

**In-House Perspectives on Patent Office Trials:
Lessons from 2015¹**

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For a fresh perspective on trials before the Patent Trial and Appeals Board, we spoke with various in-house counsel on their experiences so far with inter partes reviews (IPRs) and covered business method patent reviews (CBMs). Few companies have much experience with post-grant reviews (PGRs), but many of the comments may apply to them, too. Here is a short summary of their collective wisdom.

What do you know now that you didn't know a year ago?

We know a lot more about how cases will be handled once they get to the Federal Circuit. We've seen that most appeals will be affirmed by the court, often without a written opinion. A few recent cases have been remanded to the Board, so we're learning how the post-appeal process will work. The Board in one case set a post-remand briefing schedule only after the parties were unable to agree on one themselves.² This suggests that the Board's post-remand procedures will be individualized and set on a case-by-case basis, with the Board being open to joint proposals from the parties. Also noteworthy is the limited briefing the Board allowed

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² See Microsoft Corp. v. Proxycorr, Inc., IPR2013-00109, Paper 20 at 3.

in that case: just one 15-page brief filed by each side (with simultaneous due dates), with no new evidence and no reply briefs.

We know that relying on the provisional filing date of a prior art patent is complicated and burdensome. The Federal Circuit's decision in *Dynamic Drinkware* surprised many people with its requirement that a petitioner compare the claims of the prior art patent to its corresponding provisional application. It isn't merely enough to show that the provisional application discloses the subject matter relied upon by the petitioner. The provisional must not only support the unpatentability of the target patent, but also the patentability of the patent claiming priority to it.

We also know that the requirement to identify all real parties in interest continues to be a "gotcha" provision for some conglomerates and companies with complex (and especially international) structures. While we had seen cases before that were denied institution because the named petition failed to identify certain corporate parents as real parties-in-interest, we've now also seen petitions denied where the filing party failed to name its wholly-owned subsidiary as a real party-in-interest. Such decisions suggest that petitioners take extra care, and where possible err on the side of caution, in naming the real parties-in-interest. And for patent owners, the real-party-in-interest requirement is a potent weapon for defeating a patent challenge without addressing its merits.

How has your approach to IPRs and CBMs evolved?

On the petitioner side, we're a bit more selective about which cases to pursue a petition filing. A strong filing is not usually cheap, but we have also seen first-hand how an IPR can dramatically impact settlement negotiations. We treat a filing as if it's our one shot on invalidity, because we may not get another chance to file a petition. There's the one-year bar, of course, but also the Board's reluctance to consider a second filing from us on the same patent.

On the patent owner side, we think about amendments more seriously. Granted motions to amend remain rare—famously so—but the survival rate of instituted IPRs and CBMs isn’t good either. We weigh the value of having amended claims that could survive against any intervening rights they would create.

Are IPRs living up to their promise of providing a cheaper, faster alternative to patent litigation? Have other advantages emerged?

Broadly, yes. The Board has demonstrated its commitment and ability to complete cases (even complex joinder cases) within 1 year of institution (about 18 months from the filing of a petition). And an IPR is certainly less expensive than taking a case to a jury, or even through summary judgment.

But IPRs are also changing the face of patent litigation. Patent enforcement campaigns seem to be a bit more selective about their infringement allegations. There are a lot of changes that have happened recently—*Alice* and more frequent awards of attorney fees against abusive patent plaintiffs, to name just two. But it seems that IPRs are encouraging patent owners to give more consideration to a patent’s validity when choosing whether to bring suit and how to interpret the claims.

Has the PTAB become an important second forum for claim construction?

Yes. A lot of noise gets made about the PTAB applying a “broadest reasonable interpretation” standard while district courts use the *Phillips* standard, and there have been legislative proposals to change that. In most cases, however, there seems to be little difference between them. Even in cases where the PTAB has applied the *Phillips* standard—such as after a patent expires—then constructions often remain the same.

