

# IPR Workshop: IPR Strategy Overview

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# AGENDA

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- Introduction to Patent Office Trials
  - Overview
  - IPR Statistics
  - Historical background
- Understanding the IPR players
- Strategies for Petitioners
- Strategies for Patent Owners
- The Board's Objectives and Strategies

# WHAT IS AN *INTER PARTES* REVIEW?



Member of public who wants to challenge existing patent



Patent attorney prepares "petition" to cancel patent



PTAB reviews petition and responses from patent owner

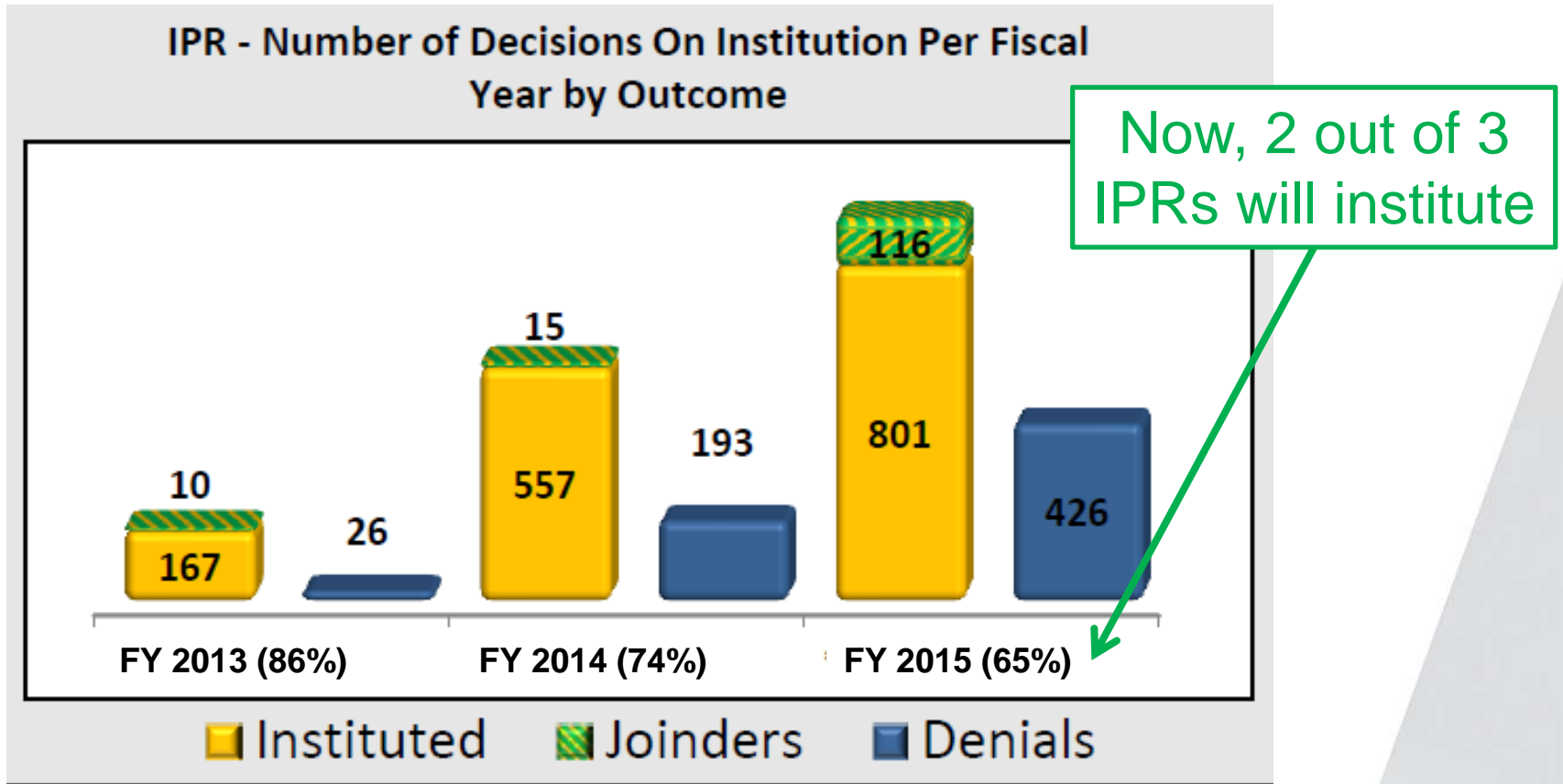


PTAB issues decision on patentability

# TYPICAL IPR TIMELINE

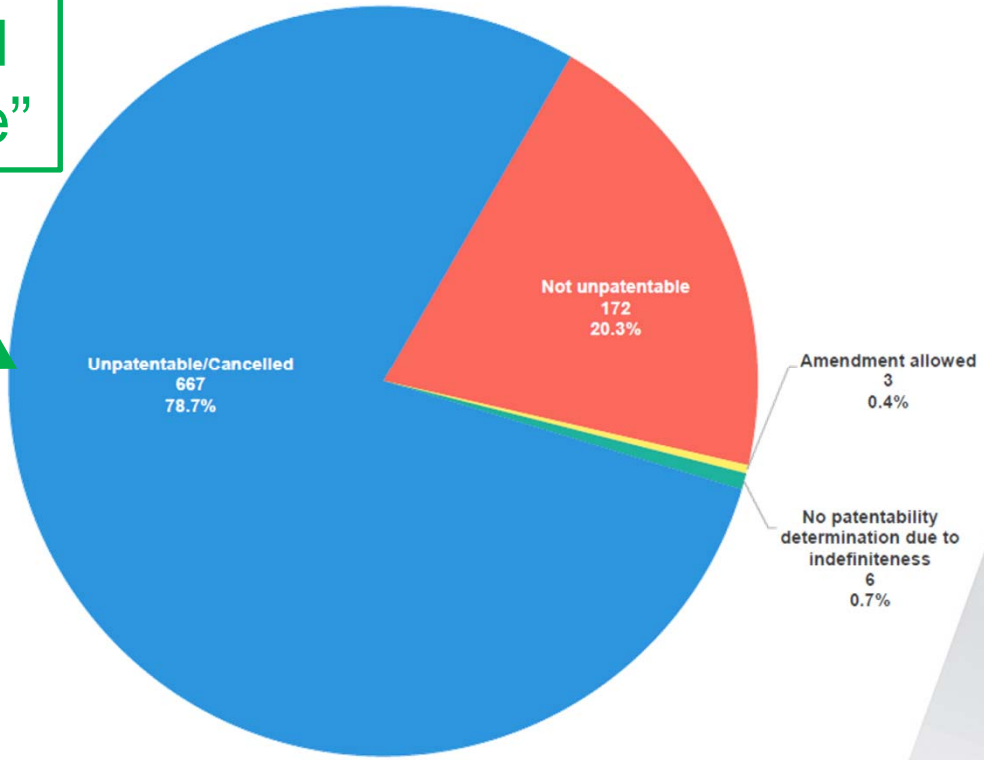


