Session 501: Convergence of Patent Litigation and PTO Practice: 
PTAB’s Impact On Patent Rights

The Patent Trial and Appeals Board (PTAB) is an administrative law body within the United States Patent and Trademark Office (PTO). Pursuant to the Leahy-Smith America Invents Act of 2011 (AIA), one of the functions of the PTAB is to adjudicate post-issuance challenges to patents, including Inter Partes Review (IPR) and Covered Business Method Patent Review (CBM), which were created by the AIA. Through mid-July 2014, more than 75% of the IPR and CBM petitions that have been reviewed by the PTAB have resulted in a Trial being instituted on at least some of the challenged claims. 100 trials have resulted in a Final Written Decision. As of the end of June 2014, about 80% of the claims for which trial was instituted, and about 70% of all claims that were initially challenged by the petitioner, have been found to be invalid and canceled by the PTAB in IPR proceedings. In CBM proceedings, more than 98% of all challenged claims have been canceled. As a result, these PTO proceedings may offer a more attractive alternative than federal courts for defendants who are faced with patent infringement allegations. If the current trend continues, it could have wide-ranging implications for patent law. This panel will explore (i) the major PTAB decisions of 2014, (ii) practice tips for PTAB proceedings, (iii) potential reasons for the high rate of trials being instituted and the high rate of claims being invalidated (i.e., burden of proof, claim construction); and (iv) the impact that these high invalidation rates could have on the future of patent prosecution, patent litigation, and patent licensing.

Program Chair & Speaker:
Ching-Lee Fukuda, Partner, Ropes & Gray LLP

Moderator:
Kelly P. Chen, Associate, Munck Wilson Mandala, LLP

Speakers:
Hon. Paul S. Grewal, Magistrate Judge, Northern District of California
Vaishali Udupa, IP Litigation Manager, Hewlett-Packard
Trying Cases Before the PTAB

11th Annual Patents for Financial Services

July 23, 2014

J. Steven Baughman
Ropes & Gray LLP
steven.baughman@ropesgray.com
+1 202 508.4606

James R. Myers
Ropes & Gray LLP
james.myers@ropesgray.com
+1 202 508.4647

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The PTAB Landscape

• New forum
• Early decisions
• On-the-ground developments
PTAB & IPRs

• No. 3 most active venue in terms of number of cases & number of parties in 2013 & 2014
  • Less than ED Texas and Delaware in 2013
  • In 2014 PTAB may pass Delaware
    • [https://www.docketnavigator.com/stats/](https://www.docketnavigator.com/stats/)

• Over 1,000 cases filed in first 18 months

• 949 IPRs as of 3/24/2014

• Very, very powerful tool for companies alleged to infringe
PTAB Appeals to Federal Circuit

- Major cases (high stakes & important principles) are starting to be appealed to the Federal Circuit
- Federal Circuit docket is going to see very dramatic increases
- Judge Rader’s comments
- How are PTAB decisions likely to be reviewed?
- What will the Federal Circuit likely do to cope with these changes?
# Early Stages: Available PTO Attacks

<table>
<thead>
<tr>
<th>CBM</th>
<th>IPR</th>
<th>EPR</th>
</tr>
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<tbody>
<tr>
<td>No litigation time limits; Outside 9 month PGR window and “sued or charged with infringement”</td>
<td>Outside 9 month PGR window, and within 1 year of service of infringement complaint (<em>NOT</em> available if DJ action filed)</td>
<td>No time limits</td>
</tr>
<tr>
<td>Available for “covered business method patents” that are not “technological inventions”</td>
<td>Available for ANY patent</td>
<td>Available for ANY patent</td>
</tr>
<tr>
<td>Any ground of invalidity (certain prior art limits)</td>
<td>102 and 103 invalidity – patents and printed publications</td>
<td>102 and 103 invalidity – patents and printed publications</td>
</tr>
<tr>
<td>“more likely than not” invalid</td>
<td>“reasonable likelihood” of invalidity</td>
<td>“Substantial new question” of invalidity</td>
</tr>
<tr>
<td>Litigation estoppel: arguments actually raised</td>
<td>Litigation estoppel: arguments raised or reasonably could have been raised</td>
<td>No estoppel</td>
</tr>
<tr>
<td>$30k filing fees (15 claims), 80 page limit</td>
<td>$23k filing fees (15 claims), 60 page limit</td>
<td>$12k filing fee (no limit on claims or pages)</td>
</tr>
<tr>
<td>Board Decision 12 (or 18) months after institution 3-Judge Panel; Settlement available; Some discovery but no interviews</td>
<td></td>
<td>Avg. 27.9 months; No settlement; Examiner in CRU; interviews but no discovery</td>
</tr>
</tbody>
</table>
Historical Statistics

**Inter Partes Reexamination by Technology**

- **Chemical:** 29
- **Electrical:** 51
- **Mechanical:** 18
- **Design:** 1

Source: USPTO *Inter Partes* Reexamination Filing Data – September 30, 2012
What Do the Data Show?

