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# Patent Office Trials

By combining the strengths of leading practices in IP litigation, patent prosecution, and USPTO post-grant proceedings, the attorneys of Foley's Patent Office Trials Practice help you navigate complex and intertwined proceedings, including those involving parallel litigation in district court.

## At a Glance

- » We have handled *inter partes* review and covered business method patent matters since their implementation, making our practice one with truly significant experience in advising clients on the new procedures
- » We have been recognized for our thought leadership and involvement in shaping the *inter partes* review procedures
- » We are well versed in various post-grant proceedings, including *inter partes* review, covered business method patents, reexamination, and interferences

Since the passage of the AIA, the landscape and short- and long-term strategies for prevailing in patent post-grant procedures at the USPTO have become even more complex and uncertain, requiring you to work with an experienced, respected advisor to help select the best approach for a given case.

## Strategic Post-Grant Counsel in Light of Emerging Trends

To help you stay informed on the latest trends, we closely monitor the USPTO's implementation of the post-grant process and procedure, and have been advising clients on the impact of post-grant proceedings under the AIA. As new decisions from the USPTO are published, we analyze and assess the particulars and provide you with the most current

evaluation of how the rulings may affect your proceedings.

## Using Post-Grant Proceedings as a Strategic Option in Patent Disputes

We approach post-grant proceedings with your business objectives in mind, including thinking through consequences in licensing and litigation options. Increasingly, post-grant trials have become an integral part of challenging the validity of patents, and companies are deploying a multitude of hybrid proceedings in the USPTO and courts.

Most of the attorneys in our Patent Office Trials Practice have extensive experience with discovery and trial practice, enabling them to use the experience in every aspect of your post-grant strategy.

## Top 10 Considerations When Assessing the Use of Post-Grant Proceedings

We realize that our clients need guidance and advice regarding the best practices for handling a post-grant proceeding. We provide our clients with the tools to manage these proceedings, while simplifying the process by focusing on the most important aspects to consider, namely:

- » Choosing experts
- » Choosing a team
- » Drafting a petition or patent owner response
- » Sequencing the petition with a declaratory judgment suit
- » Litigation time limits
- » Joinder of petitions
- » Avoiding inconsistent statements
- » Awareness of prosecution disclaimer



- » Amendment practice
- » Settlement

### **Proven Track Record in Parallel Litigation**

Working closely with our IP Litigation Practice, the attorneys of our Patent Office Trials Practice have successfully assisted clients like you in defending patents in post-grant proceedings without amending the claims, invalidating competitors' patents asserted in litigation, avoiding preliminary injunctions based on granted post-grant proceedings, and securing or preventing stays of litigation.

#### **INTER PARTES REVIEW FOR SUPERNUS**

- » Defended Supernus as the owner of three pharmaceutical patents in three different inter partes reviews filed by a generic company, where there is a parallel Hatch-Waxman patent litigation involving the same patents. The product covered by the three patents generated more than \$1 billion in revenue.

#### **PATENT INFRINGEMENT AND INTER PARTES REVIEW FOR SYNTROLEUM, INC.**

- » Represented all defendants in a patent infringement case in Delaware concerning synthetic renewable diesel fuels. In addition, our client filed an inter partes reexamination proceeding and inter partes review proceeding with respect to two separate patents, including the '094 patent at issue in the 2nd DE suit. Syntroleum also filed an additional IPR on a 3rd related Neste patent, which is pending.

#### **PATENT INFRINGEMENT AND COVERED BUSINESS METHOD PATENT CASES FOR GROUPON, INC.**

- » Represented Groupon, Inc. in patent infringement case filed by Blue Calypso in E.D. Tex. involving five business method patents related to targeting advertising and providing incentives to users in a network. On behalf of Groupon, filed five related covered business method (CBM) proceedings at the PTAB with respect to the asserted patents and all five petitions were granted by the PTAB wherein the PTAB agreed with Groupon that most of the challenged claims (including all of the asserted claims) were likely to be deemed invalid in view of the prior art and arguments raised. The CBM

proceedings are pending, and the district court case has been stayed pending the PTAB decision.