# IPR INSTITUTION RATES



# IPR/CBM STATISTICS – FULL REPORT FROM USPTO

Once instituted, there is an 79% chance that a claim will be canceled or found “unpatentable”



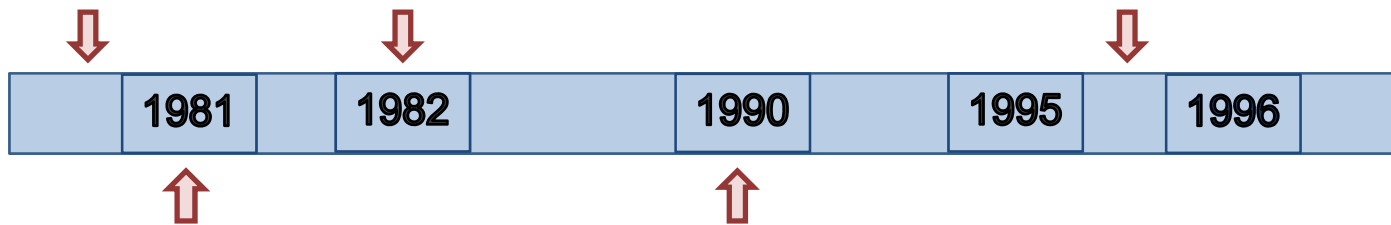
# HISTORICAL BACKGROUND—JUDGES VS. JURIES

- Only patent owners could request a second patent office review of an issued patent (reissue)

- ~10% of patent trials decided by juries

- Congress establishes Federal Circuit (jury trials increase in frequency)

- *Markman v. Westview Instruments*  
“But today's action is of a piece with a broader bid afoot to essentially banish juries from patent cases altogether. . . . Indeed, this movement would vest authority over patent disputes in legislative courts, unconstrained by Article III and the Seventh Amendment.”



