

ARTICLES

**VERY FEW APPRECIATED JUST HOW BAD
AIA *INTER PARTES* REVIEWS (IPRS) WOULD
BE FOR PATENT OWNERS, ALTHOUGH IPR
DENIALS HAVE BEEN, FOR PATENT
OWNERS, A GLIMMER OF HOPE**

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I. OBJECTIVES OF AIA IPR POST-GRANT PROCEEDINGS

Congress' objectives of the American Invents Act (AIA) post-grant proceedings were discussed in detail in the legislative history, and those objectives included a faster and cheaper alternative to district court litigation. For example, Senator Hatch (R-Utah), speaking in support of passing the AIA, highlighted that the new post-grant proceedings would be less expensive than district court litigation:

These changes alone will decrease litigation costs so that small companies and individuals will not be dissuaded from protecting their patent rights by companies with greater resources.³

In an earlier incarnation of patent reform legislation, then-Senator Kyl emphasized protection of patent owners and inability of infringers to use post-grant review as a litigation or delaying tactic:⁴

Section 5 of the bill authorizes the creation of post grant review proceedings for challenging the validity of patents. It allows both first- and second-window review of a patent, with procedural restrictions that will limit the time and expense of these proceedings and protect patent owners. The bill uses a procedural model that is favored by PTO and is calculated to allow quick resolution of petitions. Importantly, the bill also imposes procedural limits on when a second-window proceeding may be sought after civil litigation has commenced, and restricts duplicative or second and successive proceedings, preventing infringers from using post grant review as a litigation or delaying tactic . . . the bill uses an oppositional model, which is favored by PTO as allowing speedier adjudication of claims.⁵

Many features of the AIA post-grant proceedings reflect the objectives of faster, less expensive resolution. These include restricted discovery (compared to district court litigation), statutory time limits, litigation time limits, and one level of appeal.⁶

³ 157 CONG. REC. S5411 (daily ed. Sept. 8, 2011) (statement of Sen. Hatch).

⁴ See *infra* Article 7, Jonathan Stroud, Linda Thayer, and Jeffrey C. Totten, *Stay Awhile: The Evolving Law of District Court Stays in Light of Inter Partes Review, Post-Grant Review, and Covered Business Method Post-Grant Review*.

⁵ 154 CONG. REC. S9986-87 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl).

⁶ 157 CONG. REC. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kohl).

A. “Speedy, inexpensive, and just” alternative to district court litigation

When developing the rules to implement the AIA, the USPTO was directed by statute to “consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.”⁷ This is manifested in USPTO Rule 42.1(b): “[t]his part shall be construed to secure the just, speedy, and inexpensive resolution of every proceeding.”⁸

This rule is found in the Patent Trial and Appeal Board (“PTAB”) Final Rules,⁹ so it is applicable to all PTAB proceedings. It is also under a subheading of “Policy,” indicating that it is broad directive. Further, the Office Trial and Practice Guide states: “[t]he rules are to be construed so as to ensure the just, speedy, and inexpensive resolution of a proceeding and, where appropriate, the rules may be modified to accomplish these goals.”¹⁰

As an “alternative” to district court litigation, the statute includes some mandatory stay provisions, and additionally the legislative history indicates that Congress “expected that district judges will liberally grant stays of litigation once a proceeding is instituted.”¹¹ This has been born out somewhat in a stay grant rate of 60% (253/422) (national average - varies significantly by district court).¹²

B. Provide a faster administrative challenge route than reexamination

Senator Kyl supported the AIA post-grant proceedings because “[l]engthy and duplicative proceedings are one of the worst evils of other systems of administrative review of patents.”¹³

There is no statutory time limit on ex parte reexaminations. The average time from request to certificate in ex parte reexamination in the USPTO currently is over two years.¹⁴ The old *inter partes* reexamination

⁷ 35 U.S.C. § 316(b) (2012); 35 U.S.C. §326(b) (2012).

⁸ Rules of Practice for Trials Before the Patent Trial and Appeal Board, 77 Fed. Reg. 48,612 (Aug. 14, 2012).

⁹ *Id.*

¹⁰ Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48, 758 (Aug. 14, 2012).

¹¹ 157 CONG. REC. S1379 (daily ed. Mar. 8, 2011) (statement of Sen. Grassley).

¹² LegalMetric Report, *Stay Pending Inter Partes Review (Aug. 2012 - May 2015)* (if granted-in-part is included, the percentage is 63% (265/422). LegalMetric statistic is comparable to other databases, *see also*, DocketNavigator noting stay rate for 2015 is 63%).

¹³ 154 CONG. REC. 9988 (2008) (statement of Sen. Kyl).

¹⁴ USPTO, EX PARTE REEXAMINATION FILING DATA – SEPTEMBER 30, 2013, available at www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf [http://perma.cc/28AL-2HWA] (June 1, 1981 - Sept. 30, 2013 average: 27.8 months).

average was over 3 years.¹⁵ In contrast, the AIA post-grant proceedings, by statute, must be finished within 12 months from the date of institution (or 18 months for good cause shown).¹⁶ So far, PTAB has been meeting the 12-month from institution deadline.

Senator Kyl noted the procedural restrictions that would facilitate the faster resolution of the AIA post-grant proceedings:

Among the reforms that are expected to expedite these proceedings are the shift from an examinational to an adjudicative model, and the elevated threshold for instituting proceedings. The elevated threshold will require challengers to front load their case. Also, by requiring petitioners to tie their challenges to particular validity arguments against particular claims, the new threshold will prevent challenges from “mushrooming” after the review is instituted into additional arguments employing other prior art or attacking other claims.¹⁷

Senator Kyl went on to state:

[T]he present bill also authorizes the Director to reject any request for ex parte reexamination or petition for post-grant or *inter partes* review on the basis that the same or substantially the same prior art or arguments previously were presented to the Office. This will prevent parties from mounting attacks on patents that raise issues that are substantially the same as issues that were already before the Office with respect to the patent. The Patent Office has indicated that it currently is forced to accept many requests for ex parte and *inter partes* reexamination that raise challenges that are cumulative to or substantially overlap with issues previously considered by the Office with respect to the patent.

[. . .] The estoppels in subsection (e) will prevent *inter partes* and postgrant review petitioners from seeking ex parte

¹⁵ USPTO, *INTER PARTE* REEXAMINATION FILING DATA – SEPTEMBER 30, 2013, available at www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf [http://perma.cc/7K6J-4P9Y] (Nov. 29, 1999 - Sept. 30, 2013 average: 39.5 months).

¹⁶ 35 U.S.C. § 316(a)(11) (“requiring that the final determination in an *inter partes* review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c)[.]”); *see also*, 35 U.S.C. § 326(a)(11) (2012).

¹⁷ 157 CONG. REC. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

reexamination of issues that were raised or could have been raised in the *inter partes* or post-grant review.¹⁸

C. Address the concern that the USPTO was issuing “bad patents”

For several years the press was full of stories reflecting a concern that the USPTO issues too many bad patents:

The U.S. Patent Office, tasked with making sure patents are only granted to genuine inventions, is failing in this essential task. The result: a flood of bad patents on so-called inventions that are unoriginal, vague, overbroad, and/or so unclear that bad actors can easily use them to threaten all kinds of innovators.¹⁹

Many believe the root cause of the patent system’s dysfunction is that the U.S. Patent & Trademark Office (PTO or Agency) is issuing too many invalid patents that unnecessarily drain consumer welfare. Concerns regarding the Agency’s over granting tendencies have recently spurred the Supreme Court to take a renewed interest in substantive patent law and have driven Congress to enact the first major patent reform act in over sixty years.²⁰

A growing chorus of voices is sounding a common refrain: the U.S. Patent and Trademark Office (PTO) is issuing far too many bad patents.²¹

Congress was motivated by this sentiment when it enacted the AIA post-grant proceedings:

In addition, the bill streamlines review of patents to ensure that the poor-quality patents can be weeded out through administrative review rather than costly litigation...Indeed, a good patent will come out of such a review strengthened and

¹⁸ *Id.*

¹⁹ *Patent Fail: In Defense of Innovation*, ELECTRONIC FRONTIER FOUNDATION, (last visited Oct. 2015), <https://www.eff.org/patent> [<http://perma.cc/WJ2Y-MPM5>].

²⁰ Michael D. Frakes and Melissa F. Wasserman, *Does the U.S. Patent & Trademark Office Grant Too Many Bad Patents?: Evidence from a Quasi-Experiment*, 67 STAN L. REV. 613 (2014), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2426321 [<http://perma.cc/76JN-2XXY>].

²¹ Mark A. Lemley and Bhaven Sampat, *Is the Patent Office a Rubber Stamp*, 58 EMORY L. J. 181 (2008), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=999098 [<http://perma.cc/MD3E-87SE>].

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validated.²²

It will protect inventors' rights and improve transparency and third-party participation in the patent review process. It will strengthen patent quality and reduce costs and will curb litigation abuses and improve certainty for investors and innovators.²³

The America Invents Act will . . . improve transparency and third party participation in the patent review process, which will strengthen patent quality and reduce costs.²⁴

II. IPRs, SO FAR, HAVE BEEN EXTREMELY FAVORABLE TO CHALLENGERS AND HAVE NOT OFFERED THE CONGRESSIONALLY-PROMISED PROTECTION TO PATENT OWNERS

A. High petition grant rate

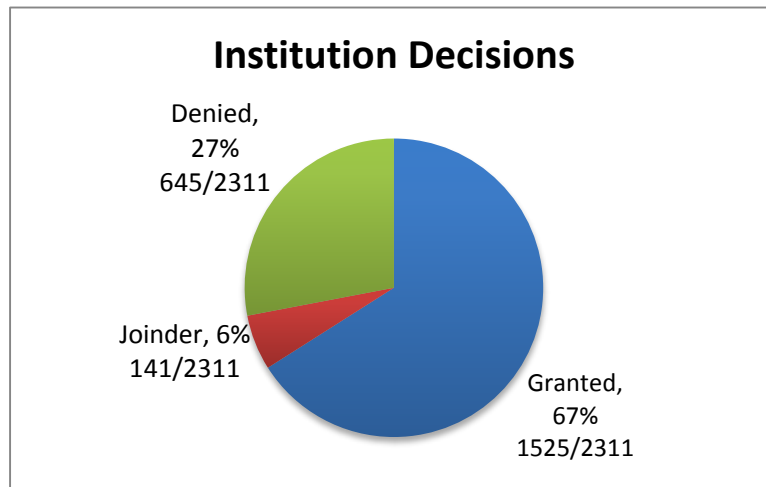


Fig. 1: PTAB IPR Institution Decisions, Sept. 16, 2012 - Sept. 30, 2015. Adding institutions to joinder grants means that 72% of petitions have resulted in an IPR.²⁵

²² 157 Cong. Rec. S5409-10 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer).

²³ 157 CONG. REC. S5433 (daily ed. Sept. 8, 2011) (statement of Sen. Grassley).

²⁴ 157 CONG. REC. S1380 (daily ed. Mar. 8, 2011) (statement of Sen. Grassley).

²⁵ UNITED STATES PATENT AND TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD

Filing a petition does not automatically mean that a trial will follow, but so far, the odds are very good that the petition will be granted on at least some of the challenged claims and on at least some of the asserted grounds. The IPR petition grant rate started out very high in FY2013: 82% (167/203).²⁶ It remains high in FY2015 so far (60%, 801/1343 not including joinder decisions; 68%, 917/1343, including joinder decisions),²⁷ indicating that the threshold of “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition,” is not a huge barrier.²⁸

B. High rate of finding claims unpatentable in instituted IPRs

Overall, across all technologies, Petitioners are obtaining a complete “win” in 73% of the cases going through to a Final Written Decision.²⁹ That is, no instituted claim survived.

STATISTICS (2015), available at <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf> [<http://perma.cc/UAJ2-UCRP>].

²⁶ UNITED STATES PATENT AND TRADEMARK OFFICE, AIA PROGRESS (2015), available at <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf> [<http://perma.cc/UAJ2-UCRP>].

²⁷ UNITED STATES PATENT AND TRADEMARK OFFICE, AIA PROGRESS (2015), available at <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf> [<http://perma.cc/UAJ2-UCRP>].

