prejudice and the plaintiff filed another complaint a year later, the PTAB ruled that service of the first complaint—not the second complaint—controlled for purposes of determining whether an IPR was time-barred
 - › Held IPR time barred because it was filed more than one year from the date of service of the first complaint
 - › PTAB noted the district court's consolidation order and the treatment of the dispute as "live" by the court and parties.
 - › This was a departure from an earlier case, *MacAuto USA v. BOS gmbH & Co. KG* (IPR2012-00004), where the PTAB held the 1-year bar for filing an IPR petition would effectively reset if an earlier complaint was dismissed without prejudice

Timing: Issue Joinder



- *Target Corp. v. Destination Maternity Corp.* (IPR2014-00508)
 - › The Board initially denied issue joinder under 35 U.S.C. § 315(c) (i.e., the joining of two petitions of a same petitioning party) as a matter of law
 - › Petitioner filed a second petition outside the 12 month window to attack a claim excluded from the prior decision. With denial of joinder, Target's second petition was denied as time barred
 - › In a 4 to 3 split expanded panel , the PTAB granted rehearing and overturned the earlier panel's decision. Joinder allowed. See IPR2014-00508, No. 28 (Feb. 12, 2015)

Timing: Declaratory Judgment Complaints

- *SecureBuy LLC v. Cardinal Commerce Corp.* (CBM2014-00036)
 - › On November 1, 2013, SecureBuy, LLC filed declaratory judgment actions of invalidity. Two weeks later, on November 15, 2013, SecureBuy filed a petition requesting CBM review
 - › Even though not specifically addressed in the statute, the Board held that an earlier filed declaratory judgment action will bar CBM review
 - › This decision is still the only decision of the PTAB designated precedential

Stay of District Court Litigation

- *Versata Software, Inc. v. Callidus Software, Inc.*, 2014-1468 (Fed. Cir. 2014)
 - › The Federal Circuit held that a stay may be warranted even when a post-grant proceeding does not address all of the asserted patents, claims or invalidity defenses at issue in a co-pending litigation. In addition, the time of filing the motion for a stay, not the time the motion is ruled on, should control the question of how far along is the litigation
- *VirtualAgility Inc. v. Salesforce*, 2014-1232 (Fed. Cir. 2014)
 - › The Federal Circuit reversed ED Texas denial of a motion to stay pending CBM review, finding that the evidence weighed heavily in favor of a stay because: (1) the PTAB granted CBM on all asserted claims on two alternative grounds such that the CBM could dispose of the entire litigation; (2) the litigation was still in its infancy; and (3) there was little evidence of competition between the parties
- Despite these decisions, stays are not yet overwhelmingly granted by district courts.

Stay Factors

IPR	CBM
whether a stay would unduly prejudice or a clearly provide a tactical disadvantage the non-moving party	same
whether a stay will simplify/streamline the issues in the case	same
the status of the case/stage of the litigation	same
	whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court

Claim Construction

- Claim Construction
 - › USPTO Standard: a claim will be given its ***broadest reasonable interpretation in light of the specification*** of the patent in which it appears. *In re Cuozzo Speed Techs.* (2014-1301) (Fed. Cir. 2015)
 - PTAB claim constructions reviewed according to *Teva Pharmaceuticals U.S.A., Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015) such that factual determinations are reviewed for substantial evidence and ultimate constructions are reviewed de novo. *Id.*
- Expired or Expiring Patents
 - › PTAB will construe the claim terms under both the BRI standard as well as the *Phillips* standard because the patent may expire before the final decision. *Cisco Systems Inc. v. AIP Acquisition LLC* (IPR2014-00247)