#### **INTER PARTES REVIEW AND PARALLEL LITIGATION FOR IDLE FREE**

- » Represented the petitioner, Idle Free, in an inter partes review involving a patent directed to an air conditioning system for vehicles, such as long-haul trucks. Idle Free's petition was granted by the PTAB after the Board made a preliminary finding that all of the claims of the patent were unpatentable. Following the PTAB's decision to institute the inter partes review, the Northern District of Illinois granted Idle Free's motion to stay the parallel litigation. Following the Board's decision to institute trial on all claims of the patent, the patent owner conceded that the claims being asserted in the district court were invalid. Thus, the inter partes review was limited to the remaining claims of the patent. The PTAB then issued a decision regarding the inter partes review stating that all the claims were canceled and the motion to amend was denied.



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*IP Litigation Current*

# PTAB Invalidates Patent Despite Settlement

As more and more AIA post-grant review decisions are being issued, practitioners should be aware that the Patent Trial and Appeal Board (PTAB) may rule on the validity of the patent at issue despite settlement by the parties. Unlike *ex parte* and *inter partes* reexamination proceedings, AIA statutory provisions allow for settlement of post-grant trials before the Board. However, recent PTAB decisions show the broad discretion used in determining whether a post-grant proceeding will be terminated upon settlement between the parties.

In *Interthinx, Inc. v. Corelogic Solutions, LLC*, the PTAB issued a final written decision on the validity of a patent, cancelling the claims of the patent even though a district court had previously ruled them valid, the parties had reached settlement, and the patent eventually expired. CBM2012-00007, Paper No. 58 (PTAB, Jan. 30, 2014).

Interthinx petitioned the PTAB for covered business method (CBM) review of U.S. Patent No. 5,361,201 (the '201 patent) on September 19, 2012. The challenged claims focused on a computer implemented method for appraising a real estate property. Interthinx, along with others, had been sued by Corelogic for patent infringement in the Eastern District of Texas. Adopting the claim constructions applied by the district court, the PTAB instituted trial on January 31, 2013.

During this time, the district court case progressed. Following a jury verdict on September 28, 2012, the district court entered judgment of non-infringement in favor of Interthinx. See *CoreLogic Information Solutions, Inc. v. Fiserv, Inc.*, No. 2:10-CV-132-RSP (E.D. Tex. Oct. 2, 2012). The court also found that the patent was valid. The parties filed several post-trial motions including (1) Corelogic's Motion for Judgment as a Matter of Law that Interthinx infringed the '201 patent, (2) Interthinx's Motion for Judgment as a Matter of Law that certain claims were invalid under § 102 and/or § 103, and (3) Interthinx's Motion for Judgment as a Matter of Law that the '201 patent was invalid under § 101. The district court denied all post-trial motions on September 30, 2013. No appeal has been filed. However, the patent is still at issue in a later-filed case. See *CoreLogic Solutions, LLC v. Redfin*, No. 2:12-CV-305 (E.D. Tex.).

In October 2013, the parties moved to terminate the CBM review proceeding. Although the PTAB terminated Interthinx's involvement in the proceeding, the PTAB retained jurisdiction to issue a final written decision pursuant to 37 C.F.R. § 327(a). After an oral hearing where only Corelogic presented arguments, the PTAB issued its final written decision invalidating the contested claims of the patent.

The PTAB first found that the district court's holding did not bar its review of the § 101 case under *res judicata* or collateral estoppel because the USPTO was not a party to the district court action and did not have a full and fair opportunity to litigate the patentability issues there.

Moreover, the PTAB explained that the issue decided in the CBM proceeding is not identical to the issue litigated in the district court because of different subject matter eligibility standards applied by the district court and the PTAB. The district court applied the clear and convincing standard while the PTAB reviews the patentability of a claim under a preponderance of evidence standard. Corelogic also argued that the PTAB should apply the higher standard because the '201 patent expired and could not be amended. However, the Board found that the statute does not provide an exception for expired patents.

Additionally, the PTAB found that the jury's finding that Interthinx had not proved any claim of the '201 patent invalid was not binding on the PTAB. The PTAB then concluded that all four contested claims were unpatentable under § 101 and invalid under § 102 and § 103 in view of a prior art publication that was also before the district court. The PTAB cancelled all four claims.

