

PATENT NATION: A PATENT REFORM SERIES

When the Dust Settles — What Have We Learned From the First Post-Grant Final Decisions?

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Featured Speaker



Robert Hopton, President & CEO of Idle Free Systems, Inc.

Idle Free Systems, Inc. is a Wisconsin based manufacturer of idle elimination equipment for the commercial trucking and school bus industries.

Mr. Hopton has over 26 years of general management, business development and strategic planning experience across a variety of industries including food, health care, financial services, consumer durables and clean tech. Mr. Hopton has also founded or co-founded two companies.

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Allen Arntsen, Partner, IP Litigation Practice

Mr. Arntsen represents and counsels clients in patent, trademark and copyright protection and enforcement actions; energy and land use litigation; and general commercial matters. Mr. Arntsen has successfully represented clients in over 40 trials, most to a jury, and has obtained preliminary injunctive or dispositive relief for his clients in scores of other cases.

Mr. Arntsen has been lead counsel in over 50 patent infringement actions, along with numerous trademark, trade secret and copyright cases. He takes pride in his ability to explain complex intellectual property and technology issues to judges and juries.

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Howard Shipley, Partner, Patent Office Trials Practice

Mr. Shipley's practice includes counseling clients on the strategic use of intellectual property. He has designed and implemented several major programs for acquiring and enforcing intellectual property rights for his clients. He is experienced in all phases of patent prosecution in a wide variety of technologies, including electronic, software, power plant and energy technologies, and various mechanical applications. Mr. Shipley also routinely advises his clients on all aspects of patent validity and infringement.

In addition, Mr. Shipley is experienced in all aspects of IP litigation. His experience includes patent, trademark and trade secret litigation in federal court as well as post-grant proceedings at the U.S. Patent and Trademark Office.

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Today's Highlights



- Today's discussion will include:
 - A brief overview of IPRs
 - When do IPRs make sense?
 - Best practices for drafting an IPR or CBM
 - Parallel litigation and IPRs
 - Recent decisions and developments

Overview of IPRs



- After the reforms instituted by the America Invents Act (AIA) there are several types of “post grant” proceedings that may be used to consider the validity of an issued patent

Overview of IPRs (cont.)



- 1. Post-grant review**
 - 9 month “window” to challenge patents after grant
- 2. Inter partes review**
 - “Inter partes re-examination” is replaced by “Inter partes review”
 - Inter partes review will be available after the post-grant review time period (9 months) expires
- 3. Supplemental examination**
 - Initiated by patentee
 - Patentee may request supplemental examination to consider, reconsider or correct information relevant to patent
- 4. Ex parte re-examination**
 - Remains the same

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Overview of IPRs (cont.)



- Inter Partes Review is initiated by a petition
- Petitioner may file a petition for review only after the later of:
 - Expiration of time period for post grant review
 - Termination of a post grant review, if a post grant review has been instituted
- Petitioner must establish:
 - “There is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claim challenged”

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Recent Statistics



PATENT TRIAL AND APPEAL BOARD AIA PROGRESS

Statistics (as of 2/6/14):

NUMBER OF AIA PETITIONS

FY	Total	IPR	CBM	DER
2012	25	17	8	
2013	563	514	48	1
2014	399	337	59	3
Cumulative	987	868	115	4

AIA PETITION TECHNOLOGY BREAKDOWN

Technology	Number of Petitions	Percentage
Electrical/Computer	695	70.4%
Mechanical	156	15.8%
Chemical	75	7.6%
Bio/Pharma	55	5.6%
Design	6	0.6%

NUMBER OF PATENT OWNER PRELIMINARY RESPONSES

FY	IPR		CBM	
	Filed	Waived	Filed	Waived
2013	237	63	33	2
2014	195	83	35	1

AIA TRIALS INSTITUTED/DISPOSALS

	FY	Trials Instituted	Joinders	Denials	Total No. of Decisions on Institution	Disposals		
						Settlements	Final Written Decisions*	Other**
IPR	FY13	167	10 ¹	26	203	38	2	1
	FY14	134	1 ¹	41	176	46	14	
CBM	FY13	14		3	17	3	1	
	FY14	17		2	19	5	4	

Source: USPTO

http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_02_06_2014.pdf

¹11 cases joined to 9 base trials for a total of 20 cases involved in joinder.

*Includes judgment on request for adverse judgment.

**Includes terminations due to dismissals.

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When Does IPR Make Sense?



■ Possible Objectives of IPR

- To support stay of litigation and lower costs of deciding prior art invalidity issues
- To provide an early claim construction by PTO or force patentee to make narrowing statements
- To create leverage for settlement/negotiation
- To create patentee estoppel beyond targeted patent vs. patentably indistinct subject matter in related pending applications – (does patent owner have portfolio of related applications?)
- To establish materiality of prior art in support of inequitable conduct defense

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When Does IPR Make Sense? (cont.)



■ Key Considerations

- Strength of prior art defenses
 - How good is the prior art (dates, clarity)?
- Ability of Patent Owner to amend around prior art
 - Analyze patent specification for possible amendments that would overcome prior art

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When Does IPR Make Sense? (cont.)



■ Key Considerations

- Strength of other defenses
 - If IPR is unsuccessful, Defendant cannot present prior art defense in litigation which was raised or which reasonably could have been raised in IPR
 - How strong are non-infringement and other invalidity defenses?

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When Does IPR Make Sense? (cont.)



- Key Considerations

- Cost (\$\$)

- IPR generally viewed as a lower cost alternative to litigation, because litigation could be stayed while IPR is pending
 - However, IPR may add to overall cost of defense if IPR does not result in stay or does not resolve validity issues

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When Does IPR Make Sense? (cont.)