- Congress allows 3rd parties to request ex parte reexamination

- Federal Circuit allows nationwide patent venue.

- *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

# HISTORICAL BACKGROUND—JUDGES VS. JURIES

- Congress establishes inter partes reexaminations
- Rarely used prior to 2007
- Average pendency of 37 months

- Congress passes the AIA, which replaces inter partes reexams with inter partes reviews



- EDTX gains popularity as patent venue

- Judicial attempts to scale back on EDTX via transfer rules

- AIAs frequently used; district court cases frequently stayed



# AGENDA

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- Introduction to Patent Office Trials
- Understanding the IPR players
  - Patent Challenger (“Petitioner”)
  - Petition
  - Patent Owner
  - Patent Trial and Appeal Board
  - Counsel
  - Experts
  - District Court
- Strategies for Petitioners
- Strategies for Patent Owners
- The Board’s Objectives and Strategies

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# PATENT CHALLENGER (“PETITIONER”)

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- Nearly anyone can file...
  - **“a person who is not the owner of a patent”** may file with the Office a petition to institute an inter partes review of the patent.” 35 U.S.C. § 311.
  - Except:
    - A person who was *served* with a complaint more than a year before the filing date; or
    - A person who filed a declaratory relief complaint before filing a petition; or
    - “privies” of the above.
- Petitioner files two main papers: the Petition and a Reply brief.
- Primary Motivations
  - Win
  - Stay litigation
  - Save \$\$ (or at least shift it to next fiscal year)

# THE PETITION

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Yes, the Petition is not a person...but after filing, it takes on a life of its own

- Petition sets forth the outer boundaries of the case
- New arguments not allowed on Reply
- New evidence is severely curtailed
- Interpreting what the Petition means can be more art than science

# PATENT OWNER

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- ~85% of the time, Patent Owner prompts an IPR by filing a patent lawsuit.
- Patent Owner files two main briefs—Preliminary Response and Patent Owner’s Response.
- Patent Owner Motivations
  - Win at preliminary stage
  - Get back to district court
  - May have other personal motivations (especially where the inventor is involved)

# PATENT TRIAL AND APPEAL BOARD

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- Each IPR heard by a panel of 3 administrative patent judges
- Three distinct types of APJ
  - ~10-15 year attorney w/ litigation background
  - Long-term patent office employee
  - Former law firm partner



# PATENT TRIAL AND APPEAL BOARD: MOTIVATIONS

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- Meet 12 month statutory deadline
- Prevent bad patents from successfully finishing the litigation process
- Maximize institutional discretion
- Avoid reversal by CAFC
- Provide high-quality and respected opinions

# COUNSEL

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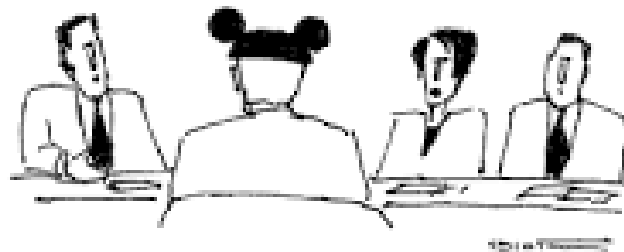
- PTAB requires a lead counsel who is authorized to practice before the USPTO.
- District Court trial counsel can be pro-hac'd into the case.
- Counsel rarely interact with one another prior to institution.
- Wide range of backgrounds
  - Patent prosecutor/counselor
  - Patent litigator
  - Appellate lawyer
  - Plaintiff's lawyer



# EXPERT WITNESS

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- Typically a true subject matter expert
- Jury appeal somewhat less important than specific knowledge and ability to defend a position
- Direct examination presented by declaration; Cross examination by deposition
- Motivation
  - Do just well enough to get more work



*The judge didn't disqualify the expert witness for his marginal credentials, but did mandate mouse ears.*

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# DISTRICT COURT

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- Litigation stays are one of the primary reasons to file an IPR.
  - Even a weak IPR petition will often trigger a stay.
  - A brief stay can help the finance dept. to move expenses to a different quarter
- Stays of litigation are venue-dependent
  - Most districts typically stay litigation after IPR is instituted.
  - Except EDTX (40% of stay requests granted)
- Motivation
  - Depends on the jurisdiction/judge
  - Most judges seek for consistency