Given the different standards, district courts are not bound by the PTAB's constructions. But the courts often seem to give some deference to the PTAB's decisions, so we think hard about how a proposed claim construction in IPR will carry over to district court. If we can use the prior art as a backstop against the patent owner's pursuit of overly broad interpretation, then perhaps we win on summary judgment of non-infringement.

Going the other way—putting a court's construction before the PTAB—can be helpful, but the PTAB seems more likely to acknowledge the court's construction than fully defer to it. But if earlier litigation has given the patent owner a broad claim construction, then we'll certainly use it against them in an IPR. If they need that broad interpretation for the litigation, then we squeeze them to choose between preserving validity and preserving an infringement case.

Is it really possible to amend claims?

Claim amendments have been rare and difficult. The Board's recent rules changes—allowing 25 pages for a motion to amend, and not counting the claim text itself toward the page limit—make it easier for patent owners to present a strong case for amendment. Given the Board's history of denying nearly all attempts at amendment, however, patent owners are now reluctant to even try for an amendment in an IPR. Since few attempts are being made, few amendments are being granted—and the perception of hostility to amendments continues.

How does a good IPR expert differ from a good litigation expert?

They have a lot of similarities. But an expert declarant for an IPR is only going to be evaluated on paper. So the expert's engagement in the declaration-writing process is much more important than, say, how well the expert can explain a complex topic using every-day language. Technical mistakes in the

declaration are more likely if the expert simply reviews drafts written by the attorneys than if the expert takes full ownership of the words.

Also, the expert's credibility with the PTAB is important. But credibility for the PTAB is driven more by the expert's declaration and deposition transcript than it is by the expert's *curriculum vitae*. So while in district court it might be valuable to have an expert from MIT or Stanford or the local state university, in an IPR it doesn't matter very much. The PTAB has rarely, if ever, disqualified a technical expert for failing the *Daubert* test. So once that minimum threshold is met, the expert's credibility will turn entirely on the level of detail, clarity, and technical accuracy in the declaration and deposition.

Finally, like a trial expert, an IPR expert needs to stand up well under deposition. Since this is—in most cases so far—the only form of “live” testimony, experience under cross-examination is important.

How have settlements played into your PTAB cases?

Settlements have been surprisingly common, and we've noticed several key points in PTAB cases where settlement is most likely. The first is immediately after filing, especially with opportunistic plaintiffs who haven't made financial arrangements ahead of time to fund an IPR defense. (We don't know of anyone who would defend an IPR on contingency.) To encourage early settlements, the Board's default scheduling order now encourages the parties to talk and to file a statement regarding alternative dispute resolution.

Another key settlement opportunity is right after the one-year bar date passes, especially in multi-defendant cases. If we're the only company with an IPR, then getting us out of the case is really advantageous for the patent owner—giving us good leverage for an attractive settlement.

How have IPRs or CBMs surprised you?

They're not easy. Initially, almost all cases were getting granted and a lot of claims were being found invalid. But as more petitions got filed, the Board's scrutiny of them went up. The smallest of oversights or analytical shortcomings can be the basis for a denial, so thorough vetting of our positions is well justified.

What issues still need more clarity?

- The scope of appellate review
- The scope of the estoppel that attaches when a claim survives a challenge
- Identification of the real party in interest and its privies, for example in the context of a joint defense group or a set of complex commercial relationships

Where do you see PTAB proceedings heading?

They are now a routine part of patent litigation, winnowing the cases that ultimately reach a jury. They will be significant in licensing negotiations as well. Many companies responded to the Patent Office's call for comments on revising the rules governing PTAB trials, and minor updates to the standard procedures and rules have improved their efficiency.

Legislative reforms are also in the works that recognize the significant and growing role that the PTAB plays in adjudicating patents. Whether proposed modifications seek to advantage one party or the other is a subject of debate. Fundamentally, however, the legislative intent is to ensure that the patent system as a whole, of which PTAB trials are one important part, is balanced and fair for all parties.