

Results From Early PTAB Decisions on *Inter Partes* Review Petitions

as of March 1, 2013

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I. Introduction.

This note reviews the results of early decisions by the Patent Trial and Appeal Board ("PTAB") on petitions for *inter partes* review.

As of March 1, 2013, five and a half months had expired since *inter partes* review became available.² During that period, 152 petitions for *inter partes* review were filed, and thirteen Institution Decisions were issued. An Institution Decision grants or denies the petition for *inter partes* review on a claim-by-claim basis, depending on whether the petitioner has shown a "reasonable likelihood"³ that it will prevail on the merits as to a particular claim.

II. Results Of Early Institution Decisions.

The results of Institution Decisions through March 1, 2013 are shown in the following table:

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² *Inter partes* review became available on September 16, 2012.

³ 35 U.S.C. § 314(a).

Trial Number	Petitioner	Patent Owner	Result
IPR2012-00001	Garmin International, Inc.	Cuozzo Speed Technologies, LLC	Partially Granted
IPR2012-00004	Macauto U.S.A.	BOS GmbH & KG	Partially Granted
IPR2012-00005	Nichia Corporation	Emcore Corporation	Granted
IPR2012-00018	Intellectual Ventures Management LLC	Xilinx, Inc.	Granted
IPR2012-00019	Intellectual Ventures Management LLC	Xilinx, Inc.	Granted
IPR2012-00020	Intellectual Ventures Management LLC	Xilinx, Inc.	Granted
IPR2012-00023	Intellectual Ventures Management LLC	Xilinx, Inc.	Granted
IPR2012-00026	Microsoft Corporation	Proxycorr, Inc.	Partially Granted
IPR2012-00027	Idle Free Systems, Inc.	Bergstrom, Inc.	Granted
IPR2012-00033	Sony Corporation	Tessera, Inc.	Granted
IPR2012-00041	Synopsis, Inc.	Mentor Graphics Corporation	Denied
IPR2012-00042	Synopsis, Inc.	Mentor Graphics Corporation	Partially Granted
IPR2013-00010	Motorola Mobility LLC	Michael Arnouse	Granted

The terms "granted" and "partially granted" in the table require some explanation. The PTAB examines the petitions on a claim-by-claim basis. If the petitioner shows a reasonable likelihood of success on *each* claim challenged, then the PTAB will grant the petition for every challenged claim (and the corresponding table row reflects the result "granted"). If the petitioner shows a reasonable likelihood of success for *some* claims, but not for others, then the table reflects that the petition was "partially granted".

The fact that that the PTAB grants petitions on a claim-by-claim basis allows an analysis of the likelihood of any particular claim being accepted for trial. The following table shows the percentage of claims challenged in each petition that were also accepted for trial ("% Grant"), sorted by petitioner lead counsel:

Trial Number	Petitioner	Petitioner Firm	Petitioner Lead Counsel	% Grant
IPR2012-00001	Garmin	Hovey Williams LLP	Jennifer C. Bailey	15%
IPR2012-00026	Microsoft	Klarquist Sparkman LLP	John D. Vandenberg	67%
IPR2013-00010	Motorola Mobility	Kilpatrick Townsend & Stockton LLP	Ko-Fang Chang	100%
IPR2012-00018	Intellectual Ventures	Sterne, Kessler, Goldstein & Fox PLLC	Lori A. Gordon	100%
IPR2012-00020	Intellectual Ventures	Sterne, Kessler, Goldstein & Fox PLLC	Lori A. Gordon	100%
IPR2012-00023	Intellectual Ventures	Sterne, Kessler, Goldstein & Fox PLLC	Lori A. Gordon	100%
IPR2012-00005	Nichia	Foley & Lardner LLP	Matthew A. Smith	100%
IPR2012-00027	Idle Free	Foley & Lardner LLP	Matthew A. Smith	100%
IPR2012-00033	Sony	Foley & Lardner LLP	Matthew A. Smith	100%
IPR2012-00019	Intellectual Ventures	Sterne, Kessler, Goldstein & Fox PLLC	Michael D. Specht	100%
IPR2012-00004	Macauto	Patton Boggs	Scott A. Chambers	90%
IPR2012-00041	Synopsis	Orrick, Herrington, & Sutcliffe LLP	William H. Wright	0%
IPR2012-00042	Synopsis	Orrick, Herrington, & Sutcliffe LLP	William H. Wright	41%

