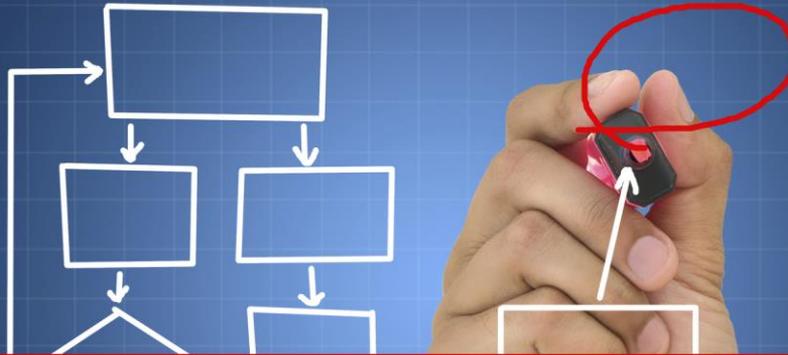


CHARTING THE COURSE OF THE PTAB WEB CONFERENCE SERIES  
**The New PTAB Rules: How to Win in the  
 Expanded Pre-Institution Battleground**

APRIL 8, 2016



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## Speakers



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## Agenda



- Background
- Review of the major rule changes and their strategic impact on IPR/CBM/PGR practice
- Impact on balance of power between patent owners and petitioners
- Wrap-up/questions

## What Led to the Rules Package



- Concerns expressed by patent owners and petitioners:
  - High invalidation rates
  - Procedural gamesmanship
  - Concern about claim construction
  - Page limits
- USPTO conducted series of meetings in several locations to gather input from the public

## Effective Date



- “[t]his rule is effective May 2, 2016, and
  - applies to all AIA petitions filed on or after the effective date and
  - to any ongoing AIA preliminary proceeding or trial before the Office.”
- Not just applicable to new petitions, but to ongoing AIA proceedings

## Major Changes in the Rules



- PO prelim response may use new evidence/testimony
- Petitioner may seek leave for reply to PO prelim response
- Pre-institution factual disputes resolved in petitioner’s favor
- Rule 11-type certification
- *Phillips*-type claim construction for patents expiring in 18 months or less
- Word count instead of page limits

## 1. PO Prelim Response



- Major expansion of pre-institution practice
- PO may submit newly-created testimonial evidence in preliminary response
  - No limit on number or scope of declarations
- PO was previously limited to only submitting evidence:
  - from original prosecution or
  - which was already created in parallel proceedings

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## 1. PO Prelim Response



- New opportunity to challenge petitioner's declarant with a rebuttal declarant
- PO must work quickly – only 3 months to identify, retain expert, and prepare expert declaration along with response
- Rebuttal experiments may be hard to complete in 3-month period
- Gathering evidence may be a challenge, e.g., if attempting to swear behind a 102(a) reference

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## 1. PO Prelim Response



- PO may use confidential information
- Must first meet and confer with petitioner and agree on protective order
- May simultaneously file prelim response, protective order, and motion to seal (see, e.g., IPR2014-00377)
- Pre-institution deposition of PO declarant?
  - “a panel, in its discretion, may order some limited discovery, including cross-examination of witnesses, before institution” (response to comments at p. 18756 of FR notice)
  - If PO does not rely on pre-institution testimony during trial, then deposition would only be allowed under “additional discovery” procedure (FR notice at p. 18756)

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## 2. Petitioner May Seek Leave for Reply to PO Prelim Response



- Petitioner may request opportunity to reply
- Not clear if petitioner could include its own additional testimonial evidence
- To be granted on case-by-case basis at discretion of judges
- Experience will show how freely PTAB grants leave

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### 3. Pre-institution Factual Disputes Resolved in Petitioner's Favor



- A genuine issue of material fact created by PO's testimonial evidence will be viewed in the light most favorable to the petitioner (see 37 C.F.R. §42.108)
- Genuine issues of material fact will be resolved in petitioner's favor for purposes of institution decision only
  - Why put testimony into response if disputes of material fact are always resolved in favor of petitioner?
  - No negative inference drawn if PO forgoes new testimony