²⁸ 35 U.S.C. § 314(a) (2012).

²⁹ Daniel F. Klodowski and David Seastrunk, *Claim and Case Disposition*, <http://www.aiablog.com/claim-and-case-disposition/> [<http://perma.cc/N9Q8-RARZ>] (noting a “mixed” outcome means at least one instituted claim survived and at least one instituted claim was held unpatentable).

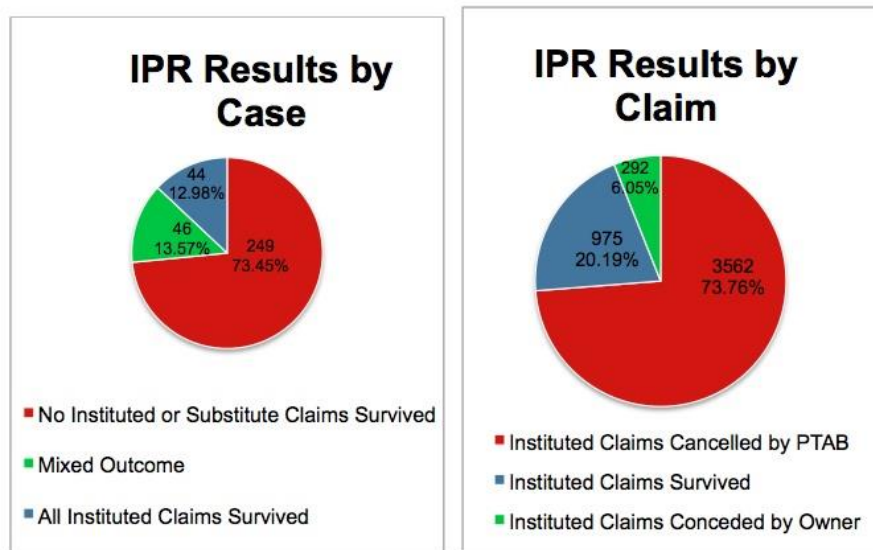


Exhibit 2: IPR Terminations by Case and by Claim as of July 1, 2015.³⁰

When analyzed by claim, the results are even more positive for petitioners because in addition to nearly 75% of the instituted claims held unpatentable, patent owners conceded about 6% of the instituted claims. That means about 81% of the instituted claims did not survive an IPR. This is a very high win rate for petitioners; much higher than ex parte reexam where the rate for certificates with all claims canceled is 12%.³¹ In 66% of the reexam certificates issued, at least one claim was amended. Even assuming that half of the reexam certificates containing amended claims may be a “win” for the third party, that is still much lower than the IPR petitioner win rate.

Arguably, this high IPR petitioner win rate means the AIA is achieving its objective of weeding out “bad” patents. Or perhaps this high number in a new proceeding represents petitioners going after “low-hanging fruit.” On the other hand, this high IPR petitioner win rate may indicate that IPRs are weeding out good patents along with the bad.

C. Challengers speaking with their feet: IPR petition filings continue to soar

For first time since 2008, patent litigation filings dropped from 2013 to

³⁰ *Id.*

³¹ UNITED STATES PATENT AND TRADEMARK OFFICE, EX PARTE REEXAMINATION FILING DATA (2013), available at www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf [http://perma.cc/28AL-2HWA].

2014.

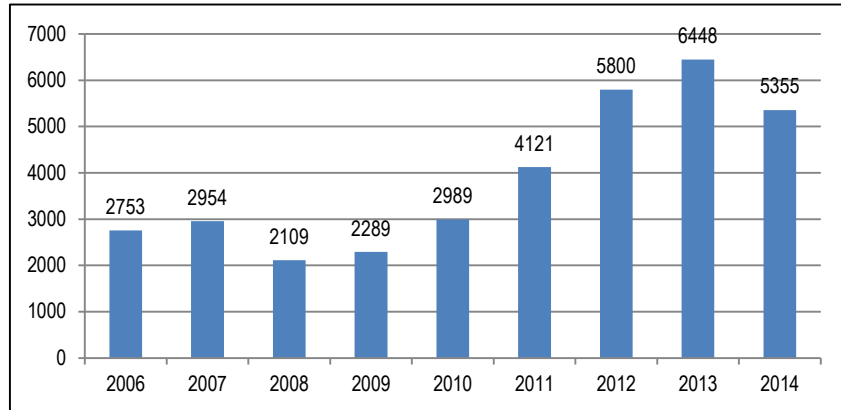


Fig. 3: U.S. First-Instance Patent Litigation Filings.³² 5355 cases in 2014 represents a 17% decrease in the number of district court patent infringement cases from 2013.

Meanwhile, IPR petition filings in October 2014 were more than double that in October 2013, and then more than double again in October 2015. In addition, the cumulative total is growing exponentially. As of Oct. 2012, there were 41 IPR petitions filed. By Oct. 2013, that number was 608, and by Oct. 2014 the total IPR petitions filed were 2020. As of Sept. 30, 2015, the total number of IPR petitions filed was 3578.³³

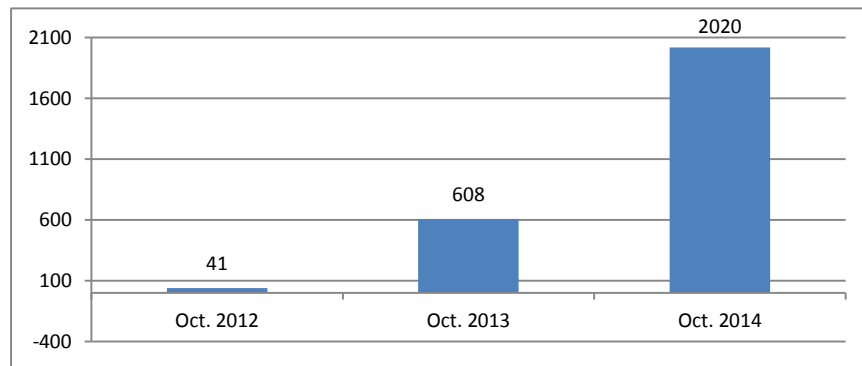


Fig. 4: IPR Petition Filings.³⁴

³² Source: Courtlink.

³³ UNITED STATES PATENT AND TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD STATISTICS (2015) at p. 2, available at <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.PDF> [<http://perma.cc/UAJ2-UCRP>].

³⁴ Source: USPTO.

Meanwhile, ex parte reexamination requests have plummeted.

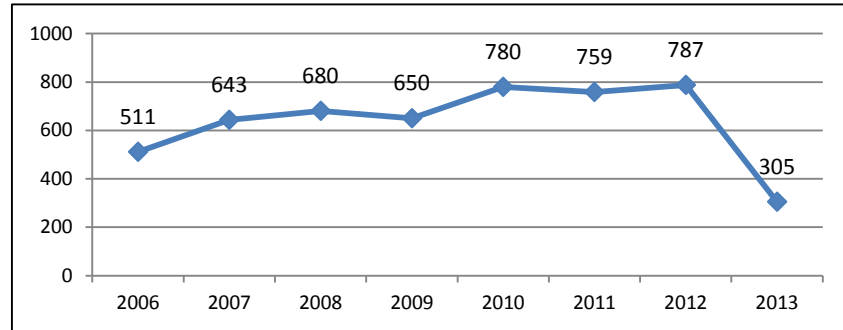


Fig. 5: U.S. Ex Parte Reexamination Petition Filings as of Sept. 30, 2013.³⁵ The drop in ex parte reexamination cases from 787 in 2012 to 305 in 2013 represents a decrease of 61%.

The forum-shopping that is typical in district court litigation appears to be happening with respect to IPR proceedings. Patent challengers are attracted to the high petition grant rate and the high claim cancellation rate and flocking to PTAB.

D. No evidence in the legislative history that AIA intended to undermine the U.S. patent system

As is clear from the legislative history cited above, Congress did not intend to undermine the U.S. patent system with AIA post-grant IPRs. But the statistics above show how what a blow IPRs have been to Patent Owners. In that dark scenario for Patent Owners, there is a glimmer of hope: Patent Owners are having some success getting IPR petitions denied.

E. IPR denials have been, however, for patent owners, a glimmer of hope

Relatively speaking, patent owners have had some success at getting IPR petitions denied. For the 72 % of petitions granted/joiner, 28 % have been denied.³⁶ Institution decisions are not appealable.³⁷ Many bases of

³⁵ UNITED STATES PATENT AND TRADEMARK OFFICE, *INTER PARTE* REEXAMINATION FILING DATA (2013), available at http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf [<http://perma.cc/7K6J-4P9Y>].

³⁶ See *supra* Figure 1.

³⁷ 35 U.S.C. § 314(d) (2012); *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. 2015).

denial are statutory, and Patent Owners can avail themselves of those statutory provisions.³⁸ We will now examine those instances.

1. *Petitions denied*

A denied petition is a “win” for the Patent Owner. The claims of the patent remain entirely intact and there is no appeal from that denial. Surviving one IPR does not remove the possibility of another challenge, either from another third party or from the same third party based on different art, but any petition denied is still a “win” for the Patent Owner.

There are a number of bases on which an IPR petition might be denied. It will depend on the facts and circumstances of each case as to which are applicable, although claim construction is an issue that Patent Owners can expect could always be important to an institution decision. All of these bases may be argued by the Patent Owner in the Patent Owner’s Preliminary Response (“POPR”), provided the POPR does not rely on “new testimony evidence beyond that already of record,”³⁹ which has been interpreted to mean “‘new’ testimony that was taken specifically for the purpose of the *inter partes* review proceeding at issue.”⁴⁰ Proposed rule changes released by the USPTO on Aug. 20, 2015, may change this.⁴¹

a. *Failure to name real-party-in-interest as required by 35 U.S.C. § 312(a)(2)*

In *Zerto, Inc. v. EMC Corp.*, IPR2014-01329, the Patent Owner argued in its POPR that Zerto, Inc.’s failure to identify its parent entity, Zerto, Ltd., as a real party-in-interest was fatal to the Petition.⁴² Additional discovery on the issue was granted, and both parties submitted briefs on the real-party-in-interest issue. PTAB decided that Zerto, Inc. should have identified Zerto,

³⁸ Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

³⁹ 37 C.F.R. § 42.107(c) (2012); 37 C.F.R. § 42.207(c) (2012).

⁴⁰ See *Anova Food, LLC v. Leo Sandau and William R. Kowalski*, No. IPR2013-00114, Paper 11, at 3 (P.T.A.B. June 25, 2014) (“37 C.F. R § 42.107(c) (2012) applies only to ‘new’ testimony that was taken specifically for the purpose of the *inter partes* review proceeding at issue, as supported by the discussion and the comments that accompanied the rule. For example, a party submitting the prosecution history for the challenged patent may include a copy of the declarations contained therein. The Declaration of Milton M. Yasunaga represents new testimonial evidence as it was created specifically for this proceeding, and authorization from the Board was not obtained before its filing. Accordingly, it will be not be relied upon for purposes of institution. The evidence on which it relies, however, such as Declaration of Darren Zobrist that was filed in the United States District Court for the District of Hawaii in Civil No. CV 11 00795 (Ex. 2009), is not ‘new’ testimonial evidence relied upon by the Patent Owner to support the contentions in the preliminary response, and thus can be appropriately submitted with the response.”).

⁴¹ See Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720 (Aug. 20, 2015) (to be codified at 37 C.F.R. pt. 42).

⁴² *Zerto, Inc. v. EMC Corp.*, No. IPR2014-01329, Paper 12, at 1 (P.T.A.B. Dec. 3, 2014).

Ltd. as a real party-in-interest as required by 35 U.S.C. § 312(a)(2), and denied the petition.⁴³ Understandably, this is a highly fact-dependent determination.⁴⁴ In this case, Zerto, Ltd. was established in Israel in 2009, and in 2011, Zerto, Inc. was established in the U.S. as a wholly-owned subsidiary of Zerto, Ltd. The boards of directors of the two companies are the same, and the CEO of Zerto, Ltd. is the President/CEO of Zerto, Inc.