- Business perspective
- Decision making process

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Best Practices for Drafting an IPR or CBM



- Very specific rules for format of petition
 - Page limits restrict arguments that can be presented
 - Need to cope with space limitations
- Do not expect PTAB to fill in the gaps in interpreting the references (not an examination)
 - Include specific claim construction section
 - Include supporting evidence (expert declaration)

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Best Practices for Drafting an IPR or CBM (cont.)



- Use discretion in asserting multiple grounds of invalidity
 - Board grants an average of three grounds
 - Board has rejected or ignored excessive or cumulative grounds
- Instituted trials do not necessarily include all claims

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Best Practices for Drafting an IPR or CBM (cont.)



- Expert evidence
 - There is more emphasis on expert testimony than in the previous reexamination system.
 - Most (about 75%) IPR petitions are supported by an expert declaration
 - Need to include all the evidence with the Petition - Board has prevented the submission of supplemental evidence later in the proceeding
 - The Petition should anticipate the Patent Owner's arguments against the prior art and include expert testimony in the initial petition

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Parallel Litigation and IPRs



- If IPR is filed during litigation, coordination between the litigation and IPR teams is critical
- Timing of IPR filing is important
 - Timing will affect success of Motion to Stay
 - Claim construction decisions – will PTAB or Court address claim construction first

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Parallel Litigation and IPRs (cont.)



- How does IPR affect litigation?
 - Institution of IPR can provide support for a stay of litigation
 - Approx. 50% of motions to stay pending IPR granted
 - Will IPR cover all asserted claims?
 - PTAB claim construction rulings could influence district court
 - PTAB claim construction is not likely to be narrow
 - “Broadest reasonable interpretation”

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Parallel Litigation and IPRs (cont.)



- How does IPR affect litigation?
 - Estoppel applies to any ground that “reasonably could have been raised” in IPR
 - IPR limited to prior patents and printed publications
 - Certain invalidity defenses can still be raised in litigation
 - Invalidity defenses related to prior use not affected by IPR – defenses can still be pursued in litigation

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Parallel Litigation and IPRs (cont.)



- How does litigation affect IPR?
 - IPR must be filed before 12 months after service of complaint
 - Specific duty in IPR to disclose “inconsistent statements” requires constant coordination of positions being taken in parallel proceedings

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Recent Decisions



- *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027
 - All claims found unpatentable over prior art
 - PTAB’s decision did not change from decision on petition
 - Motion to Amend was denied
 - Bergstrom failed to set forth what one of ordinary skill in the art would have known about features in amended claims
 - PTAB did not address differences from claims and prior art

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Recent Decisions (cont.)



- *Nichia Corp. v. Emcore Corp.*, IPR2012-00005
 - All claims unpatentable over the prior art
 - Initial decision on petition did not address all grounds raised by petitioner (certain grounds were cumulative)
 - Motion to Amend was denied
 - Failed to demonstrate that reasonable number of substitute claims were presented
 - Claim listing did not properly identify changes from patent claims
 - Claim construction – must address new terms introduced in amendment
 - Amendment must respond to ground of unpatentability

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Recent Decisions (cont.)



- *Nichia Corp. v. Emcore Corp.*, IPR2012-00005
 - Motion to Amend was denied
 - Patentability over the prior art was not demonstrated
 - Not an examination proceeding
 - Need to address level of ordinary skill in the art and knowledge already possessed by one of ordinary skill in the art
 - Need to address all the references of record
 - Must show written description support in originally filed application – showing support in issued patent not sufficient

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Recent Decisions (cont.)



- In both *Idle Free* and *Nichia*, PTAB has emphasized that patent owner has burden of proof in demonstrating patentability of proposed claims:
 - Patent owner is not rebutting a rejection to Office Action
 - If approved, substitute claims will be added to patent without examination

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Recent Decisions (cont.)



- Patent Owner has heavy burden of showing patentability of amended claims over the state of the art
 - It is “insufficient ... simply to explain why the proposed substitute claims are patentable in consideration of the ground of unpatentability on which the Board instituted review.” (*Nichia* decision at p. 55).
- In both *Nichia* and *Idle Free*, PTAB did not address merits of proposed substitute claims

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Recent Decisions (cont.)



- Recent decision in CBM case (2nd CBM decision)
- *CRS Advanced Technologies, Inc. v. Frontline Technologies, Inc.* (CBM2012-00005)
 - All challenged claims were found to be invalid under 35 U.S.C. § 101
 - PTAB gave scant attention to the jurisdictional requirement that a CBM patent must be one that relates to a “financial product or service”

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Recent Decisions (cont.)



- *CRS Advanced Technologies, Inc. v. Frontline Technologies, Inc.* (CBM2012-00005)
 - Patent related to internet based system of assigning substitute teachers to vacancies, and the claimed invention does that with an Internet based system.
 - The Board did observe that one embodiment mentioned in the patent specification notes that the invention could be used to fulfill substitute teller requirements by a retail bank.

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Key Take Aways from Today's Discussion



- Inter Partes Review can be effective alternative to litigation for asserting validity defenses
- Patent Owner has heavy burden to convince PTAB to grant Motions To Amend claims

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Questions and Evaluation



- We will answer as many questions as we have time for. We will follow-up with you if we do not have time to answer your question during the program.
- Please take a moment to fill out the evaluation for this program by clicking here:

[https://www.surveymonkey.com/s/
Post-GrantFinalDecisions](https://www.surveymonkey.com/s/Post-GrantFinalDecisions)

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