**Likelihood of Invalidating a Patent**

- Ex Parte Reexam (all reexams requested by third party, regardless of concurrent litigation): 12%
- District Court Trial*: 33%
- District Court (both pre-Trial and Trial)**: 46%
- Inter Partes Reexam (patent holder participates and concurrent litigation): 45%
- 45% Claim Amendments
- 44% All Claims Cancelled

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* See Kimberly A. Moore, Judges, Juries, and Patent Cases – An Empirical Peek Inside the Black Box, 99 MICH. L.REV. 365 (2000) (between 1983 and 1999, validity was upheld in 67% of cases – 64% of bench trials; 71% of jury trials.

** See John R. Allison & Mark A. Lemley, Empirical Evidence on the Validity of Litigated Patents, 26 AIPLA Q.J. 185, 205 (1998) (finding that “[o]f the 300 final validity decision in the data set [including pretrial decisions and trial verdicts], 54% (or 162) found the patent valid, and 46% (or 138) found the patent invalid.”).
## PGR-CBM/IPR vs. Litigation

<table>
<thead>
<tr>
<th></th>
<th>PGR-CBM/IPR</th>
<th>Litigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burden of proof</td>
<td>Preponderance of the evidence</td>
<td>Clear and convincing</td>
</tr>
<tr>
<td>Presumption</td>
<td>No presumption of validity</td>
<td>Presumption of validity</td>
</tr>
<tr>
<td>Claim construction</td>
<td>Broadest reasonable interpretation</td>
<td>Court interpretation</td>
</tr>
<tr>
<td>Grounds</td>
<td>PGR, CBM-all statutory grounds IPR limited to §§102 and 103 based on prior art patents and printed publications</td>
<td>All grounds</td>
</tr>
<tr>
<td>Bifurcation of Validity and Infringement</td>
<td>Validity</td>
<td>Validity and infringement</td>
</tr>
<tr>
<td>Discovery</td>
<td>Limited</td>
<td>Full</td>
</tr>
<tr>
<td>Claim amendments</td>
<td>At least one motion (but intervening rights)</td>
<td>None</td>
</tr>
</tbody>
</table>
## PGR-CBM/IPR vs. Litigation (cont’d)

<table>
<thead>
<tr>
<th>Decision maker</th>
<th>PGR/IPR: Technically and legally qualified 3-judge panel</th>
<th>Litigation: Judge or jury</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Cheaper</td>
<td>More expensive</td>
</tr>
<tr>
<td>Speed</td>
<td>Statutory 12/18 mos. from institution to PTAB decision</td>
<td>&gt;18 mos.</td>
</tr>
</tbody>
</table>
Who are these ALJs?

Graduate of the Boston University School of Law; Bachelor of Science degree in Chemical Engineering from the University of Delaware.

Previously practiced law as a Partner at the law firm of Kenyon & Kenyon, LLP. Her practice involved the litigation of patent infringement and invalidity claims on the trial and appellate level.

Then, as Of Counsel at Michelman & Robinson, Judge Praiss assisted chemical and life science companies in the evaluation and licensing of their patent portfolios.

Graduate of the George Washington University Law School; Bachelor of Science degree in Electrical Engineering from Drexel University; served as a Patent Examiner; began his legal career at Neighborhood Legal Services Association litigating civil and criminal cases.