PTAB began its analysis with the threshold issue of the statutory requirement under 35 U.S.C. § 312(a)(2) that a petition “may be considered only if— . . . the petition identifies all real parties in interest.”⁴⁵ Although generally the petitioner’s identification of real parties-in-interest in the petition is accepted, this is a “rebuttable presumption that benefits the petitioner.”⁴⁶ With “sufficient rebuttal evidence that reasonably brings into question the accuracy of a petitioner’s identification of real parties-in-interest, the burden remains with the petitioner to establish that it has complied with the statutory requirement to identify all real parties-in-interest.”⁴⁷ It is worth noting, however, that “real-party-in-interest” is one area in which PTAB has granted motions requesting additional discovery.⁴⁸

In its POPR, Patent Owner pointed out that:

- (1) Zerto, Ltd. and Zerto, Inc. hold themselves out as a single entity;
- (2) Zerto, Inc.’s failure to identify Zerto, Ltd. as a real party-in-interest renders the Petition incomplete, and adding Zerto, Ltd. as a real party-in-interest would require according the Petition a new filing date, which, in turn, would fall outside the one-year time bar set forth in 35 U.S.C. § 315(b).⁴⁹

Zerto, Inc. argued that Zerto, Ltd. was not controlling or funding this

⁴³ Zerto, Inc. v. EMC Corp., No. IPR2014-01329, Paper 33, at 2 (P.T.A.B. Mar. 3, 2015).

⁴⁴ See also, Office Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 4, 2012) (“Whether a party who is not a named participant in a given proceeding nonetheless constitutes a ‘real party-in-interest’ or ‘privy’ to that proceeding is a highly fact-dependent question Such questions will be handled by the Office on a case-by-case basis taking into consideration how courts have viewed the terms ‘real party-in-interest’ and ‘privy.’ . . . 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. Accordingly, courts have avoided rigid definitions or recitation of necessary factors.”).

⁴⁵ Zerto, Inc. v. EMC Corp., No. IPR2014-01329, Paper 33, at 3 (P.T.A.B. Mar. 3, 2015).

⁴⁶ *Id.* at 6-7.

⁴⁷ *Id.* at 7.

⁴⁸ See, e.g., Zerto, Inc. v. EMC Corp., No. IPR2014-01329, Paper 10 (P.T.A.B. Nov. 25, 2014).

⁴⁹ Zerto, Inc. v. EMC Corp., No. IPR2014-01329, Paper 12, at 3, 10 (P.T.A.B. Dec. 3, 2014).

proceeding, no one from Zerto, Ltd. was acting for Zerto, Inc. in a legal capacity, and Zerto, Inc. had not demanded that Zerto, Ltd. indemnify Zerto, Inc. with respect to the litigation involving EMC.⁵⁰

In its Sur-Reply, Patent Owner added that Zerto, Inc. did not provide sufficient evidence of independence from Zerto, Ltd. or documentation showing that Zerto Ltd. did not pay for this proceeding.⁵¹

PTAB concluded that Zerto, Inc. had not met its burden of identifying all real parties-in-interest in the Petition, as required by 35 U.S.C. § 312(a)(2).⁵² In the totality of the circumstances, it was “unclear whether Zerto, Ltd. and Zerto, Inc. operate as separate and distinct entities, or effectively operate as a single entity.”⁵³

b. Time-barred under 35 U.S.C. §315(b)

Another statutory requirement for IPR petitions is that they are filed within one year of the filing of a district court infringement lawsuit⁵⁴ an IPR may also not be instituted if the Petitioner has filed (at any time prior to the filing of the petition) a declaratory judgment action of invalidity in a district court.⁵⁵

St. Jude filed its petition in *St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*, No. IPR2013-00258, on April 30, 2013, challenging claims in a patent also at issue between the two parties in district court litigation in Delaware.⁵⁶ St. Jude was served with Volcano’s counterclaim for infringement on September 20, 2010. Volcano argued that St. Jude was time-barred, even though the district court infringement allegation arose in the

⁵⁰ *Zerto, Inc. v. EMC Corp.*, No. IPR2014-01329, Paper 33, at 9 (P.T.A.B. March 3, 2015).

⁵¹ *Id.*

⁵² *Id.* at 14-15.

⁵³ *Id.* at 14; *see also*, *Galderma S.A. & Q-MED AB v. Allergan Industries, SAS*, No. IPR2014-01417, Paper 15 (P.T.A.B. March 5, 2015).

⁵⁴ 35 U.S.C. § 315(b) (2012) (“An *inter partes* review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).”).

⁵⁵ 35 U.S.C. § 315(a)(1) (2012) (“An *inter partes* review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.”); 35 U.S.C. § 325(a)(1) (2012) (noting PGRs have the same restriction, “[a] post grant review may not be instituted under this chapter if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.”).

⁵⁶ *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, No. IPR2013-00258, Paper 1 (P.T.A.B. Apr. 30, 2013).

form of a counterclaim.⁵⁷

PTAB agreed that St. Jude was time-barred.⁵⁸ “The similarities between a complaint and a counterclaim underscore their equivalence for purposes of § 315(b).”⁵⁹ In addition, treating counterclaims differently from complaints would undermine Congressional intent:

Nothing in the legislative history indicates that Congress intended to apply the § 315(b) time limit to some, rather than all, accused infringers. Construing “complaint” in § 315(b) restrictively, to exclude counterclaims that present allegations of infringement, would have just that effect. It would leave a patent open to serial attack, even after years of patent infringement litigation, in the event that the accused infringer is accused of infringement only via a counterclaim. That interpretation would frustrate Congressional intent, and would lead to unjustified discrimination among otherwise similarly-situated accused infringers.⁶⁰

PTAB also noted that the fact that the parties stipulated to a dismissal with prejudice of all claims did not matter. “Service of a complaint alleging infringement triggers applicability of §315(b), even if that complaint is later dismissed with prejudice.”⁶¹

Universal Remote Control, Inc. v. Universal Electronics, Inc., No. IPR2013-00168, provides an example of PTAB denying the petition as time-barred because although it was filed within 12 months of an amended complaint, it was filed outside of 12 months of the original complaint.⁶² PTAB held that the statute did not imply that “the one-year grace period applies only to the last of a chain of multiple lawsuits or that the filing of a later lawsuit renders the service of a complaint in an earlier lawsuit to be a nullity[.]”⁶³

Anneal Pharms., LLC v. Endo Pharms. Inc., No. IPR2014-00361, presents another scenario of an amended complaint of infringement. Endo

⁵⁷ See *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, No. IPR2013-00258, Paper 27, at 1 (P.T.A.B. Aug. 6, 2013).

⁵⁸ *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, No. IPR2013-00258, Paper 29 (P.T.A.B. Oct. 16, 2013).

⁵⁹ *Id.* at 5.

⁶⁰ *Id.* at 3.

⁶¹ *Id.* at 7; see also *Macauto U.S.A. v. BOS GmbH & KG*, No. IPR2012-0004, Paper 18, at 15 (P.T.A.B. January 24, 2013) (noting that if the case is voluntarily dismissed without prejudice, the parties are treated as if no action was ever brought).

⁶² See *Universal Remote Control, Inc. v. Universal Elecs., Inc.*, No. IPR2013-00168, Paper 9, at 3-7 (P.T.A.B. 2013).

⁶³ *Id.* at 4.

filed the original infringement complaint on Nov. 7, 2012. Then, on Nov. 14, 2012, Endo added the patent at issue in the IPR petition.⁶⁴ The amended complaint was served on the petitioner on Nov. 20, 2012. On January 17, 2013, Patent Owner filed a Second Amended Complaint. The IPR petition was filed on January 16, 2014.

PTAB held that the filing of an amended complaint does not render “the original complaint a nullity, i.e. having no legal effect for the purposes of § 315(b).”⁶⁵ The amended complaint did not remove the allegations of the earlier complaint. As such, the original complaint service date of Nov. 20, 2012, applied, and Petitioner was “‘served with a complaint’ alleging infringement . . . for the purposes of § 315(b) before January 16, 2013.”⁶⁶ 35 U.S.C. § 315(b) barred institution of IPR.

c. Same or substantially the same prior art/arguments under 35 U.S.C. §325(d)

Even though 35 U.S.C. § 325(d) is found in the AIA in the PGR section, it also applies to IPRs:

(d) MULTIPLE PROCEEDINGS.— . . . In determining whether to institute or order a proceeding under this chapter, chapter 30 [PRIOR ART CITATIONS TO OFFICE AND EX PARTE REEXAMINATION OF PATENTS], or chapter 31 [INTER PARTES REVIEW], the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.

This provision provides PTAB with the discretion to deny a petition if the grounds asserted have already been before the Office. As we will see in the case examples below, “previously presented to the Office” means either during prosecution (original, reissue, or reexamination) or in another IPR petition.

Eighty-one IPRs where 35 U.S.C. § 325(d) was raised were analyzed. When § 325(d) was raised based on the same art/arguments in another IPR petition, PTAB denied the petition 61% of the time. When § 325(d) was raised based on the same art/arguments during prosecution (original, ex parte

⁶⁴ *Anneal Pharms., LLC v. Endo Pharms. Inc.*, No. IPR2014-00361, Paper 14, at 2-3 (P.T.A.B. July 25, 2014).

⁶⁵ *Id.* at 6; *see also* *Loral Space & Commc'ns, Inc. v. ViaSat, Inc.*, No. IPR2014-00236, Paper 7, at 7 (P.T.A.B. Apr. 21, 2014).

⁶⁶ *Anneal Pharms., LLC v. Endo Pharms. Inc.*, No. IPR2014-00361, Paper 14, at 7 (P.T.A.B. July 15, 2014).

reexamination or reissue), PTAB denied the petition only 17% of the time.

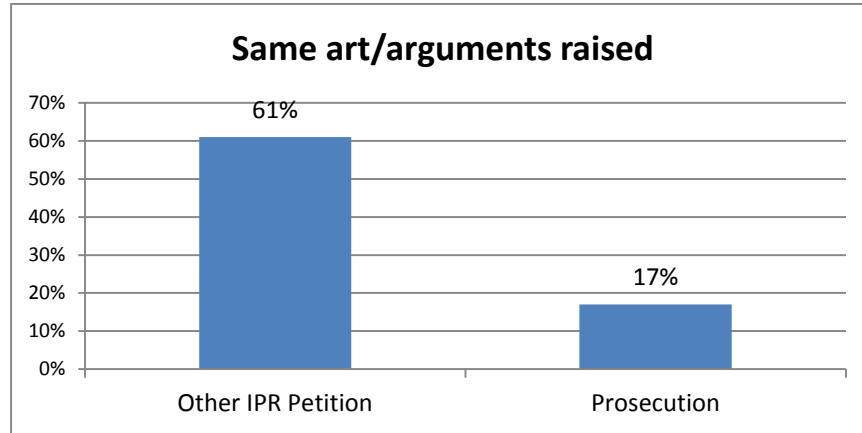


Fig. 6: Comparison of success rates for grounds for denying petition under § 325(d).⁶⁷

This shows PTAB is not usually convinced to exercise its discretion if the same art/arguments were before the Office in prosecution, but may be more inclined to deny the petition if the same art/arguments were raised in another IPR petition.

If the same art/arguments were raised in prosecution, PTAB usually first notes that it is not required to reject a petition based on those grounds, and then proceeds to find that the record before it is not the same as that that was before the examiner:

Consistent with the statute, we have reviewed the record in the prosecution. In summary, we are not required by statute to reject a Petition based upon the fact that certain arguments or art previously were considered by the Office, and after reviewing the prosecution history, we decline to do so in this case. *See* 35 U.S.C. § 325(d). The record before us is not the same as that previously before the Office, and we are, in any event, not persuaded by the declarations previously submitted that apparently influenced the outcome.⁶⁸

Even if the references are the same as those before the Examiner, the

⁶⁷ LexMachina query, “325(d)” PTAB Institution Decisions/Decisions Denying Institution/Decisions Granting Institution, Sept. 16, 2012 - June 10, 2015.

⁶⁸ K-40 Elecs., LLC v. Escort, Inc., No. IPR2013-00203, Paper 6, at 7 (P.T.A.B. Aug. 29, 2013).