Motions to Amend

- *Riverbed Tech. v. Silver Peak Systems* (IPR2013-00402 and 00403)
 - › Patent owner Silver Peak elected to forego filing a response to the grounds of invalidity raised in Riverbed's petitions, and instead moved to replace the challenged claims with six new claims in each patent.
 - › In each case, the Board found that Silver Peak met its burden of showing the substitute claims were patentable with respect to two of the substitute claims. The Board denied entry of the other substitute claims for various reasons, including lacking patentable distinction over a substitute claim from which they depend, and being directed to non-patent-eligible subject matter.
 - › Prior to the *Riverbed* decisions, opposed motions to amend had been successful only to the extent the motions sought to cancel claims.
 - Unopposed motion to amend previously granted in *International Flavors & Fragrances Inc. v. United States*, IPR2013-00124, Paper No. 12 (PTAB May 20, 2014)

Motions to Amend

- *MasterImage 3D, Inc. v. RealD Inc.*, Case IPR2015-00040 (PTAB July 15, 2015) (Paper 42) (representative)
 - › Clarified earlier *Idle Free* decision concerning burden of proof
 - › Patent Owner must show patentable distinction over prior art of record (in the proceeding; in the prosecution history; in any other proceeding involving the same patent)
 - › Duty of candor and good faith in the Office may require Patent Owner to make additional prior art of record when moving to amend
 - › Once patent owner establishes a prima facie case of patentability, the burden of proof shifts to the petitioner to rebut patentability. However, the ultimate burden of persuasion always remains with the patent owner

Strategic Considerations

Strategic Considerations

- When to file
- Other timing considerations
 - › District court timing v. PTAB 18 months
 - › Fastest route to Federal Circuit
 - › Whether to seek a stay of district court litigation
 - › Settlement timing
- What patents to challenge
 - › Large number of patents asserted in litigation
 - › Complexity of patents
- What claims to challenge
 - › Challenge all claims or less than all claims
 - › File separate petitions as to different groups of claims

Strategic Considerations

- Will requesting post-grant review (or providing draft petition to patentee) provide settlement leverage
- Impact of discovery
 - › Is broad district court discovery needed?
- Impact of potential amendments
 - › Can the claims be amended to avoid the prior art and still cover the infringing product?
- Impact of other defenses available in district court
 - › Strength of noninfringement defense and whether noninfringement or invalidity is the stronger defense
 - › Is the best invalidity defense based on non-patent or publication prior art
 - › Does the accused product “practice the prior art”
 - › Availability of other defenses in district court

Strategic Considerations

- Strategic considerations concerning joinder
 - › Waiting for institution of someone else's IPR and then filing a "me too" petition in the 30-day window (exception to 1-year bar)
 - › Does the first-IPR filer lose some of their settlement leverage when later parties join?
 - › Board decisions encourage very few, if any, "new" issues in joinder petitions; later-filers typically copy earlier petitions and expert declarations to minimize the arguments in opposition to joinder
 - What if the first-IPR filer settles and their expert refuses to work with the new filer? Or has a conflict?
 - Later filer may want to introduce a new expert, but some decisions have viewed this as a significant "new" issue and denied joinder
 - › Later-filers agree not to actively participate until the first-filer settles (limited filings on their own; reliance on first-filer's work)

Strategic Considerations

- Strategic considerations concerning co-defendant post-grant review
 - › Participate and be estopped by statute?
 - Can you agree on content of petition and how to prosecute the IPR?
 - Do you have the same claim construction goals?
 - Are there claims of concern to you but not your co-defendant?
 - Do different accused products motivate reliance on different prior art?
 - › Decline to participate
 - Will you have to agree to estoppel in return for a stay?
 - What scope of estoppel?
 - File a petition on other grounds?
 - Join after one-year deadline for IPR has passed, after claim constructions/grounds instituted?

Proposed Rule Changes

AIA Rulemaking

- The Office has issued two new rule packages since launching AIA trial proceedings three years ago
 1. A first final rule package that encompassed less difficult “quick-fixes” based upon both stakeholder comments and internal PTAB suggestions, including more pages for briefing for motions to amend and for petitioner’s reply brief; and
 2. A second **proposed** rule package that published in August.
- The second proposed rule package addresses issues raised in comments received from the public last year. It also provides more guidance concerning particular AIA proceeding issues.
- The Office plans to issue a final rule package and a revised Patent Trial Practice Guide in 2016.