# AGENDA

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- Introduction to Patent Office Trials
- Understanding the IPR players
- Strategies for Petitioners
  - Kitchen sink I
  - Sprint
  - Slow roll
  - Maximum pain
  - Low budget
  - Rifle shot
- Strategies for Patent Owners
- The Board's Objectives and Strategies

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# KITCHEN SINK I

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- Distinguishing Characteristics:
  - 5-6 Grounds for invalidity
  - Feels like district court invalidity contentions
  - Anticipation with “backup” obviousness arguments
- Purpose:
  - Maximize institution chances by presenting multiple plausible invalidity theories
- Best Counterstrategy for Patent Owners
  - Remind Board of “Redundancy Doctrine”
  - Allow Board to arbitrarily eliminate grounds in the petition
  - Avoid showing that the arguments have different strengths and weaknesses at the preliminary stage; where possible focus on arguments that cover all of the art
  - After institution, attack the lack of detail

# SPRINT

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- Distinguishing Characteristics
  - IPR filed very shortly (1-2 months) after service of complaint
- Purpose
  - Maximize chance of litigation stay
- Best Counterstrategy for Patent Owners
  - IPRs that are filed quickly often have holes that can be exploited
  - District court infringement contentions are typically served 4-5 months after complaint; try to include claims that were not challenged in the IPR



# SLOW ROLL

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- Distinguishing Characteristics
  - IPR Petition filed 11 months and 29 days after service of complaint
- Purpose
  - Time the IPR decision so that it (1) comes out after trial; and (2) will be appealed at about the same time as the district court action
  - Strategy is particularly useful in EDTX, where stays are hard to achieve
- Best Counterstrategy for Patent Owners
  - Thank your opponent for waiting
  - Win.
    - The scope and timing of res judicata between IPR and district court proceedings involves many open questions.

# MAXIMUM PAIN

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- Distinguishing Characteristics
  - Combination of early and late petition, sometimes involving different claim sets
- Purpose
  - Obtain guidance on strength of arguments of initial petition.
  - Maximize chances of invalidating some claims
  - Maximize length of stay
  - Maximize costs to patent owner
- Best Counterstrategy for Patent Owners
  - Fight first petition on all fronts
  - Preliminary response to second petition should focus on Board's discretion to institute (35 U.S.C. § 325(d))
    - Save real arguments until after final written decision on first petition

# LOW BUDGET

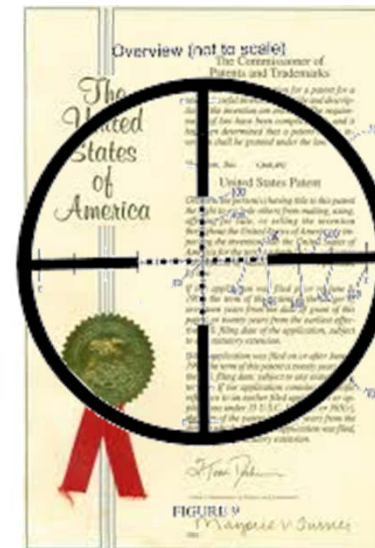
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- Distinguishing Characteristics
  - Low-cost expert ( $\leq 250/\text{hr}$ )
  - Wordy brief (i.e., didn't have enough time to make it short)
- Purpose
  - Minimize litigation costs
- Best Counterstrategy for Patent Owners
  - Look for conclusory statements and point them out in preliminary response
  - Seek killer admissions from expert (who probably just signed off on report)



# RIFLE SHOT

- Distinguishing Characteristics
  - Only one invalidity ground per claim
- Purpose
  - Present one best argument to Board, to prevent the “Redundancy Doctrine” from harming chances of success
- Best Counterstrategy for Patent Owners
  - Attack the single weakest point in the argument
    - This argument does not allow petitioner to spread the patent owner thin
    - This also applies in any one-ground-per-claim case





# AGENDA

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- Introduction to Patent Office Trials
- Cast of Characters
- Understanding the IPR players
- Strategies for Petitioners
- Strategies for Patent Owners
  - Skip to the end
  - Kitchen sink II
  - The Proceduralist
  - Stay on the path
  - Run away
- The Board's Objectives and Strategies