Petitioner's expert declaration alone is something new that was not before the examiner, making the record "different."⁶⁹ It is also a fairly easy "out" for PTAB simply to note that Petitioner was not a party to the prosecution.⁷⁰ Another reason provided by PTAB is that it disagrees with the Examiner's claim construction.⁷¹

i. "Same or substantially the same prior art or arguments" during prosecution: a closer look at 3 cases where the petition was denied based on same art/arguments raised during prosecution

A. Merial Ltd. v. Virbac, No. IPR2014-01279

In *Merial Ltd. v. Virbac*, No. IPR2014-01279, Patent Owner filed a Preliminary Response arguing that Ground 3 should be denied because Petitioner relied "on the same combination of references as used by the Examiner in a rejection, which the Examiner subsequently withdrew, during prosecution of the application that resulted in the '799 patent."⁷²

PTAB denied Merial's petition with respect to Ground 3, agreeing that it was appropriate to exercise its discretion because the same art/arguments were presented during prosecution.⁷³

Merial's Petition Ground 3 was obviousness based on 4 references. During prosecution, the Examiner entered a rejection of all claims as being unpatentable for obviousness over two of those references. Virbac filed an amendment and relied on comparative testing set out in the specification. The Examiner withdrew the rejection: "[Virbac] . . . has clearly shown, in a side-by-side comparison, that instant composition A acts more quickly and remains effective for a longer time compared to the commercial product Frontline[®] Spot-on"⁷⁴

PTAB did not independently assess the comparative testing, and Merial did not argue against the unexpected results in its Petition:

In submitting the Petition, Merial had an opportunity to address

⁶⁹ See, e.g., *Micron Tech., Inc. v. Univ. of Illinois*, No. IPR2013-00006, Paper 15, at 5, 7 (P.T.A.B. March 13, 2013).

⁷⁰ E.g., *Oracle Corp. v. Clouding IP, LLC*, No. IPR2013-00100, Paper 8, at 20-21 (P.T.A.B. May 16, 2013) ("Here, unlike the case in ex parte prosecution of the application that issued as the '891 patent, Oracle is a party to the proceeding. Oracle presents different arguments and new supporting evidence that were not before the examiner, shedding a different light on Aziz and Kaufman. As such, we decline to deny this ground of unpatentability based on the combination of Aziz and Kaufman under 35 U.S.C. § 325(d)").

⁷¹ See, e.g., *Toshiba Corp. v. Intellectual Ventures*, No. IPR2014-00317, Paper 11, at 3 (P.T.A.B. June 17, 2014).

⁷² *Merial Ltd. v. Virbac*, No. IPR2014-01279, Paper 10, at 35 (P.T.A.B. Nov. 26, 2014).

⁷³ *Merial Ltd. v. Virbac*, No. IPR2014-01279, Paper 13, at 10 (P.T.A.B. Jan. 22, 2015).

⁷⁴ *Id.* at 25.

the Examiner's rationale in support of allowance of claims in the application maturing into the '799 patent. Merial elected not to address the Examiner's allowance rationale In this case, we believe it unfair to impose on Virbac in the first instance the burden of establishing unexpected results in a trial. Merial was aware of the unexpected results showing which the Examiner found persuasive in showing nonobviousness in view of substantially the same prior art combination Merial now relies upon. Merial should have addressed unexpected results in the first instance For the reasons given, we decline to institute an *inter partes* review trial on the basis of Ground (3).⁷⁵

B. Integrated Global Concepts, Inc. v. J2 Global, Inc., No. IPR2014-01027

In *Integrated Global Concepts, Inc. v. J2 Global, Inc.*, No. IPR2014-01027, the Patent Owner argued in its Patent Owner Preliminary Response that "the instant Petition merely raises substantially the same issues, based on the same RightFAX documents, that the Office already considered and rejected in the *ex parte* reexamination of the '980 patent."⁷⁶ During the reexamination, the Office issued a non-final Office Action rejecting claim 13 as being obvious over the RightFAX documents.⁷⁷ But then the Office withdrew the rejection, and confirmed patentability of all claims.⁷⁸ The Office "expressly stated that the RightFAX documents do not disclose the claimed "subscriber selected" file translation specification, and provided a detailed statement of reasons for patentability[.]"⁷⁹ Patent Owner also argued that Petitioner provided "no new credible evidence to overturn the Office's prior reexamination decision."⁸⁰

PTAB denied institution of review of claim 13. "Petitioner's challenge of claim 13 is based upon substantially the same prior art and arguments that were before the Office in the *ex parte* reexamination[.]"⁸¹

PTAB concluded that Petitioner disagreed with the Examiner's conclusion in the reexamination, but did "not present any persuasive evidence to supplement the record that was in front of the Office during the

⁷⁵ *Id.* at 26-28.

⁷⁶ *Integrated Global Concepts, Inc. v. J2 Global, Inc.*, No. IPR2014-01027, Paper 14, at 18 (P.T.A.B. Oct. 7, 2014).

⁷⁷ *Id.* at 19.

⁷⁸ *Id.*

⁷⁹ *Id.*

⁸⁰ *Id.* at 22.

⁸¹ *Integrated Global Concepts, Inc. v. J2 Global, Inc.*, No. IPR2014-01027, Paper 16, at 2 (P.T.A.B. Dec. 22, 2014).

reexamination.”⁸² PTAB considered Petitioner’s expert’s declaration conclusory and unsupported.⁸³

C. Prism Pharma Co., Ltd v. Choongwae Pharma Corp., No. IPR2014-00315

In *Prism Pharma Co., Ltd v. Choongwae Pharma Corp.*, No. IPR2014-00315, one of the inventors of the patent was the Petitioner (and attacked the patent during prosecution). In its POPR, Patent Owner argued the petition should be denied under 35 U.S.C. § 325(d) because Petitioner was raising the same § 112 arguments it did during prosecution when it submitted unrequested Declarations by a co-inventor attacking the claims.⁸⁴ It argued separately that the petition should be denied for inappropriately raising § 112 arguments.⁸⁵

The Examiner found the claims satisfied § 112 and were free of the prior art. Patent Owner argued the Petitioner “should not be granted the opportunity to revisit the same issues by way of IPR.”⁸⁶

PTAB exercised its discretion and denied the petition under 35 U.S.C. § 325(d):

The same prior art (i.e., the ‘192 publication) and arguments substantially the same as Petitioner’s current contention (i.e., the ‘192 publication is an invalidating prior art that anticipates the challenged claims), were presented previously to the Office Aware of the ‘192 publication, the Examiner, together with his supervisor, reviewed the materials and determined that the challenged claims were “free from prior art.” . . . Based on these facts, we conclude that the same prior art and substantially the same arguments were presented to the Office previously. We exercise our discretion and deny the Petition under 35 U.S.C. § 325(d).⁸⁷

ii. “Same or substantially the same prior art or arguments” in

⁸² *Id.* at 7; *see also*, *Nora Lighting, Inc. v. Juno Manufacturing, LLC*, No. IPR2015-00601, Paper 13, at 11-12 (P.T.A.B. Aug. 12, 2015) (finding that Petitioner’s prior art was substantially the same as that overcome in reexamination).

⁸³ *See* *Integrated Global Concepts, Inc. v. J2 Global, Inc.*, No. IPR2014-01027, Paper 16, at 8 (P.T.A.B. Dec. 22, 2014).

⁸⁴ *Prism Pharma Co., Ltd v. Choongwae Pharma Corp.*, No. IPR2014-00315, Paper 11, at 5 (P.T.A.B. Apr. 16, 2014).

⁸⁵ *Id.*

⁸⁶ *Id.* at 28.

⁸⁷ *Prism Pharma Co., Ltd v. Choongwae Pharma Corp.*, No. IPR2014-00315, Paper 14, at 12-13 (P.T.A.B. July 8, 2014).

another IPR petition

When PTAB exercises its discretion under 35 U.S.C. § 325(d) and denies a petition, it often recites the directive of “just, speedy, and inexpensive” proceedings.⁸⁸

SAS Institute, Inc. v. Complementsoft, LLC, No. IPR2013-00581, provides an example of PTAB denying a petition under § 325(d) based on the same art/arguments already presented in another IPR petition.

In its POPR, Patent Owner pointed out that the petition was “duplicative of the Petitioner’s request in Case IPR2013-00226 (the ‘First IPR’), [. . .] and, on the merits, fails to make up for the deficiencies of the First IPR.”⁸⁹ “The remaining arguments were already rejected by the Board, and the Petitioner does not raise any new teachings that were not already presented in the First IPR.”⁹⁰

PTAB agreed, noting that an IPR was already instituted on claims in the same patent on some of the same grounds asserted in this petition:

SAS’s petition in this case presents substantially the same prior art and arguments previously presented in its petition in IPR2013-00226. SAS provides no explanation as to why the grounds of unpatentability newly offered in this petition for claims already involved in an *inter partes* review afford any benefit over those on which we have begun proceedings. Indeed, SAS’s newly asserted grounds are based on essentially the same combinations of references The practice of a particular petitioner filing serial petitions challenging claims already involved in an instituted proceeding and asserting arguments and prior art previously considered by the Board is contrary to the goals set forth in our statutory mandate and implementing rules. Under these circumstances, based on the record before us, and exercising our discretion under 35 U.S.C. §§ 314(a), 325(d), and 37 C.F.R. § 42.108(b), we deny the petition as to the remaining four grounds listed above because they are based upon substantially the same prior art and arguments as set forth in IPR2013-00226.⁹¹

⁸⁸ See, e.g., *Cont’l Auto. Sys., Inc. v. Wasica Fin. GmbH & Bluearc Fin. AG*, No. IPR2014-01454, at 4 (P.T.A.B. Feb. 13, 2015).

⁸⁹ *SAS Inst., Inc. v. Complementsoft, LLC*, No. IPR2013-00581, Paper 14, at 3 (P.T.A.B. Oct. 25, 2013).

⁹⁰ *Id.* at 4.

⁹¹ *SAS Inst., Inc. v. Complementsoft, LLC*, No. IPR2013-00581, Paper 15, at 22-23 (P.T.A.B. Dec. 30, 2013); see also, e.g., *Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd.*, No. IPR2013-00324, Paper 19 (P.T.A.B. Nov. 21, 2013); *Butamax Advanced Biofuels LLC v. Gevo, Inc.*, No. IPR2014-00581, Paper 8 (P.T.A.B. Oct. 14, 2014); *BioDelivery Scis.*

d. Patent Owner's proposed claim construction supports denial

Claim construction is fundamental to most institution decisions, and both Petitioners and Patent Owners may present proposed claim constructions to PTAB prior to the institution decision. PTAB may agree with Petitioner's proposed construction, Patent Owner's proposed construction, or may independently construe the claims according to the "broadest reasonable interpretation."⁹²

In *Lenroc Co. v. Enviro Tech. Chemical Services, Inc.*, No. IPR2014-00382, PTAB agreed with the Patent Owner's proposed claim construction. Based on that construction, the asserted prior art did not contain a claimed limitation, and therefore, PTAB denied the petition because Petitioner could not demonstrate a reasonable likelihood that it would prevail.⁹³

The term at issue was "wetcake." PTAB agreed with the Patent Owner that the asserted prior art disclosed "formation of a dry, free-flowing powder, not a wet solid, of monoalkali metal cyanurate [a] 'wetcake,' as we interpret this claim term, does not encompass a free-flowing powder, and does not necessarily encompass material in the form of a hydrate."⁹⁴

e. Insufficient evidence resulting in denial

As discussed above, the threshold for institution is "reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."⁹⁵ It is Petitioner's burden to meet the threshold in the Petition.⁹⁶ There are cases where PTAB finds Petitioner fails to meet this threshold, and the petition is denied.

In *Heart Failure Technologies, LLC v. Cardiokinetix, Inc.*, No. IPR2013-00183, for example, PTAB concluded that one of the claim limitations was not found in any of the asserted references and Petitioner had not sufficiently explained, "how the teachings of the references would be arranged or combined or why a person of ordinary skill would have made the

Int'l, Inc. v. RB Pharm. Ltd., No. IPR2014-00998, Paper 12 (P.T.A.B. Dec. 19, 2014).

⁹² 37 C.F.R. § 42.100 (2014); 37 C.F.R. § 42.200 (2014); *see Phigenix, Inc. v. Genentech, Inc.*, No. IPR2014-00842, Paper 10, at 7 (P.T.A.B. Dec. 9, 2014) (construing claims independently after noting, "[n]either party offers construction of any claims terms"); *see also AVX Corp. v. Greatbatch, Ltd.*, No. IPR2015-00710, Paper 9, at 5-9 (P.T.A.B. Aug. 12, 2015) (construing independently the claim limitation, "laminar delamination gap" and, under PTAB's construction, the asserted prior art did not contain the claim limitation, and the petition was denied).