Because of the PTAB's decision in *Interthinx v. Corelogic*, practitioners considering post-grant review proceedings should be mindful of the relevant time periods as they impact whether and when a party should seek post-grant review, whether and when the parties should focus on settlement, and the impact (if any) of a district court judgment in concurrent litigation. A patent owner just may end up continuing to expend resources litigating the validity of its patent even where a district court has ruled it valid and it has settled with the accused infringer.

Stephanie A. Quick  
Milwaukee, Wisconsin  
414.297.5673  
[squick@foley.com](mailto:squick@foley.com)

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# PTAB Practice Tip: When Must I Request ‘Authorization’ to File a Motion?

One of the most common mistakes parties make in the new *Inter Partes* Review (IPR) and Covered Business Method (CBM) proceedings is failing to seek Board authorization to file a motion. Many practitioners incorrectly assume that the way to request relief of any sort is to simply file a motion. But what these practitioners fail to realize is that they must first obtain the Board’s *permission* (authorization) to even file the motion. Moreover, obtaining the Board’s permission to file a motion doesn’t mean that you are automatically entitled to the relief requested; it simply means that the Board will *consider* your motion (which the Board may ultimately deny on the merits).

## **General Rule: Prior Authorization Required**

The general rule governing prior Board authorization to file a motion states:

*Prior authorization.* A motion will not be entered without Board authorization. Authorization may be provided in an order of general applicability or during the proceeding.

37 C.F.R. § 42.20(b).

## **Exceptions to the Rule**

Exceptions to the “prior authorization” rule are scattered throughout the [Board Rules](#) and [Trial Practice Guide](#). Unfortunately, the Board has not listed in one place all of the exceptions to § 42.20(b).

Here I present my best attempt at listing all motions and other actions that do *\*not\** require prior Board authorization, based on current written policy. There may be others, but these are the ones expressly mentioned somewhere in the Board Rules or Trial Guide.

- Motions to exclude evidence. (§ 42.64(c))
- Requests for rehearing. (§ 42.71(d))
- Additional discovery, if agreed to between the parties. (Final Rule at 48613)
- Taking (but not submitting) video-recorded testimony, if agreed to between the parties. (Final Rule at 48613)
- Taking uncompelled deposition testimony outside the United States, if agreed to between the parties. (Final Rule at 48613)
- Taking routine discovery within times set in the Scheduling Order. (Trial Guide at 48761)
- Motions where it is “not practical to seek prior Board authorization,” including motions to seal and motions filed with a petition, such as motions to waive page limits. (Trial Guide at 48762)
- Observations on cross-examination. (Trial Guide at 48763)
- First motion to amend patent, but owner is still required to *confer* with the Board before filing the motion. (Trial Guide at 48766)

Please post a comment or email me in case I missed anything.

**Andrew S. Baluch**  
Special Counsel  
Washington, D.C.  
202.672.5520  
[abaluch@foley.com](mailto:abaluch@foley.com)

19 NOVEMBER 2013

*Legal News: Intellectual Property*

# Patent Reform Update: Leahy Introduces Senate Bill, Goodlatte Circulates House Manager's Amendment

Significant congressional activity took place on November 18, 2013, bringing patent reform several steps closer to enactment. While final passage remains too early to predict (and no single bill has yet been voted out of Committee), yesterday's actions in both the House and Senate suggest that momentum is building for more patent reform in the United States.

On the same day, two important steps were taken in both chambers of Congress. First, Chairman Goodlatte of the House Judiciary Committee, who last month introduced [H.R. 3309 "Innovation Act,"](#) released a "Manager's Amendment" to his bill and announced that his committee will be holding a markup of the bill on Wednesday, November 20, 2013. The most significant change in the Manager's Amendment was the removal of the contentious Section 18 Covered Business Method (CBM) amendments that were opposed by certain software and manufacturing companies. This change may increase the likelihood of the bill's passage, at least in the House.

