Preparing for the New Post-Grant Reality

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March 2012
Introduction to Post-grant Proceedings – Overview of Inter Partes Review and Post-Grant Review

Relevant Statutes & Rules

• Title 35 - America Invents Act
  – Replaces §§ 311-319 (Inter partes)
  – Adds §§ 321-329 (Post-grant)

• 37 CFR – PTO proposed rules
  – Replace existing rules for interferences
Introduction to Post-grant Proceedings – Overview of *Inter Partes* Review and Post-Grant Review

**Who?**

Anyone (except the patent owner)

**When?**

*Inter Partes* Review  
9 months after issue or reissue

*Post-Grant* Review  
Before 9 months after issue or reissue  
For reissue: new and amended claims *only*
Introduction to Post-grant Proceedings – Overview of Inter Partes Review and Post-Grant Review

**How?**

**Inter Partes Review**
- Patents and printed publications

**Post-Grant Review**
- Any grounds of invalidity (§§ 101, 102, 103, 112, etc.)

Amendments and new claims permitted

Burden of Proof: Preponderance of the evidence

Settlement allowed
Introduction to Post-grant Proceedings – Overview of Inter Partes Review and Post-Grant Review

What?

**Inter Partes Review**
- Any patent

**Post-Grant Review**
- (i) Effective filing date after March 16, 2013
- (ii) Covered business method patents
- (iii) Some interferences
Introduction to Post-grant Proceedings – Overview of Inter Partes Review and Post-Grant Review

Covered Business Method Review

**Covered patent claims:** “a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service,” but not “technological inventions”

**Standing:** Accused of infringement

**Different from PGR:** No nine month filing period, limited prior art allowed, estoppel, stay provision (includes interlocutory appeal by right)

**Sunset:** Sept. 16, 2012 – Sept. 16, 2020
### Introduction to Post-grant Proceedings – Steep Fees Proposed by USPTO

<table>
<thead>
<tr>
<th>Number of Claims</th>
<th>IPR Filing Fee</th>
<th>PGR Filing Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 20</td>
<td>$27,200</td>
<td>$35,800</td>
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<tr>
<td>21 to 30</td>
<td>$34,000</td>
<td>$44,750</td>
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<tr>
<td>31 to 40</td>
<td>$40,800</td>
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<td>41 to 50</td>
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<tr>
<td>51 to 60</td>
<td>$68,000</td>
<td>$89,500</td>
</tr>
<tr>
<td>Each +10</td>
<td>+ $27,200</td>
<td>+ $35,800</td>
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</tbody>
</table>
Introduction to Post-grant Proceedings – Life cycle

“Source: Practice Guide for Proposed Trial Rules, 77 FR 6868, 6869 (Feb. 9, 2012)” before the presentation?
Beginning a PTO Trial – Petition, Response & Decision to Institute

Petition

• Prior Art & Other Documents  
• Real Party in Interest
• Declarations
• Request to Seal (if necessary)
• Page Limit: 70 pages

Preliminary Response

“Reasons why ... review should not be instituted”

No testimonial evidence (by proposed rule)

Page Limit: 15 pages
Beginning a PTO Trial – Petition, Response & Decision to Institute

**Decision**

**Inter Partes Review**
Reasonable likelihood to prevail on one claim

**Post-Grant Review**
More likely than not to prevail on one claim
Conduct of a PTAB Proceeding

After Decision to Institute

Case schedule determined by order

- Response and Amendment
- Reply and Opp. to Amendment
- Pre-hearing motions (e.g., Daubert)
Conduct of a PTAB Proceeding

Patent Owner
Discovery

Discovery allowed
• Exhibits
• Depositions of Declarants
• Information “inconsistent with a position advanced” by a party
• As authorized by motion – “good cause” (PGR) v. “interests of justice” (IPR)
Conduct of a PTAB Proceeding

Patent Owner

Discovery

Discovery is a misnomer

Not the time to develop new theories of the case

Deposition = cross-examination
Conduct of a PTAB Proceeding

**Patent Owner Response & Amendments**

**Response to Petition**
- Affirmative evidence of patentability
- Rebuttal relying on cross-examination

**Motion to Amend**
- Amend, cancel, or substitute ("reasonable number")
- Identify support in spec
- Should "clearly state the patentably distinct features"
- No broadening or new matter
Conduct of a PTAB Proceeding

**Petitioner Discovery**

On Patentee’s Response
- Same scope of discovery as before
- Secondary Considerations (possibility for third-party discovery)

On Motion to Amend
- Same scope
- Challenge support
- Challenge “patentably distinct”
Conduct of a PTAB Proceeding

**Petitioner**

**Reply & Opp.**

- Expert testimony on new or amended claims
- Rebuttal relying on cross-examination

**Reply ISO Petition**

- Affirmative evidence, *e.g.*, rebutting secondary considerations
- Rebuttal relying on cross-examination

**Opp. to Amendments**

- Expert testimony on new or amended claims
- Rebuttal relying on cross-examination
Conduct of a PTAB Proceeding

Patent Owner
Discovery & Reply

On Petitioner’s Reply
• Same scope of discovery
• “Motion for observation”

On Petitioner’s Opposition
• Same scope of discovery
• Opportunity to file a Reply ISO Amendments
Conduct of a PTAB Proceeding

Pre-Hearing Motions

Evidentiary Motions – Federal Rules of Evidence Apply
- *Daubert* motions – APJ’s expect data, tests, methods, etc.
- Other motions to exclude (hearsay, relevance, etc.)
- Taking official notice