⁹³ *Lenroc Co. v. Enviro Tech Chem. Servs., Inc.*, No. IPR2014-00382, Paper 12, at 15-16 (P.T.A.B. July 24, 2014).

⁹⁴ *Id.* at 15.

⁹⁵ 35 U.S.C. § 314(a) (2013).

⁹⁶ *Id.*

combination.⁹⁷ PTAB will apply *KSR Int'l Co. v. Teleflex, Inc.*, just like the examiner and the courts will.⁹⁸

In *Biodelivery Sciences Int'l, Inc. v. Monosol Rx, LLC*, No. IPR2014-00794,⁹⁹ Petitioner tried to rely on an inherency argument to show a claimed limitation was present in the asserted reference. Petitioner cited a supporting expert declaration. PTAB denied the petition after holding that Petitioner had not shown that the claimed limitation, as construed, was present in the reference.¹⁰⁰

Three petitions were denied in *Cao Group, Inc. v. The Procter & Gamble Co.*, No. IPR2014-00796, IPR2014-00797, IPR2014-00798, because, according to PTAB, Petitioner did not show all of the claim limitations were present in the asserted references, and the arguments were conclusory and unsupported.¹⁰¹

f. Objective evidence of nonobviousness - a Patent Owner tool for defeating institution

In *Omron Oilfield & Marine, Inc. v. Md/Totco, A Division Of Varco, L.P.*, No. IPR2013-00265, PTAB actually found Petitioner made out a prima facie case of obviousness. But it then considered Patent Owner's objective evidence of nonobviousness (commercial success) presented during the reexamination. Based on the objective evidence of nonobviousness, the petition was denied.¹⁰² Patent Owner was able to rely on evidence of record in its POPR to argue against institution.¹⁰³

In addition, Petitioner's anticipation grounds were denied for failure to show a claimed limitation was present in the reference.¹⁰⁴

⁹⁷ *Heart Failure Techs., LLC v. Cardiokinetix, Inc.*, No. IPR2013-00183, Paper 12, at 9 (P.T.A.B. July 31, 2013); *see also*, *Phigenix, Inc. v. Genentech, Inc. and Immunogen, Inc.*, No. IPR2014-00842, Paper 10 (P.T.A.B. Dec. 9, 2014) (holding Petitioner failed to show claimed limitation present in asserted references or that a person of ordinary skill in the art would have had reason to use the recited compound according to the claim or a reasonable expectation of success in doing so).

⁹⁸ *See KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 418 (2007).

⁹⁹ *Biodelivery Scis. Int'l, Inc. v. Monosol Rx, LLC*, No. IPR2014-00794, Paper 7, at 8 (P.T.A.B. Nov. 5, 2014).

¹⁰⁰ *Id.* at 10-11.

¹⁰¹ *See also* denials in *Mylan Pharms. Inc. v. Gilead Scis., Inc.*, No. IPR2014-00885, -00886, -00887, -00888 (P.T.A.B. Dec. 2014).

¹⁰² *Omron Oilfield & Marine, Inc. v. Md/Totco, A Division of Varco, L.P.*, No. IPR2013-00265, Paper 11 (P.T.A.B. Oct. 31, 2013).

¹⁰³ *Omron Oilfield & Marine, Inc. v. Md/Totco, A Division Of Varco, L.P.*, No. IPR2013-00265, Paper 10 (P.T.A.B. Aug. 6, 2013).

¹⁰⁴ *Omron Oilfield & Marine, Inc. v. Md/Totco, A Division Of Varco, L.P.*, No. IPR2013-00265, Paper 11, at 10 (P.T.A.B. Oct. 31, 2013).

g. Patent Owner shows that the reference is not prior art

In the POPR, the Patent Owner can challenge the asserted references characterized by Petitioner as prior art. For example, the Patent Owner may argue that the reference does not antedate the challenged patent claims and is not prior art. This is what the Patent Owner did in *Baxter Healthcare Corp. v. Millenium Biologix, LLC*, No. IPR2013-00583. Patent Owner argued that the asserted reference, “Bigi 1997 was published after the priority date of the claims at issue.”¹⁰⁵

Petitioner argued that the claims were not entitled to date benefit of the priority application, and the reference was prior art.¹⁰⁶

PTAB denied the petition; it rejected Petitioner’s argument asserting that the challenged claims were not entitled to priority date benefit. Because the claims were entitled to date benefit, the reference could not be prior art under §102 or §103.¹⁰⁷ In addition, PTAB noted that Petitioner’s arguments were inconsistent with those it raised in another IPR petition, IPR2013-00582.¹⁰⁸

In *Actavis, Inc. v. Research Corporation Technologies, Inc.*, No. IPR2014-01126, Patent Owner challenged the status of a reference as 35 U.S.C. §102(b) prior art.¹⁰⁹ The asserted reference was a university thesis. Patent Owner argued that Petitioner had not shown that the thesis was sufficiently publicly accessible to qualify as prior art.¹¹⁰ PTAB agreed.¹¹¹ PTAB cited CCPA cases holding that “a thesis, merely deposited in a university library where it remained ‘uncatalogued and unshelved’ before the critical date, is not sufficiently accessible to qualify as a printed publication.”¹¹²

According to PTAB, Petitioner did not “argue or present competent evidence to show that the LeGall thesis was indexed, cataloged, shelved, or even deposited in the University of Houston library, at any date. Instead, Petitioner asserts that the title of the LeGall thesis would have alerted a reasonably diligent skilled artisan of its subject matter and ‘to locate the

¹⁰⁵ *Baxter Healthcare Corp. v. Millenium Biologix, LLC*, No. IPR2013-00583, Paper 8, at 1 (P.T.A.B. Dec. 26, 2013).

¹⁰⁶ *Baxter Healthcare Corp. v. Millenium Biologix, LLC*, No. IPR2013-00583, Paper 1, at 8-9 (P.T.A.B. Sept. 16, 2013).

¹⁰⁷ *Baxter Healthcare Corp. v. Millenium Biologix, LLC*, No. IPR2013-00583, Paper 9, at 7-8 (P.T.A.B. March 21, 2014).

¹⁰⁸ *Id.* at 7.

¹⁰⁹ *Actavis, Inc. v. Research Corporation Technologies, Inc.*, No. IPR2014-01126, Paper 19 (P.T.A.B. Oct. 23, 2014).

¹¹⁰ *Id.* at 27-30.

¹¹¹ *Actavis, Inc. v. Research Corporation Technologies, Inc.*, No. IPR2014-01126, Paper 22, at 9 (P.T.A.B. Jan. 9, 2015).

¹¹² *Id.* at 10.

thesis at the University of Houston's library.”¹¹³ This overlooks the first step, which is how a POSITA would “become aware of the title of the LeGall thesis, or how knowing the generic structure of the compounds studied would lead to locating the thesis, assuming it was deposited.”¹¹⁴ There was also no evidence that the “university library allowed public access to the thesis or that the thesis was accessed by the public prior to the critical date.”¹¹⁵ PTAB concluded that there was insufficient evidence that the thesis was a “printed publication” under § 102(b), and therefore institution was denied on that ground.¹¹⁶

2. *Petitions granted but number of claims to trial reduced and/or grounds narrowed*

When PTAB makes an institution decision, it does not have to accept or reject the entire petition.¹¹⁷ It can, and often does, either grant the petition as to less than all the challenged claims and/or grant the petition on fewer than all asserted grounds. The trial then proceeds as decided. From the Patent Owner's perspective, while complete denial is the best outcome, either of these two situations is still preferred over institution of all challenged claims on all asserted grounds. If the IPR is instituted on fewer than all challenged claims, the ones excluded have “survived.” If the IPR is instituted on less than all asserted grounds, Patent Owner's arguments can be more narrowly focused.

For example, in *Complete Nutrition Holdings, Inc. v. Vireo Systems, Inc.*, No. IPR2014-00451, Petitioner challenged all claims in the patent (20

¹¹³ *Id.* at 11.

¹¹⁴ *Id.*

¹¹⁵ *Id.* at 12.

¹¹⁶ *Id.* at 13; *see also*, *Apple v Document Security Sys.*, No. IPR2015-00369, Paper 9, at 12 (P.T.A.B. June 25, 2015) (instituted on other grounds); *Apple v DSS Tech. Mgmt., Inc.*, No. IPR2015-00369, Paper 14, at 12-13 (P.T.A.B. Aug. 12, 2015) (denying rehearing on status of thesis as prior art); *Coalition For Affordable Drugs LLC v. Acorda Therapeutics, Inc.*, No. IPR2015-00720, Paper 15, at 5 (P.T.A.B. Aug. 24, 2015); *Coalition For Affordable Drugs LLC v. Acorda Therapeutics, Inc.*, No. IPR2015-00817, Paper 12, at 5 (P.T.A.B. Aug. 24, 2015) (rejecting a poser as prior art). *Compare* *Taiwan Semiconductor v. Zond LLC*, No. IPR2014-00781, Paper 53, at 43 (P.T.A.B. Aug. 14, 2015) (4-1 decision) (finding a thesis was found to be a printed publication) (Stephens, J. dissenting).

¹¹⁷ *In re Schott Gemtron Corp.*, —F.3d— (Fed. Cir. Aug. 11, 2015), *aff'd sub nom.* *Schott Gemtron Corp. v. SSW Holding Comp., Inc.* (August 11, 2015), http://www.cafc.uscourts.gov/sites/default/files/opinions-orders/15-1073.Rule_36_Judgment.8-10-2015.1.PDF [<http://perma.cc/V3SW-BWGV>] (Federal Circuit decided that it was acceptable for PTAB to institute on fewer than all challenged claims and/or fewer than all asserted grounds).

on 14 grounds.¹¹⁸ PTAB instituted trial on one claim on one ground.¹¹⁹ Similarly, in *Clio USA, Inc. v. The Procter & Gamble Company*, No. IPR2013-00438, Petitioner challenged 11 claims on 6 grounds.¹²⁰ PTAB instituted trial on one claim on one ground.¹²¹ With respect to the other grounds, PTAB found that the Petitioner did not meet the threshold for institution.

This shows that the institution decision is a substantive one and is consistent with Congress' intention that the post-grant proceedings be "front-loaded."¹²² Parties are ill-advised to wait with their arguments until after institution. As PTAB stated in *Actavis, Inc. v. Research Corporation Technologies, Inc.*, No. IPR2014-01126:

Therefore, based on the record before us, we determine that Petitioner has not provided competent evidence to qualify the LeGall thesis as a "printed publication" under § 102(b). Petitioner may have recognized this deficiency. Indeed, in a footnote, *Petitioner states that it "reserves the right to supplement this Petition with additional evidence that the LeGall thesis was accessible to a POSA well before" the critical date. Pet. 36 n. 3. But a party may only submit supplemental information after a trial has been instituted (37 C.F.R. § 42.123) while we must decide whether to institute a trial based on "the information presented in the petition" (35 U.S.C. § 314(a)).* Because the Petition and the accompanying evidence are insufficient to qualify the LeGall thesis as a § 102(b) prior art, we deny the Petition regarding this ground.¹²³ (emphasis added)

III. TAKING OUT THE GOOD PATENTS WITH THE BAD

A. *Proceedings favor Petitioners*

But for the glimmer of hope for Patent Owners described above of at

¹¹⁸ *Complete Nutrition Holdings, Inc. v. Vireo Systems, Inc.*, No. IPR2014-00451, Paper 2 (P.T.A.B. Feb. 20, 2014).

¹¹⁹ *Complete Nutrition Holdings, Inc. v. Vireo Systems, Inc.*, No. IPR2014-00451, Paper 10 (P.T.A.B. Sept. 2, 2014).

¹²⁰ *Clio USA, Inc. v. The Procter & Gamble Company*, No. IPR2013-00438, Paper 1 (P.T.A.B. July 12, 2013).

¹²¹ *Clio USA, Inc. v. The Procter & Gamble Company*, No. IPR2013-00438, Paper 9 (P.T.A.B. Jan. 9, 2014).