Judge Weinberg then returned to patent prosecution and litigation at law firms; subsequently, Judge Weinberg returned to the Patent and Trademark Office as a Patent Examiner in the mechanical and optic arts.
Early Stages: Qualifying for Review: CBM

- “Covered business method patent”
  - “a patent that 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, except that the term does not include patents for technological inventions”
  - Transitional program – sunsets in 2020
  - Limited to person sued or “charged with infringement”
  - Legislative and White House proposals to broaden coverage and remove expiration
Early Stages: Qualifying for Review: CBM

• “Financial”:
  • “[T]he definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” (E.g., 77 Fed. Reg. 48,734, 48,735 (Aug. 14, 2012))

• “Technological” (§42.301(b)):
  – “[T]he following will be considered on a case-by-case basis: whether the claimed subject matter as a whole
    • recites a technological feature that is novel and unobvious over the prior art; and
    • solves a technical problem using a technical solution.”
Early Stages: Qualifying for Review: CBM

• “Financial” means relating to money
  – E.g., SAP v. Versata, CBM2012-00001, Paper 36 (Institution Decision) at 23 (“financial … simply means relating to monetary matters”; not limited to traditional financial service industries)

• Only one claim needs to qualify for patent to be subject to CBM review.
  – E.g., Liberty Mutual Insurance Co. v. Progressive Casualty Insurance Co., CBM2012-00002, Paper 66 (Final Written Decision) at 6 (Jan. 23, 2014) (“Section 18(d)(1) of the AIA sets forth a single threshold based on just one claim—the satisfaction of which qualifies an entire patent as eligible for review—rather than test that must be applied on a claim-by-claim basis to justify review of each claim”)
Early Stages: “Special Features” of CBM Review

• CBM Advantages
  – Significantly narrower litigation estoppel (grounds “raised”)
  – Far broader available grounds for challenges
    • CBM qualification may also help with §101 challenges
  – No litigation-related (IPR) or first-to-file (PGR) time limits
  – Increased likelihood of litigation stay, plus immediate appeal to CAFC on decision whether to stay
  – 1/3 more pages than inter partes review (but higher fees)
CBM Review After 1.5+ Years: Filing Rates

- PTO projected 50 petitions in each of FY 2013, FY 2014, and FY 2015

- Filings to date under the new program:
  - September 16-30 (end of FY2012): 8 petitions
    - This half month would annualize to roughly 192 petitions/year
  - October 1 to September 30 (FY2013): 48 petitions (none between November 19 and March 22)
    - Despite lull after initial filing surge, FY2013 filing rate just slightly below (4%) projections (50/yr)
  - October 1 to July 11 (FY2014): 137 petitions
    - These 9 months would annualize to roughly 183 petitions/year
Early Stages:
Qualifying for Review: IPR

- **Time bars, including service of complaint**
  - **35 USC 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).”
Early Stages: Qualifying for Review: IPR

• **Dismissal without prejudice = no bar**
  
  – *Macauto U.S.A. v. BOS GmbH & KG*, IPR2012-00004, Paper 18 (Institution Decision) at 15-16 (“The Federal Circuit has consistently interpreted the effect of such dismissals as leaving the parties as though the action had never been brought. . . . Accordingly, the dismissal of the earlier action against Macauto Taiwan nullifies the effect of the alleged service of the complaint on Petitioner.”).

• **Mere delivery (courtesy copy) ≠ service**
  
  – *Motorola Mobility LLC v. Arnouse*, IPR2013-00010, Paper 20 (Decision-Service Under 35 USC 315(b)) at 3 (“We do not adopt Arnouse’s statutory construction that a mere receipt of a complaint initiates the one-year time period. The Congress could have used language such as “to receive,” “to deliver,” or “to present” in the statute . . . but Congress did not.”)
“Anchor and file”

- Someone else’s petition
  - Microsoft Corp. v. Proxyconn, Inc., IPR2013-00109, Paper 15 (Decision – Motion for Joinder) at 4 (“[T]he one-year time bar does not apply to a request for joinder.”).

- Your own petition
  - Ariosa Diagnostics v. Isis Innovation Ltd., IPR2013-00250, Paper 25 (Decision – Motion for Joinder) (joinder of additional ground by same party)

- But, should be a “live” IPR
  - Fifth Third Bank v. Stambler, IPR2014-00244, Paper 4 at 5 (“Because Fifth Third Bank delayed its filing, and IPR2013-00341 [the earlier proceeding] has been terminated, the joinder statute’s prerequisite of an instituted review cannot be met. [The] request for joinder is, therefore, denied.”).
Early Stages: Multiple Petitions

• Traffic control
  - Director may consolidate multiple proceedings into a single proceeding, and may determine the interplay among various proceedings (including stay, transfer, consolidation or termination).
    • Granting stay of reexamination pending IPR2013-00033, Paper 15 (Order to Stay Concurrent Reexamination)
    • Denying request to assert jurisdiction/oversee prosecution of “progeny” applications in IPR2013-00028, Paper 9 (finding applications were not “involved” under Rule 42.3(a), and declining to suspend or to “be gate keeper for all papers filed during ex parte prosecution of [these] applications”)