# SKIP TO THE END

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- Distinguishing Characteristics
  - Patent Owner does not file a preliminary response
    - Waive early vs. waive late?
- Purpose(s)
  - Save arguments until end to prevent PTAB from mentally committing to the case against you (not recommended)
  - Save \$\$
  - Accelerate IPR process
  - Achieve estoppel against petitioner to help district court
- Best Counterstrategy for Petitioners
  - Thank the Patent Owner
  - File a decent petition; this gambit will only work against really weak ones

# KITCHEN SINK II

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- Distinguishing Characteristics
  - A dozen or more mostly unrelated arguments in favor of validity, usually made in both the preliminary response and the patent owner's response
  - Often includes secondary considerations evidence
- Purpose
  - Preserve all arguments
  - Save whatever is possible
  - Make it difficult for the Board to invalidate all claims
- Best Counterstrategy for Petitioners
  - Focus on basics (element mapping/motivation to combine)



# THE PROCEDURALIST

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- Distinguishing Characteristics
  - Focus on procedural issues such as real-party-in-interest, redundancy, Daubert, improper arguments on claim charts/replies/motions for observation, focus on evidence rules, etc.
- Purpose
  - Try to obtain a procedural victory in cases having bad facts
- Best Counterstrategy for Petitioners
  - Know and follow the IPR rules exactly...
    - ...but do not overflow the rules



# STAY ON THE PATH

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- Distinguishing Characteristics
  - Focus primarily on (1) prior art printed publication status; (2) missing elements; and (3) motivation to combine
    - Minimize all other issues (which can distract PTAB)
- Purpose
  - Try to present the best possible case on the merits
- Best Counterstrategy for Petitioners
  - Good prior art selection; good lawyering



# RUN AWAY

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- Distinguishing Characteristics
  - Patent Owner concedes invalidity.
- Purpose
  - Save \$\$
  - Attempt any amendments via the reissue process
- Best Counterstrategy for Petitioners
  - Thank the Patent Owner
  - Advise principals that amended claims are possible outside of the IPR process, and that the parties could be back in litigation in 1-2 years
    - Watch out for broadening reissue and open prosecution



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# PATENT TRIAL AND APPEAL BOARD: MOTIVATIONS

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- Meet 12 month statutory deadline
- Prevent bad patents from successfully finishing the litigation process
- Maximize institutional discretion
- Avoid reversal by CAFC
- Provide high-quality and respected opinions



# BOARD STRATEGIES FOR ACHIEVING ITS OBJECTIVES

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## Achieve statutory 12-month deadlines

- Set oral hearings at 7 months, leaving 5 months for writing decision.
- Issue final written decisions at 11.5 months (leaving two-week buffer)
- Minimize discovery and other motion practice
  - Absent agreement of the parties, discovery is limited to (1) depositions and (2) discovery under “interest of justice” test.
    - 5-part test; requests usually denied.

# BOARD STRATEGIES FOR ACHIEVING ITS OBJECTIVES

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## Avoid reversal by CAFC

- Acting PTAB chief judge Nathan Kelley is a long-time appellate lawyer.
- Decide cases on factual, not legal issues
  - Presence/absence of claim elements
  - Motivation to combine
- Prevent parties from appealing key issues by putting them in institution decisions

# BOARD STRATEGIES FOR ACHIEVING ITS OBJECTIVES

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## Maximize institutional discretion

- PTAB rules are written to maximize board discretion
  - “The Board may waive or suspend a requirement of parts 1, 41, and 42 and may place conditions on the waiver or suspension.” 37 C.F.R. § 42.5(b).
- PTAB frequently puts significant discretionary actions in institution decisions.

# BOARD STRATEGIES FOR ACHIEVING ITS OBJECTIVES

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Prevent bad patents from successfully finishing the litigation process

- “The purpose of the proceedings is to identify some limited number of patents and claims that are unpatentable and make sure the claims are removed. **If we weren’t, in part, doing some ‘death squadding,’ we would not be doing what the statute calls on us to do.**”—Former PTAB Chief Judge James Smith

# BOARD STRATEGIES FOR ACHIEVING ITS OBJECTIVES

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Provide high-quality and respected opinions

- ~90% affirmance rate (usually via summary affirmance)
- But trouble may be on the horizon:
  - *Cuozzo*
  - “The PTO has lost sight of its obligation to ‘consider the effect of’ its implementation of the IPR process on ‘the integrity the patent system’ as a whole.” *Shaw Industries Group v. Automated Creel Systems*, \_\_\_ F.3d \_\_\_ (Fed. Cir. 2016) (Reyna, J. “concurring specially”)

# CONTACT INFORMATION

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