¹²² 154 CONG. REC. S9987 (daily ed. Sept. 13, 2008); 157 CONG. REC. S1376 (daily ed. Mar. 8, 2011).

¹²³ *Actavis, Inc. v. Research Corporation Technologies, Inc.*, No. IPR2014-01126, Paper 21, at 13 (P.T.A.B. Jan. 9, 2015).

least a chance of having the petition denied,¹²⁴ IPR proceedings have several features that decidedly favor Petitioners. These features all contribute to the perhaps unanticipated negative impact IPRs have had on Patent Owners, as seen in the high petition grant rate¹²⁵ and the high rate of patent claims being held unpatentable.¹²⁶ With such high petition grant rates and high rates of canceling claims, it raises the question whether AIA IPRs are taking out good patents with the bad. Let us now look at some factors at play.

1. Petitioner has more time to prepare petition/ Patent Owner has limited time to prepare preliminary response

IPRs can generally be filed anytime up until a patent expires.¹²⁷ If a patent is not in litigation, the Petitioner has nearly unlimited time to prepare a petition, including finding an expert and preparing an expert declaration to support the petition. If a patent is in litigation, the Petitioner has up to twelve months from service of the infringement complaint in which to file a petition.¹²⁸ Compare this to the three months a Patent Owner has to prepare a Patent Owner Preliminary Response in an effort to have the IPR petition denied.¹²⁹

2. Petitioner allowed to submit declaration evidence in petition/Patent Owner not allowed to submit new declaration in preliminary response or submit an amendment

By statute, a Petitioner is allowed to submit supporting declaration evidence with the petition.¹³⁰ According to the current USPTO rules, a Patent Owner is not allowed to “present new testimony evidence beyond that already of record, except as authorized by the Board.”¹³¹ One PTAB decision

¹²⁴ See *supra* note 26 (noting Fig. 1, as of July 31, 2015, nearly 27% of institution decisions have resulted in denials).

¹²⁵ See *supra* note 26 (noting Fig. 1, as of July 31, 2015, nearly 67% of petitions have been granted).

¹²⁶ See *supra* note 31 (noting Fig. 2, as of July 1, 2015, nearly 75% of instituted claims held unpatentable).

¹²⁷ 35 U.S.C. § 311(c) (2013).

¹²⁸ 35 U.S.C. § 315(b) (2011).

¹²⁹ 37 C.F.R. § 42.107(b) (2014) (“The preliminary response must be filed no later than three months after the date of a notice indicating that the request to institute an *inter partes* review has been granted a filing date.”).

¹³⁰ 35 U.S.C. § 312(a)(3)(B) (2012).

¹³¹ 37 C.F.R. § 42.107(c) (2014); *but see*, Patent and Trademark Office, 77 Fed. Reg. 48,764 (Aug. 14, 2012) (“New testimonial evidence may be permitted where a party demonstrates that such evidence is in the interests of justice. For example, the Board may permit new testimonial evidence where it addresses issues relating to the petitioner’s standing, or where the Board determines that consideration of the identified evidence is necessary in the interests of justice as the evidence demonstrates that the trial may not be instituted.”).

articulated this prohibition as applying to “‘new’ testimony that was taken specifically for the purpose of the *inter partes* review proceeding at issue.”¹³² The statute simply gives Patent Owners the right to file a preliminary response prior to the institution decision providing reasons why the petition should be denied.¹³³ Moreover, again by rule, the Patent Owner is not allowed to amend claims in the preliminary response.¹³⁴

On August 20, 2015, the USPTO released proposed Amendments to the Rules of Practice for Trials before PTAB, 80 Fed. Reg. 50,720 (Aug. 20, 2015), that would allow Patent Owners to include expert declarations and other testimonial evidence generated for the IPR with their POPR.¹³⁵

3. The Big 3: “Broadest reasonable interpretation” claim construction; no presumption of validity; standard of proof to show unpatentability is preponderance of the evidence

The “Big 3” really show the fundamental differences between AIA IPRs and district court litigation. PTAB applies a “broadest reasonable

¹³² Anova Food, LLC. v. Sandau, No. IPR2013-00114, Paper 11, at 3 (P.T.A.B. June 25, 2014) (“37 C.F.R. § 42.107(c) applies only to ‘new’ testimony that was taken specifically for the purpose of the *inter partes* review proceeding at issue, as supported by the discussion and the comments that accompanied the rule. For example, a party submitting the prosecution history for the challenged patent may include a copy of the declarations contained therein. The Declaration of Milton M. Yasunaga represents new testimonial evidence as it was created specifically for this proceeding, and authorization from the Board was not obtained before its filing. Accordingly, it will be not be relied upon for purposes of institution. The evidence on which it relies, however, such as Declaration of Darren Zobrist that was filed in the United States District Court for the District of Hawaii in Civil No. CV 11 00795 (Ex. 2009), is not ‘new’ testimonial evidence relied upon by the Patent Owner to support the contentions in the preliminary response, and thus can be appropriately submitted with the response.”).

¹³³ 35 U.S.C. § 313 (2014) (“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.”).

¹³⁴ 37 C.F.R. § 42.107(d) (2012) (nothing the preliminary response shall not include any amendment).

¹³⁵ 37 C.F.R. § 42.107(a) (2012) (noting proposed rule changes in italics, “patent owner may file a preliminary response to the petition. The response may set forth the reasons why no *inter partes* review should be instituted under 35 U.S.C. 314 and can include supporting evidence. The preliminary response is subject to the word count under §42.24.”); 37 C.F.R. § 42.108(c) (2012) (noting proposed rule changes in italics, “[s]ufficient grounds. *Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. *The Board’s decision will take into account a patent owner preliminary response where such a response is filed, but supporting evidence concerning disputed material facts will be viewed in the light most favorable to the petitioner for purposes of deciding whether to institute an inter partes review. If the patent owner submits supporting evidence with its preliminary response, the petitioner may seek leave to file a reply to the preliminary response in accordance with § 42.24(c).*”) (emphasis added).

interpretation” claim construction,¹³⁶ while district courts follow the *Phillips* framework.¹³⁷ While the “broadest reasonable interpretation” standard is consistent with the claims being in the USPTO, IPRs are in fact quite different than prosecution because the ability to amend claims in IPRs so far has been virtually nonexistent.¹³⁸ Of 450 substitute claims considered as of Oct. 1, 2015, only 26 were granted (6%).¹³⁹

Before PTAB, there is no presumption of validity accorded issued claims; in district court litigation there is.¹⁴⁰

By statute, Petitioner only has to show unpatentability to a preponderance of the evidence.¹⁴¹ This is a lower standard than the “clear

¹³⁶ 37 C.F.R. § 42.100(b) (2014); Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 42); (“The Office has for decades employed the broadest reasonable interpretation standard to construe claims before the Office, and it will continue to do so in IPR, PGR, and CBM proceedings for construing challenged claims as well as any amended or new claims.”); Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 42) (“An essential purpose of the broadest reasonable claim interpretation standard in the amendment process is to encourage a patent owner to fashion clear, unambiguous claims. Only through the use of the broadest reasonable claim interpretation standard can the Office ensure that uncertainties of claim scope are removed or clarified. Since patent owners have the opportunity to amend their claims during IPR, PGR, and CBM trials, unlike in district court proceedings, they are able to resolve ambiguities and overbreadth through this interpretive approach, producing clear and defensible patents at the lowest cost point in the system. Patent owners in IPR, PGR, and CBM proceedings will be permitted to file a first motion to amend the patent, after conferring with the Board. §§ 42.121(a) and 42.221(a). Moreover, although there is no need to permit multiple opportunities to amend to justify the application of the broadest reasonable interpretation standard in an Office proceeding, patent owners in IPR, PGR, and CBM proceedings may file an additional motion to amend when there is a good cause showing, or a joint request of the petitioner and the patent owner to materially advance a settlement. §§ 42.121(c) and 42.221(c).”); *see also infra* Article 6, Stacy Lewis and Tom Irving, *Amending Rather Than Cancelling Claims in Inter Partes Reviews* (noting that although the application of BRI is usually justified because of Patent Owner’s ability to amend the claims, in IPRs so far, this ability has been largely unavailable.).

¹³⁷ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1323 (Fed. Cir. 2005) (en banc) (“ordinary and customary meaning as would be understood by one of ordinary skill in the art in the context of the entire patent disclosure.”); In *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1297 (Fed. Cir. 2015), the Federal Circuit held that there was no error in PTAB’s application of the BRI claim construction standard.

¹³⁸ *See infra* Article 6, Stacy Lewis and Tom Irving, *Amending Rather Than Cancelling Claims in Inter Partes Reviews*.

¹³⁹ Daniel F. Klodowski and David Seastrunk, *Claim and Case Disposition*, <http://www.aiablog.com/claim-and-case-disposition/> [<http://perma.cc/N9Q8-RARZ>].

¹⁴⁰ *See* 35 U.S.C. § 282 (2012); Changes to Implement *Inter Partes* Review Proceedings, 77 Fed. Reg. 48,680, 48,697 (Aug. 14, 2012) (to be codified 37 C.F.R. pt. 42) (“district courts must use the clear and convincing standard, and the patent claims are presumed to be valid in infringement litigation. [. . .] Furthermore, courts construe patent claims, if possible, to avoid invalidity.”).

¹⁴¹ 35 U.S.C. § 316(e) (2012) (“In an *inter partes* review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”).

and convincing evidence” required in district court litigation to invalidate a patent. And this is once the IPR is instituted. To get an IPR trial instituted, the threshold a Petitioner must meet is arguably even lower: “[A] reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”¹⁴²

4. No deference to judicial decisions; the only time there is certainty is when claims are finally held unpatentable or invalid, there is no “certainty equivalent” on the positive side, e.g., a patent held valid and enforceable in district court litigation can still be challenged in the USPTO

Beyond the estoppel provision of 35 U.S.C. § 315(e), PTAB does not have to defer to other administrative proceeding decisions or judicial decisions, whether interim (e.g. claim construction¹⁴³) or final.¹⁴⁴ Patent Owners face a reality in which a patent could be held valid, infringed, and enforceable in litigation, and still be challenged later in an IPR.¹⁴⁵ By statute, PTAB can institute an IPR even if the same prior art/arguments were raised and decided in a previous USPTO proceeding.¹⁴⁶ As noted by PTAB in *Nexans, Inc. v. Belden Technologies Inc.*, No. IPR2013-00057, “[t]he statutory provision does not require the Director, in deciding whether to institute *inter partes* review, to defer to a prior determination in the Patent and Trademark Office, even one which considered the same prior art and

¹⁴² 35 U.S.C. § 314(a) (2012).

¹⁴³ *Google, Inc. v. Whitserve LLC*, No. IPR2013-00249, Paper 32, at 19-21 (P.T.A.B. Sept. 9, 2014) (“Whitserve argues that this statement by the Federal Circuit controls our construction of claims 3, 6, and 9, and requires us to adopt Whitserve’s proffered construction instead of the broadest reasonable interpretation discussed above. We disagree . . . even if the Federal Circuit had set forth a construction of claims 3, 6, and 9 that differs from ours, we note that the Computer Packages appeal was from a district court infringement suit, and therefore applied the claim construction standard articulated in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). By contrast, in *inter partes* review proceedings the Board applies the broadest reasonable interpretation consistent with the specification. 37 C.F.R. § 42.100(b); . . . The Federal Circuit has affirmed prior Board decisions adopting claim constructions that differ from those reached under the standard discussed in *Phillips*. See *In re Trans Texas Holdings Corp.*, 498 F.3d 1290, 1298 (Fed. Cir. 2007); *In re Translogic Tech., Inc.*, 504 F.3d at 1257. Furthermore, the Court has recognized that ‘different results’ in the outcome of validity challenges ‘in the two forums may be entirely reasonable.’ *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1428 (Fed. Cir. 1988”); see also Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,766 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 42); 37 C.F.R. § 42.100(b) (2012); Changes to Implement *Inter Partes* Review Proceedings, 77 Fed. Reg. 48,680, 48,697 (Aug. 14, 2012).