• Joinder

• Coordination
  - Board may find joinder unnecessary where proceedings can be coordinated (e.g., CBM2012-00002, Paper 16 (Order – Non-joinder) at 2)
Early Stages: Filing and Logistics

- Logistics
  - File size for PRPS ([https://ptabtrials.uspto.gov](https://ptabtrials.uspto.gov))
  - Filing problems/PRPS availability
  - Page limits
    - Seeking to expand
  - Footnotes
  - Other formalities
    - Defective/incomplete petitions
    - Portrait/landscape
Early Stages: Grounds

• Available challenges: IPR
  – §§ 102/103 patents and printed publications (35 U.S.C. § 311(b))

• Available challenges: CBM/PGR
  – “A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).” (35 U.S.C. § 321(b))
  – §101 – yes: available basis for challenge (e.g., CBM2012-00001, Paper 36 (Institution Decision) at 32-36
  – Obviousness type double patenting – no: determined not an available basis in CBM2012-00021, Paper 13 (Institution Decision) at 23-25

• “Redundant grounds”
Early Stages: Schedule

- **Exemplary timeline**

- **Acceleration**
  - *Initial stages* – e.g., CBM2012-00001, Paper 10 (Order Setting Time for Patent Owner Preliminary Response) (setting response time at two months)
  - *Post-institution* – e.g., CBM2012-00001, Paper 45 at 3 (“In light of SAP’s agreement to withdraw the § 102 issue, we enter SAP[’s] requested expedited schedule”)

Early Stages: 
Pro Hac Vice Admission

• Getting your team on the field
  – If not a registered practitioner, must make showing for pro hac vice admission – e.g., Unified Patents, Inc. v. Parallel Iron, LLC, IPR2013-00639, Paper 7

• Denials and restrictions
  – Failure to address Board requirements – e.g., Alcon Research, Ltd. v. Neev, IPR2014-00217, Paper 10 (citing, e.g., applicant’s “limitation of his declaration to his current status is inconsistent with the Board’s requirements” and failure to refer to revised USPTO Rules of Professional Conduct)
  – Seeking too many pro hac admissions — e.g., IPR2013-00012, Paper 27 (“It is difficult to see how [Petitioner] could have the requisite need for the pro hac vice admission of five attorneys ... The admission of two attorneys [for Patent Owner] was determined to be reasonable by the Board and [Petitioner] will be permitted to seek the admission of a like number”).
  – Other denials — e.g., CBM2012-00001, Paper 21
  – Also consider District Court protective orders/prosecution bars
Early Stages: Stays at the District Court

• District court stays pending CBM reviews:
  – SightSound v. Apple, No. 11-cv-1292 (W.D. Pa.)
  – Versata v. Volusion, No. 1:12-cv-893 (W.D. Tex.)
  – Zillow v. Trulia, No. 12-cv-1549 (W.D. Wash.)
  – Stays pending CBM are based on a statutory four-factor test and subject to immediate interlocutory appeal to the Federal Circuit
    • E.g., Virtual Agility

• District court stays pending IPR reviews:
  – Large majority of stay motions granted
  – Motions filed after PTAB decision to institute trial may be more likely to succeed
Case Study: Progressive Insurance v. Liberty Mutual

United States Patent 7,124,088 (Bauer)

- Ten CBM petitions filed beginning Sept. 16, 2012 (first day CBMs became available) through Nov. 19, 2012, asserting multiple grounds under §§ 102/103
- Trial granted on all claims, all 5 patents
- Priority claims: burden on patent owner
- All challenged claims cancelled

- District Court litigation (N.D. Ohio) amended to assert 5 patents relating to (1) determining a cost of insurance based on vehicle monitoring, and (2) Internet online insurance policy service
- Prior ex parte reexaminations, earlier stay for 3 patents
Later Stages: Discovery

- Generally conservative approach
  - Stress on post-grant proceedings as an efficient alternative to litigation
  - Routine vs. Additional Discovery

- Standards for IPR and CBM/PGR
  - Discovery “directly related to factual assertions advanced by a party” may be granted for “good cause” in CBM proceedings
Later Stages: Discovery

- **Five “Garmin Factors”** *(Garmin Int’l, Inc. v. Cuozzo Speed Technologies LLC, IPR2012-00001, Paper 26)*
  - 1: “More Than a Possibility and Mere Allegation”
    - Need “threshold amount of evidence” (at 9)
  - 2: “Litigation Positions and Underlying Basis”
  - 3: “Ability to Generate Equivalent Information by Other Means”
  - 4: “Easily Understandable Instructions”
  - 5: “Not Overly Burdensome to Answer”

