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A Look at Inter Partes Review in Its First Year

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Special to the Legal

Implemented on September 16, 2012, by the U.S. Patent and Trademark Office, inter partes review is a new proceeding that permits a party to challenge the validity of a patent on the basis of prior art patents or printed publications. At the time of its introduction, there was uncertainty about how frequently IPR would be used, how successful petitioners would be in having their petitions instituted, and the intricacies of discovery, claim construction, trials and estoppel provisions. Now, a year later, we have learned a great deal, but many questions remain.

Despite its relatively high cost (\$23,000, not including attorney fees), patent challengers have embraced IPR as a viable means of challenging a patent's validity. As of September 15, a total of 483 petitions for IPR had been filed. While initially averaging about one petition per day, there has been a steady increase in the number of filings, with more than 60 petitions filed in August. And the proceeding has been used to challenge patents in all areas of technology. Slightly more than half of all petitions involve patents related to computer hardware or software; 20 percent involve patents in the biotechnology and chemical arts; and 9 percent involve patents in the mechanical arts. The remaining challenged patents fall into various other technology areas,



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and include a handful of design patents. Most of the challenged patents (85 percent) are also involved in co-pending district court litigation.

Thus far, petitioners have been highly successful in meeting the statutory threshold for institution of IPR ("reasonable likelihood of prevailing with respect to at least one claim"). The

board has granted review as to all challenged claims in 75 percent of the cases, as to some claims in 13 percent of the cases, and has issued a complete denial as to all challenged claims in 12 percent of the cases. Notably, in the majority of cases, the board has limited the scope of review by declining to consider multiple grounds of unpatentability that it deemed duplicative or redundant.

Once IPR has been instituted, courts have been generally willing to stay concurrent district court litigation involving the same patent. And in the instances where a motion to stay has been denied, it has been for one of three reasons: because of the need to resolve issues quickly, as in *Ariosa v. Sequenom*, No. 3:11-cv-06391-SI (N.D. Cal., June 11, 2013); because the litigation was at a crucial stage, as in *National Oilwell Varco v. Omron Oilfield & Marine*, No. 1:12-cv-00773-SS (W.D. Tex., June 7, 2013); or because of undue prejudice to the plaintiff, as in *Kowalski v. Anova Food*, No. 1:11-cv-00795-HG-RLP (D. Haw., June 14, 2013).

As to discovery permitted during an IPR proceeding, the board has strictly limited its scope and content compared to that available under the Federal Rules of Civil Procedure. Under the IPR rules governing "routine discovery," parties have been granted access to information including "any exhibits cited in a paper or in testimony," as well as "relevant information that is inconsistent with a position advanced by the party during the proceeding." While access to this

information is allowed as a matter of right, this rule does not allow for the discovery of any document “relied upon” by a party or information that is “related to” an inconsistent position, as in *Blackberry v. Wi-Lan USA*, IPR2013-00126 (Paper 15, August 19, 2013).

A party seeking additional discovery must show that access to the requested information is “necessary in the interest of justice.” The board has articulated a number of factors it considers important in evaluating requests for additional discovery, as in *Garmin International v. Cuozzo Speed Technologies*, IPR2012-00001 (Paper 26, March 5, 2013). In its early decisions applying these factors, it is apparent that this standard sets a high bar to obtain additional discovery. For example, the board has denied requests for additional discovery related to information on privies, as in *Garmin*, information on secondary considerations of non-obviousness, as in *Microsoft v. Proxyconn*, IPR2012-00026 (Paper 32, March 8, 2013), agreements between defendants in a co-pending litigation, as in *Apple v. Achates Reference Publishing*, IPR2013-00080 (Paper 18, April 3, 2013), and information on standing and assignor estoppel, as in *Synopsys v. Mentor Graphics*, IPR2012-00042 (Paper 24, April 25, 2013). However, in one instance, the board found that the discovery of laboratory notebooks containing protocols and underlying data supporting test results was “necessary in the interest of justice,” in *Corning v. DSM IP Assets B.V.*, IPR2013-00046 (Paper 27, June 21, 2013).

Although developments during the past year have shed some light on the IPR proceeding, uncertainty still exists. For example, out of the petitions granted thus far, only one IPR hearing has taken place before the board, and no final decisions have been issued in an IPR proceeding. While the ultimate success rate for petitioners is still unknown, it is noteworthy that the “reasonable likelihood of success” standard for granting an IPR is a lower standard than the “more probable than not” standard that must be met for the board to find patent claims invalid. Indeed, the

“reasonable likelihood of success” standard expressly includes only 50/50 odds. Therefore, it is expected that some petitioners will not prevail at the conclusion of the proceedings.

Another area of uncertainty is the preclusive effect that estoppel provisions will have on both petitioners and patent owners. Under the America Invents Act, following a final written decision of the board with respect to a claim, a petitioner, real party-in-interest or privy of the petitioner is estopped from challenging a claim on “any ground that the petitioner raised or reasonably could have raised” during the IPR proceeding. Exactly who qualifies as a “privy of the petitioner” and is, therefore, estopped under this provision has yet to be clearly delineated. Notably, the USPTO has instructed that “the notion of ‘privity’ is more expansive, encompassing parties that do not necessarily need to be identified in the petition as a ‘real party-in-interest.’” Moreover, it is currently unclear whether a ground of invalidity that is declined at the petition stage qualifies for estoppel purposes as one that was “raised or reasonably could have [been] raised” during the IPR.

Following an adverse judgment in an IPR proceeding, a patent applicant or owner is precluded from “obtaining in any patent a claim that is not patentably distinct from a finally refused or canceled claim.” While the plain language of this provision suggests that it applies to any patent application, not merely continuations or related applications, the exact reach of its estoppel effect is still unknown. Furthermore, it is unclear whether this provision applies to applications or patents that have different priority dates, disclosures (written description) or inventors.

Future litigation regarding the claim construction standards used by the USPTO in IPR proceedings is also expected. The board construes claims using a “broadest reasonable interpretation” (BRI) standard. The board has justified the use of BRI, rather than the standard used by district courts, based on the fact that patent owners are afforded an opportunity to amend the claims

during review. Opponents of BRI point out that a patent owner may wish to avoid making claim amendments in order to preserve doctrine-of-equivalents arguments, prevent an infringer from asserting intervening rights, or avoid being estopped from securing claims that are patentably indistinct from a finally refused claim in the post-grant proceeding.

The use of BRI to interpret claims in post-grant proceedings, including IPR, could have an impact on the outcome of many proceedings, as illustrated by the first decision in a “covered business method” patent case, *SAP America v. Versata Development Group*, CBM2012-00001 (Paper 70, June 11, 2013). In *Versata*, the board employed the BRI standard in construing the claims. In doing so, the board applied a broader construction to certain terms than that applied by the district court. Interestingly, the board discounted the patent owner’s intrinsic and extrinsic evidence that narrowed the meaning of the terms, while relying on testimony from the petitioner’s expert in support of BRI. Under this broad construction, the board ultimately held the claims invalid under §101 because they were directed to patent ineligible subject matter. Because the determination of claim scope can have a significant effect on patentability under §102 or §103, the use of BRI in IPR proceedings is an area of continued interest.

In a few months, the patent bar should have better answers to some of the uncertainties described above. But one thing that is clear even now is that prudent patent owners and patent challengers must consider the potential for, and implications of, post-grant proceedings in developing their patent strategies. •