Most Important Proposed Rule Changes

- The proposed rules address the following areas:
 - › Claim construction standard
 - › Patent owner's motions to amend
 - › Patent owner's preliminary response
 - › Additional discovery
 - › Obviousness
 - › Real party-in-interest
 - › Multiple proceedings
 - › Oral hearing
 - › Pilot program for institution

Most Important Proposed Rule Changes, Cont'd

■ Claim Construction

- › Proposes to clarify that the PTAB will use the claim construction standard used by district courts for patents that are expired and patents that *will* expire during proceedings and therefore cannot be amended, while confirming the use of broadest reasonable interpretation (BRI) for other patents

■ Patent Owner's Motion to Amend

- › Notes the PTAB's development of motion-to-amend practice through its own body of decisions, including the recent *MasterImage 3D* decision that clarified what prior art a patent owner must address to meet its burden of proof
- › The ultimate burden of persuasion of patentability will remain with the patent owner when submitting a motion to amend. Patent owners are encouraged to submit only a single substitute claim for each canceled claim, even though the rules do not prohibit proposing more than one substitute claim

Most Important Proposed Rule Changes, Cont'd

- **New Declaration Evidence with Patent Owner Preliminary Response**
 - › Proposes to allow patent owners to include, with their POPR, testimonial evidence such as an expert declaration
 - › The PTAB plans to resolve in favor of the petitioner any material factual disputes found in the petition, preliminary response and, if any, a reply
 - › Any cross-examination will occur after institution

- **Objective Evidence of Nonobviousness**
 - › Objective evidence of non-obviousness falls under additional discovery. If a patent owner wishes to obtain such evidence, then a request for additional discovery needs to be submitted by the patent owner

Most Important Proposed Rule Changes, Cont'd

■ Real Party-In-Interest

- › The PTAB will generally permit a patent owner to raise a real party-in-interest or privy challenge at *any time* during the post-grant proceeding. Concerning late challenges, though, the PTAB will decide whether the lateness is prejudicial, including when such a challenge is in a request for additional discovery

■ Later-Filed Petitions

- › When considering whether to institute later-filed petitions on the same patent claims, the PTAB will follow its current body of case law
- › Currently the PTAB is considers the following nonexclusive factors: (1) the degree of overlap between the prior art and arguments raised in the multiple petitions; (2) the identity of the petitioner in the later-filed proceeding; (3) whether the petitioner in the later-filed proceeding uses a prior decision on institution as a roadmap to refine and recycle arguments presented in an earlier-filed petition; (4) whether the circumstances surrounding the later-filed petition raises the specter of patent owner harassment; and (5) whether granting the later-filed petition is in the interests of justice

Most Important Proposed Rule Changes, Cont'd

■ Oral hearing

- › The PTAB will continue with its case-by-case practice when considering requests for live testimony at the oral hearing
- › The proposal requires the parties to exchange demonstratives seven business days before the final hearing (current deadline is five days)
- › The PTAB will try to have all judges present during all sessions of multiple session final arguments

■ Pilot Program for Institution

- › The PTAB is seeking input on whether to conduct a pilot program under which a single APJ would decide whether to institute an IPR, with two additional APJs being assigned to conduct the IPR, if instituted

Discussion Topics

Discussion Topics

- Views of IPRs and CBMs and their impact on your business
- BRI and *Philips* claim construction standards
- Limitations on discovery in IPRs and CBMs
- Standard for amendments in IPRs and CBMs
- Availability of a stay of district court litigation
- Effective division of decision making responsibilities for validity and infringement
- Impact of *Alice* on PTAB proceedings
- Opportunity for settlement leverage
- Audience questions

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