- Patent owner proposed interrogatories, document requests, and 30(b)(6) depo

- PTAB disagreed that this was “routine discovery” and denied request for additional discovery
Later Stages: Discovery

• Disputes in deposition? Call the Board
  – Improper to instruct witness not to answer based on scope:
    • “As a matter of procedure, instructing [the witness] not to answer the two questions during the deposition, and deferring the matter until after the deposition, was improper. . . [T]he proper course of action for Petitioner, if the parties were unable to reach an agreement on the proper scope of [the witness’] testimony, was to either (1) object on the record and proceed with the examination, subject to the objection, or (2) to contact the Board immediately (not the day after) to present a motion to terminate or limit the discovery.” Schott Gemtron Corp. v. SSW Holding Co., Inc., IPR2013-00358, Paper 37 at 3.

    • Instructions “not to answer several questions [Petitioner] felt were outside the scope . . . and thus not relevant” were “improper.” Petitioner “should make a formal objection on the record and make any motions to exclude after the deposition has concluded. . . [I]f they detect a pattern of abuse, the correct procedure is to call the Board and obtain permission prior to instructing the witness not to answer any question outside the exceptions listed in the Guidelines.” Corning Inc. v. DSM IP Assets B.V., IPR2013-00043, Paper 31 at 2-3.
Later Stages: Motions to Amend Claims

• Patent owner may file 1 motion to amend:
  – cancel any claim
  – propose reasonable number of substitute claims for each challenged claim
  – additional motions if jointly agreed and would materially advance settlement, or good cause shown by patent owner

• Motion to amend must address grounds of unpatentability already raised in proceedings
  – Added features must be responsive to a ground of unpatentability
    • "As set forth in 37 C.F.R. § 42.221(a)(2), a motion to amend may be denied where the amendment does not respond to a ground of unpatentability involved in the trial. . . . [The patent owner] removes certain features from original claims 1-4. . . . [The patent owner] does not explain how the removal of certain features is responsive to a ground of unpatentability." Bloomberg Inc. et al. v. Markets-Alert Pty Ltd, CBM2013-00005, Paper 71 at 19.
    • “In order to be responsive to a ground of unpatentability, a proposed substitute claim only should add features to an original claim, absent an adequate explanation otherwise." Id.
Later Stages: Settlement

• Petitioners may exit upon timely settlement
  – Before institution – *e.g.*, *Oracle Corp. v. Community United IP, LLC*, CBM2013-00015, Paper 13 (joint motion to terminate also granted)
  – After institution – *e.g.*, *Sony Corp. v. Tessera, Inc.*, IPR2012-00033, Paper 46 (joint motion to terminate also granted)

• But timing matters – the Board may continue
  – *Interthinx, Inc. v. CoreLogic Information Solutions, LLC*, CBM2012-00007, Paper 58 (final written decision rendered despite termination of Petitioner)
  – *Blackberry Corp. v. MobileMedia Ideas LLC*, IPR2013-00036, Paper 64 (Decision – Termination with Respect to Petitioners) at 2-3 (“While the parties may agree to settle . . . the Board is not a party to the settlement and may determine any question of patentability”; termination denied as to Patent Owner)
Later Stages: Motions to Exclude

• Board has suggested a preference to *weigh* rather than *exclude*
  
    
    • “There is a **strong public policy** for making all information filed in a non-jury, quasi-judicial administrative proceeding available to the public…. It is **within the Board’s discretion to assign the appropriate weight** to be accorded to evidence…. As Liberty points out, it is **better to have a complete record** of the evidence submitted by the parties than to exclude particular pieces.”; “[A]ny **inconsistency simply would affect the weighing** of the evidence.”
  