¹⁴⁴ See 35 U.S.C. § 325(d) (2012); *In re Baxter Int’l*, 678 F.3d 1357 (Fed. Cir. 2012); *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, (Fresenius II), 721 F.3d 1330 (Fed. Cir. 2013), cert. denied, 134 S.Ct. 2295 (U.S. 2014).

¹⁴⁵ See, e.g., *Ferrum Ferro Capital, LLC v. Allergan Sales, LLC*, No. IPR2015-00858, Paper 10 (P.T.A.B. Sept. 21, 2015).

¹⁴⁶ See 35 U.S.C. § 325(d) (2012).

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arguments.”¹⁴⁷

Additionally, PTAB is not bound by judicial decisions:

[T]he jury’s finding that Petitioner had not proved invalid any claim of the ‘201 Patent under the clear and convincing evidence standard, is not binding on the Board, which evaluates claim patentability and applies a preponderance of the evidence standard.¹⁴⁸

Without deference to judicial decisions, the only time there is certainty for a Patent Owner is when claims are finally held invalid by a court or unpatentable by PTAB. There is no “certainty equivalent” on the positive side, e.g., a patent held valid and enforceable prevents any future challenges, whether in court or in the USPTO.

5. Patent Owner Preliminary Response (POPR) supposed to be optional and supposedly no prejudice if don’t file, but denial rate higher when the Patent Owner files a POPR

35 U.S.C. § 313 provides that Patent Owners “shall have the right to file” a preliminary response to the petition prior to PTAB’s institution decision. The language in the rules says a Patent Owner “may file” a preliminary response, or may “expedite the proceeding by filing an election to waive the patent owner preliminary response.”¹⁴⁹ The rules also indicate that PTAB’s institution decision “will take into account a patent owner preliminary response where such a response is filed[,]”¹⁵⁰ and “[n]o adverse inferences will be drawn where a patent owner elects not to file a response or elects to waive the response.”¹⁵¹ In the PTAB final rules the USPTO predicted that “90% of patent owners will file a preliminary response.”¹⁵² According to the USPTO statistics, it appears to be approaching that: 79% in FY2013 (237 filed, 63 waived); 80% in FY2014 (829 filed, 202 waived); 86% FY2015 to date (1326 filed, 223 waived).¹⁵³

¹⁴⁷ Nexans, Inc. v. Belden Technologies Inc., No. IPR2013-00057, Paper 11, at 8 (P.T.A.B. Apr. 16, 2013).

¹⁴⁸ Interthinx, Inc. v. CoreLogic Solutions, LLC, No. CBM2012-00007, Paper 58, at 7 (P.T.A.B. Jan. 30, 2014); *see also*, ePlus, Inc. v. Lawson Software, Inc., 789 F.3d 1349 (Fed. Cir. 2015).

¹⁴⁹ 37 C.F.R. § 42.107(a) (2012).

¹⁵⁰ 37 C.F.R. § 42.108(c) (2012).

¹⁵¹ Changes to Implement *Inter Partes* Review Proceedings, 77 Fed. Reg. 48,680, 48,689 and 48,692 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 42).

¹⁵² Rules of Practice for Trials Before the Patent Trial and Appeal Board, 77 Fed. Reg. 48,612, 48,655 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 1, 42, and 9).

¹⁵³ UNITED STATES PATENT AND TRADEMARK OFFICE, AIA PROGRESS (2015), available at <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf>

Although the POPR is supposed to be optional, Patent Owner's chances of having an IPR petition denied increase when an effective POPR is filed. Looking at a sample of 234 bio/pharma/chemical IPR institution decisions, in 65 of the 222, the petition was denied, and in 61 of those 65 a POPR was filed (94%).¹⁵⁴ In 169 cases, trial was instituted on at least one challenged claim and at least one asserted ground, and in 127 of those, a POPR was filed (75%).¹⁵⁵

The nearly 20% difference in positive outcome for the Patent Owner may be due to the Patent Owner filing a POPR. The POPR provides the Patent Owner with the opportunity to attack Petitioner's standing, attack the status of references as prior art, propose claim constructions, attack unpatentability arguments, and tell PTAB why the petition should be denied before a decision on institution. It also provides the Patent Owner with the opportunity to propose a desired claim construction, which, if adopted by PTAB, may lead to a denied petition, narrowed claims and/or grounds, or, at least, a trial instituted using the Patent Owner's desired claim construction rather than the Petitioner's.

When IPR proceedings were first introduced, there was some concern that filing a POPR was too much "showing your hand" to the Petitioner. This concern loses its persuasiveness in the reality faced by Patent Owners of the Petitioner-favorable high IPR petition grant rate and the high claim cancellation rate.

6. Estoppel provisions so far have not been much of a hindrance to Petitioners but hurt Patent Owners

a. 35 U.S.C. § 315(e): Petitioner estopped from raising "any ground that the petitioner raised or reasonably could have raised" in proceeding before USPTO, district court or ITC

Looking at the legislative history, Congress seems to have expected the Petitioner estoppel provisions, particularly the addition of "or reasonably could have raised" to be a deterrent to filing IPR petitions:

Patent protection will be stronger with the inclusion of "could have raised" estoppel, strong administrative estoppel, and explicit statutory authority for the Patent and Trademark Office, PTO, to reject petitions by third parties and order joinder of related parties.¹⁵⁶

[<http://perma.cc/UAJ2-UCRP>]

¹⁵⁴ Source: Finnegan research; 234 institution decisions as of Sept. 30, 2015.

¹⁵⁵ *Id.*

¹⁵⁶ 157 CONG. REC. S1367 (daily ed. Mar. 8, 2011) (statement of Sen. Kohl).

Earlier, however, Senator Kyl seemed to recognize that the Petitioner estoppel would not be a very Patent Owner-friendly provision:

Second, a number of parties have expressed concern to me about the current could-have-raised estoppel standard, which I have carried over to second-period proceedings in section 322(d)(2). It is arguable that applying could-have-raised estoppel to the second window does not actually protect the interests that it is designed to vindicate. This estoppel standard's main purpose appears to be to force a party to bring all of his claims in one forum—everything that he “could have raised”—and therefore to eliminate the need to press any claims in other fora. In this bill, however, *the issues that can be raised in the second window are so sharply limited that the goal of flushing out all claims is unattainable. Only 102 and 103 arguments based on patents and printed publications can be raised in the second window. Accused infringers inevitably will have other challenges and defenses that they will want to bring, and those arguments can only be raised in district court. Regardless of the estoppel standard that is applied, the patent owner will almost always be forced to fight in two fora, and the intended goal of could-have-raised estoppel will remain beyond reach* (emphasis added).¹⁵⁷

The Petitioner estoppel provision does not seem to have dissuaded IPR petition filings, which continue to rise, and now number over 3500.¹⁵⁸ The high petition grant rate and high patent cancellation rate so far indicate that Petitioners are not avoiding IPR proceedings for fear of estoppel.

b. 37 C.F.R. § 42.73(d)(3) “A patent applicant or owner is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent”

The Patent Owner estoppel provisions are very Patent Owner-unfriendly and have a real negative impact on Patent Owners. Note that Patent Owner estoppel is only found in the rules, not the statute. The full rule reads:

(3) *Patent applicant or owner.* A patent applicant or owner is

¹⁵⁷ 154 CONG. REC. S9989 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl).

¹⁵⁸ UNITED STATES PATENT AND TRADEMARK OFFICE, AIA PROGRESS (2015), available at <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf> [<http://perma.cc/UAJ2-UCRP>].

precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent:

- (i) A claim that is not patentably distinct from a finally refused or canceled claim; or
- (ii) An amendment of a specification or of a drawing that was denied during the trial proceeding, but this provision does not apply to an application or patent that has a different written description.¹⁵⁹

The only good news is that the final rule did not include the original proposed estoppel provision against obtaining “[a] claim that could have been filed in response to any properly raised ground of unpatentability for a finally refused or cancelled claim”¹⁶⁰

There was some concern expressed to the USPTO before the rules were made final about the Patent Owner estoppel provisions. In particular, the concern was expressed about whether that provision had a statutory basis.¹⁶¹ According to the USPTO, the statutory directive in 35 U.S.C. § 316(a)(4) to make regulations for the relation between IPRs and other USPTO proceedings provides sufficient basis.¹⁶² Further:

Section 42.73(d)(3)(i), as adopted in this final rule, merely provides estoppel against claims that are patentably indistinct from those claims that were lost, and claim amendments that were presented and denied, during a trial. In other words, the patent owner may subsequently present in a continuing or reissue application claims that are patentably distinct from such claims. As such, §42.73(d)(3) set forth in this final rule is consistent with the AIA, other statutory provisions, the common law related to estoppel, and the common law related to the recapture rule.¹⁶³

B. PTAB treats patent as if it is back in prosecution, but at the same time has been very reluctant to grant motions to amend claims

PTAB’s application of a “broadest reasonable interpretation” claim

¹⁵⁹ 37 C.F.R. § 42.73(d)(3) (2012).

¹⁶⁰ Rules of Practice for Trials Before the Patent Trial, 77 Fed. Reg. 48,612, 48,649 (proposed Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 90).

¹⁶¹ *See id.*

¹⁶² *See id.*

¹⁶³ Rules of Practice for Trials Before the Patent Trial, 77 Fed. Reg. at 48,649 (*citing* In re Deckler, 977 F.2d 1449, 1452 (Fed. Cir. 1992); In re Clement, 131 F.3d 1464, 1468 (Fed. Cir. 1997)).

construction standard, no presumption of validity accorded issued claims, and a preponderance of the evidence, are all consistent with conventional USPTO practice. These “Big 3” standards have been justified by the principle that when the claims are before the USPTO, they are not final, but rather could possibly be amended in the “give and take” of patent prosecution.¹⁶⁴ The virtual nonexistence of the ability to amend claims in IPR, however, presents a far different situation than the “give and take” of prosecution.¹⁶⁵ The reality for Patent Owners is that their opponents get the benefit of significantly lower standards than in district court litigation, but Patent Owners do not get the corresponding benefit of an ability to amend their claims in response to the unpatentability assertions. It’s the worst of both worlds for the Patent Owners.

C. AIA drafters went too far in attempting to address “bad” patents?

1. Proceedings too heavily tilted in favor of Petitioners

No presumption of validity, broadest reasonable interpretation (including no principle of construing a claim to preserve validity¹⁶⁶), and a preponderance of the evidence standard, in addition to the features discussed above, significantly weigh the proceedings in favor of Petitioners. In their effort to address “bad” patents, did the AIA drafters intend to punish Patent Owners? Probably not. But it does seem that the AIA post-grant proceedings have brought surprises, including the huge uptake in filing petitions and the overwhelmingly “anti-patent” results so far.

2. Not enough Patent Owner-friendly provisions

Even the few provisions that possibly were intended to support Patent Owners, such as the petitioner estoppel provisions, limited discovery, and a

¹⁶⁴ See also, Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,766 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 42); 37 C.F.R. § 100(b) (2012); Changes to Implement *Inter Partes* Review Proceedings, 77 Fed. Reg. 48,680, 48,697 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 42).

¹⁶⁵ See *infra* Article 6, Stacy Lewis and Tom Irving, *Amending Rather Than Cancelling Claims in Inter Partes Reviews*.

¹⁶⁶ Changes to Implement *Inter Partes* Review Proceedings, 77 Fed. Reg. at 48,697 (“The provisions of the Leahy-Smith America Invents Act indicate that the typical standard applicable to USPTO proceedings should apply as well to these trial proceedings. The typical justifications for using the “broadest reasonable interpretation standard”—particularly the ability to amend claims, application of the lower “preponderance of the evidence standard” for determining patentability (35 U.S.C. 316(e), as amended, and 35 U.S.C. 326(e), and the absence of a presumption of validity)—are explicitly provided for by the Act, or consistent with it. In contrast, district courts must use the clear and convincing standard, and the patent claims are presumed to be valid in infringement litigation. [. . .] Furthermore, courts construe patent claims, if possible, to avoid invalidity.”).

statutory right to one motion to amend, (35 U.S.C. §316(d)/§326(d)) (and possibly even additional motions to amend), have not had a positive impact for Patent Owners in AIA post-grant proceedings to date.

3. *Losing “good” patents with the “bad”*

So the question is, are we losing “good” patents with the “bad”? Recent patent law reform bills may indicate that at least some people think the answer is “yes.”