Early results show a relatively high rate of partial grants (some claims denied). A partial grant of an *inter partes* review petition leaves the petitioner in a potentially awkward position. The patent owner in litigation will be tempted to drop all but the claims denied in the *inter partes* review proceeding, if there is a plausible infringement read for those claims. The patent owner will also attempt to introduce the PTAB's decision in the *inter partes* review as evidence on the question of validity.

Before the PTAB, the petitioner who receives a partial grant can request rehearing or file a follow-on petition for *inter partes* review, supplementing the original petition. Filing a follow-on petition requires the payment of another filing fee (at least \$27,200).

Such follow-on petitions are not automatically precluded by the previous Institution Decision.⁴ However, the passage of time from the filing of the first petition to the filing of the follow-on petition may cause the follow-on petition to be precluded by the one-year bar,⁵ unless the follow-on petition is seen as a request for joinder to the first petition. If joinder does occur, it will lift the one-year deadline for the PTAB to finish a trial on the combined *inter partes* review.⁶

III. Timing Of Institution Decisions.

The thirteen Institution Decisions so far have been issued in an average of 138 days after the petition filing date. The median time was 148 days (about 5 months from petition filing), with a standard deviation of 17 days. In cases where the patent owner does not waive a preliminary response, the PTAB is taking about seven weeks to issue an Institution Decision from the filing of (or due date for) the preliminary response.

These data make the time to issuance of the Institution Decision seem smaller than it is, due to a sampling bias. The sampling bias is created by measuring the speed of the proceedings as a time to the Institution Decision. By using this statistic, one necessarily excludes proceedings that have not yet reached an Institution Decision. The excluded proceedings are by definition slower, but are not taken into account.

It will be possible to remove this sampling bias in a meaningful manner beginning in April, 2013.

IV. Filing Frequency And Limits On Filings.

As of March 1, 2013, 152 petitions for *inter partes* review had been filed. This corresponds to a fairly constant rate of about 0.9 filings per calendar day. Extrapolating this rate to the end of Fiscal Year 2013, the total number of filings

⁴ See 35 U.S.C. §§ 315(e) and 325(d).

⁵ 35 U.S.C. § 315(b) ("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)").

⁶ See 35 U.S.C. § 316(a)(11).

would be around the number of filings⁷ required to allow the USPTO to place a limit on the number of petitions that can be allowed in a given fiscal year. If such a limit were imposed, it would likely happen toward the end of the fiscal year (August or September 2013). This would cause only a short delay (until October 1, 2013) for filers whose petitions would exceed the limit. The delay might, however, cause a few petitioners to be precluded by the one-year bar of 35 U.S.C. § 315(b). Parties who were served with a complaint in August or September of 2012 and who were planning to file just before expiration of the one-year deadline should therefore accelerate their timetables.

V. Comments On Denial Of Claims

The PTAB's decisions denying *inter partes* review for certain claims reflect a common difficulty for petitioners, caused by the PTAB's pre-institution procedure.

Inter partes review has a pre-institution procedure that is fundamentally different than the procedure in *inter partes* reexamination. Unlike reexamination, the *inter partes* review proceedings allow the patent owner to comment on the petition *before* the PTAB begins consideration of the merits, in a "patent owner preliminary response". This preliminary response is also the final word prior to the PTAB's consideration—the petitioner has no right to reply.

The implication is that the petitioner cannot reasonably expect to hide weaknesses in the petition. Indeed, any weaknesses will be the *focus* of the patent owner's preliminary response. Moreover, if the petitioner has tried to hide an issue in the petition, the ensuing patent owner exposé of that issue will be the *only* meaningful explanation received by the PTAB. By trying to hide issues, the petitioner effectively converts the proceeding to an *ex parte* hearing on the petition's weakest points. Consequently, the petitioner should try to fix potential weak points in the petition prior to filing, or at least carefully explain them in the petition document.