Request for Oral Argument

Motions for Rehearing

No Final Briefing
Conduct of a PTAB Proceeding

Hearing & Final Decision

- No Live Witnesses
- No New Evidence
- No New Arguments

Possible Exceptions for Live Testimony (Credibility, Interpreter)

Twelve months to Decision from Institution not Petition
Strategic Considerations

• Timing
• Estoppel
• Overlapping Issues
• Choice of Forum
  – Judge or jury vs. Admin. Patent Judge
  – Cost (Potential range for IPR/PGR – $400K-800K)
  – Speed
### Strategic Considerations – Timing

**Restrictions**

- Before a DJ action *for invalidity*
- Less than 1 year after Dist. Ct. filing (applies to *Inter partes*)
- DJ action for noninfringement, counterclaim for invalidity do not preclude review

**Other Factors**

- District court timelines v. PTO timelines
- Possibility of stay
- Time to prepare petition
- “Showing your hand”
- Patent owner disclosures
- Issue date
Strategic Considerations – Timing

Scenario 1

• Company A files an infringement action in Dist. Ct. July 2011
• Company B files request for *inter partes* reexamination Sept. 15, 2012
• Company C files petition for *inter partes* review Sept. 16, 2012
• PTO grants Company B’s request
• PTO denies Company C’s request as untimely, after 1-year bar
Strategic Considerations – Estoppel

35 U.S.C. §§ 315(e)(2), 325(e)(2):

“The petitioner ... or the real party in interest or privy of the petitioner ... may not assert ... that the claim is invalid on any ground that the petitioner raised or reasonably could have raised.”
Strategic Considerations – Estoppel

**Scenario 1**

- Company A files PGR petition on bases X & Y
- Company B files an infringement action in Dist. Ct.
- Company A files counterclaims of invalidity alleging X & Y
- During discovery in Dist. Ct. action, Co. A learns Z, amends complaint
- Before trial, PTO issues decision denying X & Y
- Does Co. A still have defenses X & Y? Does it have Z? What if Co. A’s appeal from the PTO decision is still pending at trial?
Strategic Considerations – Estoppel

Scenario 2

• Company B files an infringement action in Dist. Ct.
• Company A files counterclaims of invalidity alleging X, Y & Z
• Company A files IPR petition on bases X & Y
• Before trial, PTO issues decision denying X & Y
• Does Co. A still have defenses X & Y? Does it have Z?
Strategic Considerations – Overlapping Issues

Claim construction scenario:

- Patent owner files complaint
- Accused infringer files petition 3 months into the case
- PTO’s “broadest reasonable construction” differs from District Court standard – PTO and District Court reach different constructions
- Possible Issues:
  1. Does PTO construction preclude different District Court construction?
  2. Does District Court construction preclude different PTO construction?
  3. How would the Federal Circuit deal with two different claim constructions on the same patent
Strategic Considerations – Overlapping Issues

Simultaneous expert discovery:

- Accused infringer files petition first
- Patent owner files complaint
- Accused infringer counterclaims for DJ of invalidity incl. same grounds as petition
- Court denies stay
- Possible Issues:
  1. Repeat depositions; expert’s “clarifying” earlier testimony
  2. Documents “inconsistent with a position” at PTO
  3. Will PTO take district court testimony and vice versa?
Strategic Considerations – Choice of Forum

District Court vs. USPTO

Avg. Time to trial > 2 years vs. 17+ months

Expensive discovery vs. Expensive filing fee

Judge or jury vs. Administrative Patent Judge

Different sets of evidence
District Court versus Post-Grant Timeline

Post-Grant Proceeding

District Court Litigation

All dates are approximate
IPR and Hatch-Waxman Patent Challenges

Jan. 2012
- NDA Approved for new formulation; patent listed on Orange Book

June 2014
- IPR Petition filed

Jan. 2015
- Expiration of 3 years of marketing exclusivity

Mar. 2015
- Para. IV certification served on patentee

April 2015
- Patentee sues generic in district court

Nov. 2015
- PTO Decision on IPR

Nov. 2016
- Federal Circuit decision (if IPR appealed)

Jan. 2017
- Summary Judgment motions

July 2017
- Trial

Sept. 2017
- Expiration of 30 month stay

Jan. 2019
- Federal Circuit decision (if district court judgment appealed)

All dates are approximate
Brief Comparison to EPO Oppositions

Similarities & Differences

• Nine months from grant

• Standard: “balance of probabilities”

• Cost
  – > US$6,000 initial filing
  – > US$150,000 avg. total

EPO Outcomes

• About 6% of patents opposed

• Outcomes (approximate)
  – ⅓ claims revoked
  – ⅓ claims narrowed
  – ⅓ claims unchanged
Unresolved Issues for *Inter Partes* Review and Post-Grant Review

• Discovery
  – Initial disclosures
  – Defining “inconsistent evidence” – Ex: secondary considerations
  – Documents
  – Board deposition guidelines

• Motion Practice
  – Claim amendments
  – Claim construction

• Application of Estoppel
Actions for Near-Term Consideration

• Comment on proposed rules – April 10, 2012
• File applications before March 16, 2013 to avoid PGR
• Review monitoring system for competitor patents, applications
• Accused infringers
  – Prepare petitions for IPR for filing Sept. 16, 2012
• Patent owners
  – Monitor market for likely petition filers based on investment
  – Analyze key patents; pre-IPR preparation (experts, docs, etc.)
Questions?

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