The proposed Innovation Act (H.R. 9), STRONG Patents Act of 2015 (S. 632), and PATENT ACT (S. 1137), each include provisions requiring use of a district court claim construction standard and, if there is one, consideration of a district court’s claim construction. The STRONG Act goes farthest, also providing for automatic entry of proposed substitute claims if the number of proposed substitute claims is reasonable, presumption of validity for issued claims, a clear and convincing evidence standard for issued claims, and no institution permitted if there is a pending reexamination or reissue proceeding.

None of the proposed bills passed as of Nov. 1, 2015.

VII. POSSIBLE FUTURE SCENARIOS

A. *No change*

The America Invents Act was the fourth attempt in several years at patent law reform. Change does not come quickly or easily. There is a reasonable likelihood that there will not be any change in the IPR statutory framework in the foreseeable future.

B. *With benefit of 3 years of experience with IPRs, statutory provisions and rules are changed, maybe slightly, maybe significantly*

Then again, intellectual property is a hot topic, and patent law reform is more in the front of lawmakers’ minds than arguably ever before. Patent law reform efforts continue in Congress, as noted above.

The USPTO introduced a proposed rule package in August 2015,¹⁶⁷ on the heels of a “quick fix” package announced in the spring of 2015.¹⁶⁸ More PTAB case law is building up too, with “informative” and “representative”

¹⁶⁷ See Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 28,561 (May 19, 2015) (to be codified at 37 C.F.R. 42).

¹⁶⁸ Michelle K. Lee, PTAB’S Quick-Fixes for AIA Rules Are to Be Implemented Immediately Director’s Forum: A Blog from USPTO’s Leadership, USPTO. (Mar. 27, 2015), http://www.uspto.gov/blog/director/entry/ptab_s_quick_fixes_for [<http://perma.cc/H7LM-TNCL>].

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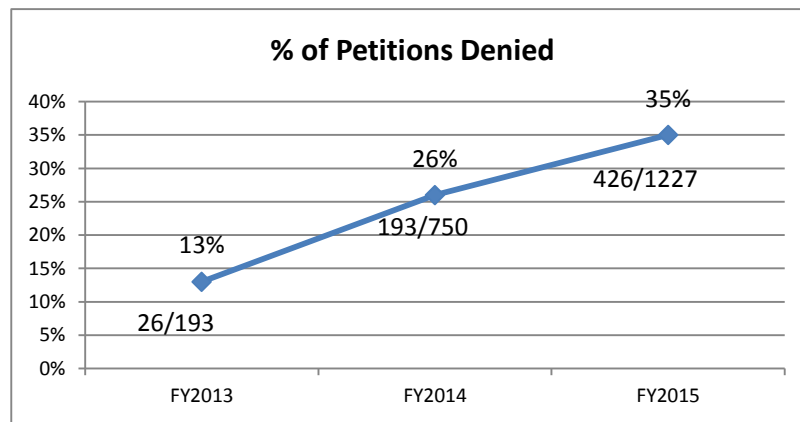
IPRs Unintended Consequences

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decisions designated to help practitioners.¹⁶⁹

*C. PTAB effectively slows the slaughter by denying more petitions
(possibly because of internal workload pressure)*

Filing a petition does not automatically mean that a trial will follow, but so far, the odds are very good that the petition will be granted on at least some of the challenged claims and on at least some of the asserted grounds. The IPR petition grant rate started out very high in FY2013: 82% (167/203).¹⁷⁰ It remains high in FY2015 so far (60%, 801/1343 not including joinder decisions; 68%, 917/1343). However, the rate of petition denials has risen from the first year.



¹⁶⁹ See Decisions, USPTO, <http://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/decisions> [<http://perma.cc/WG23-MF8F>].

¹⁷⁰ UNITED STATES PATENT AND TRADEMARK OFFICE, AIA PROGRESS (2015), available at <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf> [<http://perma.cc/UAJ2-UCRP>].

Fig. 7: Percentage of petitions denied as of Sept. 30, 2015, excluding joinders (petitions denied/petitions denied + petitions granted).¹⁷¹

Meanwhile petition filings continue to rise.

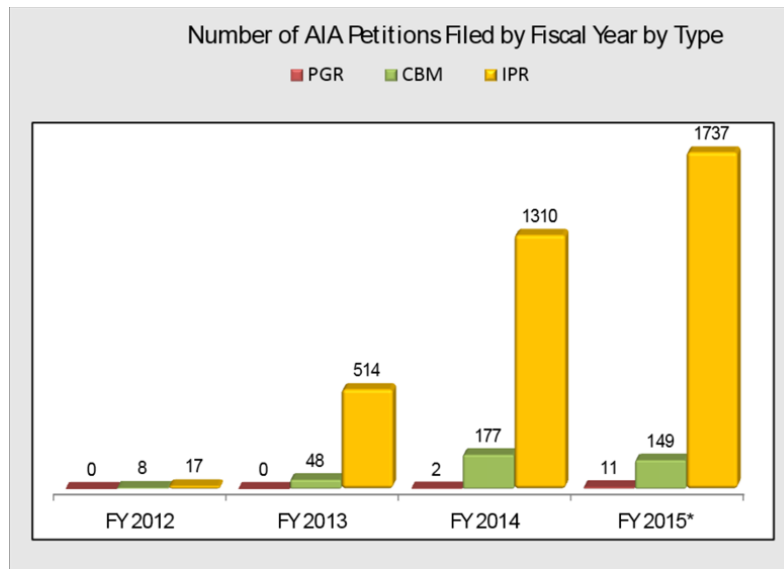


Fig. 8: Petition filings as of Sept. 30, 2015.¹⁷²

PTAB judges face a growing workload of IPRs (as well as continuing to address its other tasks such as ex parte reexam and prosecution appeals). The non-appealability of an institution decision¹⁷³ means the institution decision is an important tool at PTAB's disposal for controlling work flow. There is also pressure from the statutory timeline for institution decisions set forth in the AIA (3 months from filing of POPR or last date a POPR could have been filed).¹⁷⁴ Another tool for putting off the starting of the statutory clock at PTAB's disposal is to delay according the petition a filing date.

It is interesting to note that in the legislative history, Senator Kyl

¹⁷¹ *Id.*

¹⁷² *Id.*

¹⁷³ See generally 35 U.S.C. § 314(d) (2006); 35 U.S.C. § 324(e) (2006); 37 C.F.R. § 42.71(c) (2012); *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1297 (Fed. Cir. 2015).

¹⁷⁴ 35 U.S.C. § 314(d) (2011); 35 U.S.C. § 324(C) (2011); 37 C.F.R. § 42.107(b) (2012); 37 C.F.R. 42.207(b) (2012) (“(b) Due date.— The preliminary response must be filed no later than three months after the date of a notice indicating that the request to institute a post-grant review has been granted a filing date. A patent owner may expedite the proceeding by filing an election to waive the patent owner preliminary response.”).

speculated that the threshold for IPRs would be higher than that of *ex parte* reexamination, and that this would help control its workload:

This threshold is designed, among other things, to force a petitioner to present all of his best evidence against a patent up front. His petition itself must present a full affirmative case. It thus reinforces the frontloaded nature of an oppositional system, which is critical to the efficient resolution of proceedings by PTO. This threshold is considerably higher than “significant new question of patentability,” and thus, particularly in combination with the mandates of section 329(c), should provide the PTO with sufficient discretion to protect itself against being overwhelmed by a deluge of petitions.¹⁷⁵

See also:

Among the most important protections for patent owners added by the present bill are its elevated thresholds for instituting *inter partes* and postgrant reviews. The present bill dispenses with the test of “substantial new question of patentability,” a standard that currently allows 95% of all requests to be granted. It instead imposes thresholds that require petitioners to present information that creates serious doubts about the patent’s validity The “reasonable likelihood” test is currently used in evaluating whether a party is entitled to a preliminary injunction, and effectively requires the petitioner to present a *prima facie* case justifying a rejection of the claims in the patent. Post-grant review uses the “more likely than not invalid” test. This slightly higher threshold is used because some of the issues that can be raised in post-grant review, such as enablement and section 101 invention issues, may require development through discovery. The Office wants to ensure that petitioners raising such issues present a complete case at the outset, and are not relying on obtaining information in discovery in the post-grant review in order to satisfy their ultimate burden of showing invalidity by a preponderance of the evidence.¹⁷⁶

However, as noted above, a deluge of IPR petitions has in fact been filed and a majority of those have been granted. Senator Kyl’s hope so far has not been fulfilled.

¹⁷⁵ 154 CONG. REC. S9987 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl).

¹⁷⁶ 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

There is also a statutory limit available to the USPTO until Sept. 16, 2016, that could provide PTAB with a means of slowing the deluge. According to AIA SEC. 6(c)(2)(B), the limit on IPRs that may be instituted in one year would be 530.¹⁷⁷ To date, the Director has not imposed a limit.¹⁷⁸

Senator Kyl noted this statutory limit that may be invoked, and also that it was expected the USPTO regulations would provide a “safety valve” if PTAB’s ability to meet the statutory deadlines of IPRs was threatened:

allow the Director to place a limit on the number of post-grant and *inter partes* reviews that will be instituted during the first four years that the proceedings are in effect. It is understood that if the Office rejects a petition during this period because of this numerical limit, it will make clear that the rejection was made because of this limit and not on the merits of the validity challenges presented in the petition. Similarly, under subsection (a)(2) of sections 316 and 326, the Office is required to implement the *inter partes* and post-grant review thresholds via regulations, and under subsection (b) of those sections, in prescribing regulations, the Office is required to take into account, among other things, the Office’s ability “to timely complete proceedings instituted under” those chapters. It is expected that the Office will include in the threshold regulations a safety valve that allows the Office to decline to institute further proceedings if a high volume of pending proceedings threatens the Office’s ability to timely complete all proceedings.

The present bill’s inclusion of this regulations consideration in subsection (b) reflects a legislative judgment that it is better that the Office turn away some petitions that otherwise satisfy the threshold for instituting an *inter partes* or post-grant review than it is to allow the Office to develop a backlog of instituted reviews that precludes the Office from timely completing all

¹⁷⁷ American Invents Act, Pub. L. No. 112-29, 125 Stat. 288 (2011) (codified at 35 U.S.C. 319(c)(2)(B)), *available at* http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf [http://perma.cc/7K6J-4P9Y] (“(B) GRADUATED IMPLEMENTATION.—The Director may impose a limit on the number of *inter partes* reviews that may be instituted under chapter 31 of title 35, United States Code, during each of the first 4 1-year periods in which the amendments made by subsection (a) are in effect, if such number in each year equals or exceeds the number of *inter partes* reexaminations that are ordered under chapter 31 of title 35, United States Code, in the last fiscal year ending before the effective date of the amendments made by subsection (a).”).

¹⁷⁸ *See id.*

proceedings.¹⁷⁹ (emphasis added)

D. CAFC appeal decisions start to come down reversing PTAB final written decisions of unpatentability

If the Federal Circuit started overturning PTAB decisions, there could be an increase in the number of challenged claims surviving IPR. The Federal Circuit would effectively be telling PTAB that they are wrong in their interpretation of the statute.

So far, however, the Federal Circuit is primarily using Rule 36 opinions to affirm PTAB final written decisions. As of Nov. 1, 2015, there are very few substantive precedential decisions. Two of note are *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. 2015), and *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015). In *Cuozzo*, the first substantive decision on an appeal of a PTAB IPR final written decisions, the Federal Circuit affirmed PTAB's decision in its entirety, including the non-appealability of an IPR institution decision, the finding of unpatentability of all instituted claims, and the denial of Cuozzo's motion to amend. In *Microsoft*, the Federal Circuit for the first time partially vacated PTAB's decision and remanded the case. This remand raises a whole new series of procedural and substantive questions as there is nothing in the statute about what happens to a case on remand to PTAB.

V. CONCLUSION

The first three years of AIA IPRs have been much worse to Patent Owners than many anticipated. The provisions that were perhaps intended to be Patent Owner-friendly have not in fact turned out to be much protection at all. It remains to be seen if corrective action will be taken or if PTAB starts to issue more denials as a gatekeeper for controlling its workload.

¹⁷⁹ 157 CONG. REC. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).