Second, Chairman Leahy of the Senate Judiciary Committee introduced his much-awaited bill in the Senate. The bill, [S.1720 "Patent Transparency and Improvements Act of 2013,"](#) contains many of the same provisions as the House version, but with some notable differences. Key differences between the Senate and House bills include:



- **No heightened pleading standard for patent complaints in S.1720.** (By contrast, H.R. 3309 would require every infringement complaint to identify the specific claims infringed, the name and serial number of the accused product, where each claim element is found in the accused product, and how the claim terms correspond to the functionality of the accused product.)
- **No loser-pays fees-shifting in S.1720.** (By contrast, H.R. 3309 would award attorneys' fees to the prevailing party as the default rule in patent cases.)
- **No joinder of "interested parties" in S.1720.** (By contrast, H.R. 3309 would require joinder, upon a defendant's motion, of any (1) assignee of the patent, (2) person with a right to enforce or sublicense the patent, and (3) person having a financial interest in the patent, including the right to receive damages or licensing revenue.)
- **No discovery limits in S.1720.** (By contrast, H.R. 3309 would limit most discovery until after a claim construction ruling.)
- **NEW: Federal Trade Commission policing of demand letters in S.1720,** thus making the "widespread sending" of false or misleading demand letters punishable by the FTC. (By contrast, H.R. 3309 has no FTC provision.)
- **NEW: Duty to disclose assignee's "ultimate parent entity" during prosecution and throughout life of patent in S.1720.** (By contrast, H.R. 3309 would require such disclosure only after an infringement complaint was filed, not during prosecution.)

Foley IP attorneys will continue to monitor significant legal and legislative developments and provide timely updates to our clients.

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Legal News Alert is part of our ongoing commitment to providing up-to-the-minute information about pressing concerns or industry issues affecting our clients and our colleagues. If you have any questions about this update or would like to discuss this topic further, please contact your Foley attorney or the following:

**Andrew S. Baluch**

Special Counsel

Washington, D.C.

202.672.5520

[abaluch@foley.com](mailto:abaluch@foley.com)

15 NOVEMBER 2013

*Legal News: Intellectual Property*

# U.S. PTAB Issues First Final Decision in an Inter Partes Review

On November 13, 2013, the U.S. Patent Trial and Appeal Board (PTAB) issued its first final decision in an inter partes review (IPR) proceeding brought by Garmin under the new administrative procedures established by the America Invents Act of 2012 (*Garmin v. Cuozzo*, IPR2012-00001). Consistent with its initial finding of unpatentability, the PTAB found all claims unpatentable and denied the patent owner's motion to amend in the final decision, which numbered 49 pages in length. The PTAB had initially granted Garmin's petition as to certain claims and denied it as to others in a decision dated January 9, 2013, meaning that it reached its final decision in only about 10 months, well within the 12-month time limit required by statute. A copy of the full decision is [available here](#).

Among the important lessons to be drawn from this first final decision in an IPR are the following:

**Lesson 1: Broadest Reasonable Interpretation.** The PTAB continues to stick to its standard of applying the broadest reasonable interpretation to the claims of a patent. The PTAB is therefore not bound by district court Markman rulings, which is a point favorable to petitioners.

**Lesson 2: Cross Examination of Experts.** The PTAB cited to the cross-examination testimony of one of the experts in its decision, demonstrating that the use of limited discovery in IPRs (the right to depose a declarant) can be important to the outcome.

**Lesson 3: Very Restrictive Amendment Options.** The patent owner's ability to amend claims in an IPR is very limited, given the petitioner's ability to attack such proposed amendments and the narrow scope of substitution allowed by the PTAB.

#### **Lesson 4: Keeping an Eye on the Federal Circuit; Possible Amicus Participation.**

Companies interested in shaping the development of the IPR patent practice will need to carefully monitor upcoming Federal Circuit appeals of PTAB decisions to identify cases where amicus participation may be desirable by industry groups. For example, in this case, the PTAB dismissed a motion to exclude certain evidence without deciding it on the grounds that it was moot in view of other findings. This raises the question of what may happen with such an undecided motion if the patent owner files an appeal to the Court of Appeals for the Federal Circuit.

More than 500 IPRs have been filed to date, and a wave of final decisions is expected over the next few months. Future decisions will shed further light on when to use and *when not to use* the IPR procedure for deciding patent validity based on prior art grounds. As more insights are gained, additional client alerts will be issued to share the lessons learned.