⁷ The AIA allows the USPTO to place a limit on the number of *inter partes* review filings in a given fiscal year if the number of petitions 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 [Sept. 16, 2012]." AIA § 6(c)(2)(B). The last fiscal year ending before Sept. 16, 2012 was FY2011 (ending Sept. 30, 2011). There were 374 *inter partes* reexamination filings in FY 2011. Of these, approximately 350 were "ordered" (based on a 94% grant rate).

One particular area where petitioners need to use more caution is in the reasons to combine or extend references in an obviousness challenge. The PTAB is scrutinizing obviousness challenges in a way that examiners sometimes do not. Cursory statements regarding the motivation for obviousness are not likely to succeed at the initial phase. Rather, the motivation for combining or extending references should be thoroughly reasoned, make technical sense, and be supported by evidence.

Petitioners also need to recognize the risks associated with claim construction. The PTAB has been expressly construing claim terms that it finds ambiguous. If the petitioner does not explain the basis for its claim construction in the petition, it abandons whatever control it had over the construction. In the preliminary response, the patent owner can suggest its own construction, to which the petitioner cannot respond. Even if the patent owner does not advocate a construction, the PTAB may construe the claims in a manner that the petitioner (and the patent owner) did not anticipate. In such a case, there is a good chance that the petitioner will not have applied the prior art to the claims in a way that satisfies the PTAB's construction.

The PTAB's decision denying *inter partes* review in *Synopsis v. Mentor*⁸ provides a good illustration of these concepts. The petitioner challenged certain claims as anticipated by three references. The petition identified a key claim element, but did not explain how the key element was to be construed.⁹ Rather, the petition addressed the construction of the key element only implicitly, by citing the portion of the prior art that allegedly taught the key element.¹⁰ The petition also argued that the claims were obvious over the same references. The petitioner's reasoning, however, was limited to the statement that "[a]t a minimum, each challenged claim element would have been obvious to a person of ordinary skill in the art in view of the [prior art]".¹¹

⁸ IPR2012-00041, Decision of February 22, 2013.

⁹ *See, e.g.*, IPR2012-00041, Petition, p. 11. The author implies no criticism of the petitioner in this regard. It is difficult to know whether the result in this instance was considered a success by the petitioner within the overall strategic context. It may be that adoption of a narrower claim construction followed by denial of the petition was the intended result.

¹⁰ *See, e.g.*, IPR2012-00041, Petition, p. 17.

¹¹ *See, e.g.*, IPR2012-00041, Petition, p. 11.

In its preliminary response, the patent owner argued that the prior art did not teach the key claim element. Although the patent owner did not propose a construction for the key element, it did provide some argument as to why the petitioner's implicit construction could not be correct.¹² The patent owner noted that the petition's obviousness challenge "fail[ed] to state any ground or rationale to support such a finding, and thus, fail[ed] to even put forth a *prima facie* case of obviousness."¹³

In its decision denying *inter partes* review, the PTAB provided an express construction of the key claim element, although neither party had done so in its papers. In so doing, the PTAB drew upon an online dictionary that neither party had submitted as an exhibit.¹⁴ After arriving at its construction—largely without input from the parties—the PTAB found that the prior art did not disclose the key element as construed.¹⁵ The PTAB also rejected the petition's obviousness arguments, finding that "[p]etitioner does not clearly explain the reasoning behind [its] unsupported assertions."¹⁶

As the *Synopsis* decision illustrates, it is important in the *inter partes* review petition to carefully explain the weakest parts of the invalidity case as well as the petitioner's claim construction positions.

¹² See, e.g., IPR2012-00041, Preliminary Response, p. 6.

¹³ See, e.g., IPR2012-00041, Preliminary Response, pp. 12-13.

¹⁴ IPR2012-00041, Decision of February 22, 2013, p. 6.

¹⁵ IPR2012-00041, Decision of February 22, 2013, pp. 9, *et seq.*

¹⁶ IPR2012-00041, Decision of February 22, 2013, pp. 13-14.