### 3. Pre-institution Factual Disputes Resolved in Petitioner's Favor



- Making merely "conclusory" statements in PO rebuttal expert declaration may not prevent institution - "genuine" issue?
- Likewise, petitioner reliance on merely "conclusory" statements in petitioner declaration may lead to non-institution, e.g., IPR2016-00011 (initial burden remains on petitioner)
- Sharper focus on well-reasoned, supported statements in pre-institution expert declarations in light of new rules

## 4. Rule 11-type Certification



- Applies to all filings; and

- Must state:

- to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances:
  - (1) It is not being presented for any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of the proceeding;
  - (2) The claims, defenses, and other legal contentions are warranted by existing law or by a non-frivolous argument for extending, modifying, or reversing existing law or for establishing new law;
  - (3) The factual contentions have or are likely to have evidentiary support; and
  - (4) The denials of factual contentions are or are likely to be warranted on the evidence.

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## 4. Rule 11-type Certification



- Rule provides Board with authority to sanction:

- Sanctions may be imposed on practitioners and parties
- Sanctions may not be imposed against law firms

- Motion for sanctions:

- Must permit target to withdraw or remedy targeted action
- May not be filed or be presented to the Board if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after notice or time set by Board
- May be instituted by Board or party
- Must be authorized by Board
- Board "may award to the prevailing party the reasonable expenses, including attorney's fees, incurred for the motion"

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## 5. Claim Construction



- **No change in most cases**
  - Broadest reasonable interpretation is retained
- **For patents expiring within 18 months of Notice of Filing Date Accorded to Petition:**
  - Either party may request by motion a Phillips-type construction (same as District Court)
  - Within 30 days of petition filing date
  - Panel has discretion over which claim construction standard to use, sometimes adopting a District Court's construction
  - Panel can request briefing if desired
  - Decision should be made prior to institution, ideally before the PO preliminary response deadline

## 6. Word Count Instead of Page Limits



- **Affects the petition, patent owner preliminary response, patent owner response, and petitioner's reply (motions, e.g., retain page limits)**
- **Parties complained about:**
  - Difficulty complying with page limit and resorted to extensive citations to declarations
  - Inability to include helpful drawing in brief
- **Parties must now use word limit:**
  - Instead of 80 pages – 18,700 words
  - Instead of 60 pages – 14,000 words
  - Instead of 25 pages – 5,600 words
- **Claim chart words count**

## 7. Exchange Demonstratives 7 Business Days Before Hearing



- Most parties use PowerPoint slides or excerpts from exhibits as “demonstratives”
- Extend the deadline for serving demonstratives to 7 business days before the argument
  - Intended to give parties more time to resolve disputes
  - Demonstratives must be filed no later than the time of the oral argument
- *Is it wise to “telegraph” your entire oral hearing argument in a PowerPoint presentation?*

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## Who is Better Off – Petitioner or Patent Owner?



RULE NUMBER	CHANGE	WHO BENEFITS?
42.107	PO prelim response can use new testimonial evidence	Patent Owner – increased chance to avoid institution
42.108	Seeking leave for petitioner to reply to PO prelim response	Petitioner – however, not clear how easy it will be to obtain authorization
42.108	Material factual dispute resolved in petitioner's favor for institution	Petitioner
42.11	Rule 11-type certification	Cuts both ways, but may be aimed at petitioners
42.100	Broadest reasonable construction retained	Petitioner – PTAB says amending is easier, which justifies retaining BRI
42.100	Phillips-type claim construction for patents expiring within 18 months of institution	Patent Owner – incorporates construction to preserve validity
42.24	Word count instead of page limits	Benefits both parties
42.70	Exchange oral hearing demonstratives 7 business days before hearing	Benefits both parties

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## Wrap-up



- Expansion of pre-institution practice
- Opportunity for patent owner to prevent institution with new evidence
- Rule 11-type certifications for all papers; and motions for sanctions
- No change to claim construction except for patents expiring during an AIA proceeding
- Procedural improvements (more time to exchange demonstratives, word limits)
- Conforming changes to Trial Practice Guide coming

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