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Legal News Alert is part of our ongoing commitment to providing up-to-the-minute information about pressing concerns or industry issues affecting our clients and our colleagues. If you have any questions about this update or would like to discuss this topic further, please contact your Foley attorney or the following:

**Jeanne M. Gills**

Chicago, Illinois

312.832.4583

[jmgills@foley.com](mailto:jmgills@foley.com)

**Stephen B. Maebius**

Washington, D.C.

202.672.5569

[smaebius@foley.com](mailto:smaebius@foley.com)

**Harold C. Wegner**

Washington, D.C.

202.672.5571

[hwegner@foley.com](mailto:hwegner@foley.com)

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*PharmaPatents*

# A Quick Look at the First Patent Trial and Appeal Board Decision in a Covered Business Method Patent Proceeding, *SAP America, Inc. v. Versata Development Group, Inc.*

On June 11, 2013, the USPTO Patent Trial and Appeal Board (PTAB) issued its first final decision in a covered business method patent (CBM) proceeding, in *SAP America, Inc. v. Versata Development Group, Inc.* (CBM2012-00001). Although this case is not in the field of pharmaceuticals or biotechnology, a few aspects of this decision will be of interest to stakeholders across all industries.

## **The Patent At Issue**

The patent at issue was Versata's U.S. Patent 6,553,350, directed to methods of pricing products for different purchasers.

Versata sued SAP for patent infringement in 2007. After a jury trial, SAP was found liable for infringement, but the court ordered a second jury trial on damages. Both parties appealed to the Federal Circuit in 2011, and the court affirmed the finding of infringement in a decision issued in 2013, after the PTAB proceeding

was commenced. Of note to this review, “SAP did not appeal the district court’s claim construction, and the validity of the ’350 patent was not an issue on appeal.”

## The CBM Proceedings

CBM proceedings became available on September 16, 2012, the effective date of Section 18 of the America Invents Act (AIA). A party who has been sued for or charged with infringement of a covered business method patent can petition for Post Grant Review of the patent to challenge the validity of the patent “on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).”

SAP filed its petition for CBM review of the ’350 patent on September 16, 2012, asserting that certain claims were invalid under 35 USC §§ 101, 102, and 112. The PTAB granted the petition with regard to §§ 101 and 102, and SAP agreed to proceed only with relation to § 101 to obtain expedited review.

## Points Of Interest

At least the following aspects of the PTAB decision will be of interest to stakeholders across all industries.

- The CBM proceeding was brought **after** two jury trials that found SAP liable for infringement, and while an appeal was pending at the Federal Circuit.

Did Congress intend CBM proceedings to permit a collateral attack on a patent already found to be infringed in a district court proceeding?

The estoppel provisions of the statute provide that a petitioner in a CBM proceeding “may not assert, either in a civil action ... or in a proceeding before the International Trade Commission ... that the claim is invalid on any ground that the petitioner raised during [the CBM] proceeding.” However, estoppel may run only one way, from a CBM proceeding to a district court/ITC proceeding, and not from a pending district court/ITC proceeding to a CBM proceeding. A similar issue just was addressed by the Federal Circuit in [\*Fresenius USA, Inc. v. Baxter International, Inc.\*](#) (July 2, 2013), where the court found that estoppel did not arise from a district court proceeding that still was pending.

- The PTAB construed the claims according to its “**broadest reasonable interpretation**” (BRI) paradigm, even though its claim construction was different from that of the district court.

Did Congress intend the PTAB to apply a BRI claim construction? Even when a district court already has construed the claims? Even when the parties did not appeal the district court’s claim construction?

At least Congressman Goodlatte (R-Va.) thinks otherwise. The “discussion draft” of patent reform legislation he released in May would amend the Post Grant Review and Inter Partes Review statutes to

require the USPTO to construe a claim in such a proceeding as it “has been or would be in a civil action to invalidate a patent under section 282, including construing each claim of the patent in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art, the prosecution history pertaining to the patent, and prior judicial determinations and stipulations relating to the patent.”

**Courtenay C. Brinckerhoff**

Washington, D.C.

202.295.4094

[cbrinckerhoff@foley.com](mailto:cbrinckerhoff@foley.com)