  – *Nichia Corp. v. Emcore Corp.*, IPR2012-00005, Paper 68 (Final Written Decision) (motions to exclude denied)
    
    • “The Board is capable of taking into account the baselessness of a witness’s testimony, if any, when weighing all of the testimony of the witness.”
Final Stages: Oral Hearings

• Time
• Logistics
• Demonstratives
  – Objections
• Videotape
  – Permission denied – e.g., *Nichia Corp. v. Emcore Corp.*, IPR2012-00005, Paper 65 (“[N]either party requested leave to file the video-recorded testimony…[Patent Owner] waited until . . . two days before final oral hearing . . . to seek authorization to submit clips of the video-recorded testimony as demonstrative exhibits”).
  • Compare *Corning Inc. v. DSM IP Assets B.V.*, IPR2013-00043, Paper 41 (granting permission to file “an aggregate of 60 minutes of properly-formatted video excerpts of deposition testimony” from 2 witnesses whose depositions extended over 9 days)
Final Stages: Final Written Decisions

• A growing body of examples
  – Decisions with all challenged claims rejected
    • § 101
    • §§ 102/103
  – From early on, decisions with at least some claims surviving
    • *E.g.*, *Synopsys, Inc. v. Mentor Graphics Corp.*, IPR2012-00042, Paper 60 (Feb. 19, 2014) (3 of 21 challenged claims found unpatentable)
  – Pairs of petitions with final written decisions entered concurrently

• Rehearing and appeal
Early Lessons...

- Challengers are winning
  - Percentage of IPRs instituted as of 5/1/15: 78.2%
  - Percentage of final determinations invalidating all challenged claims: 62.2%
  - Percentage of final determinations invalidating at least some challenged claims: 92.1%
  - *Ex parte* challenges have also been effective in either canceling claims or leading to amendments that eliminate past damages

- PTAB proceedings are being used to:
  - Shoot down large portfolios
  - Strengthen non-infringement defenses
  - Establish later priority date for CIPs, set up 102(b) or 112 arguments, etc.

- Challenges are strongest with § 102 art
- But judges are willing to consider § 103 art
Early Lessons...

- Typically costs much less than district court litigation, and postpones or eliminates certain costs
- Threat of PTAB proceedings can be used to drive settlement
- Stay of 12-18 months (CBM, IPR) or longer (EPR)
  - Highly likely for CBM, likely for IPR (mixed results), possible for EPR
  - Delays risk of permanent injunction
  - Eliminates burdensome discovery (limited for CBM, IPR; none for EPR)
  - Reduces management distractions
  - Lowers settlement value
A low risk option?

• Features of PGR/IPR/CBM
  – BOP: preponderance of the evidence vs. clear and convincing
  – Claim construction: broadest reasonable vs. CAFC interpretation
  – No Litigation Drama:
    • Juries can be distracted by allegations of “copying”/infringement
    • Invalidity seen by many Judges and Jury as being a “hail mary” argument
    • Sympathetic Judge/Jury may favor small inventor
    • Easier to knock-out portfolios?
  – Bifurcation: Only have validity review
  – Cost: Less than $1 million vs. $5-6 million

• Strategic complexities are unfolding
  – Ropes & Gray pioneered strategy of filing two petitions on each asserted patent
  – Follow-on EPR requests can also achieve the benefits of IPR

• Is IPR estoppel any worse than district court estoppel?
Next Year:
PGR
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By Tim Wilson and John Sieman
The partial institution of a trial on only a subset of the challenged claims violates the AIA and needs to be corrected, before we need to revisit cases that have already been decided.

Harmonizing Standards for District Court and PTAB Claim Construction
By Robert M. Asher
With the emergence of new AIA post-grant proceedings, the time is right for the Federal Circuit to bring greater uniformity to claim construction.

Amending Fences: Early Failures Amending Claims in Inter Partes Review
By P. Andrew Riley and Jonathan R.K. Stroud
Despite the PTAB's denial of nearly all motions to amend, there are valuable lessons for patentees that can lead to better outcomes in the future.

The Use of Inter Partes Review Petitions in ANDA Litigation
By Matias Ferrario, Jennifer Giordano-Coltart, and Leslie Grab
A discussion of general strategies concerning the use of IPRs in the pharmaceutical context and special issues that may arise when there is a concurrent ANDA litigation proceeding.

Is That a Complaint? The Grey Area of 35 U.S.C. Sec. 315(b)
By Herbert D. Hart III, Malaika D. Tyson, and Robert F. Kappers
A look at notable decisions that provide guidance on avoiding the statutory bar of 35 U.S.C. Sec. 315(b) to filing inter partes review petitions.

Qualification for Covered Business Method Review
By Paul C. Haughey
CBM reviews are proving to be a powerful and increasingly popular method to challenge business method patents. New decisions provide more examples of the boundaries of what is considered nontechnical and financially related.

News & Developments »
Supreme Court Weighs in on Patent-Eligible Subject Matter
Justice Clarence Thomas writes the opinion in Alice v. CLS Bank.

Does Nautilus Avoid the "Zone of Uncertainty"?
The case has made indefiniteness one area of law to watch, as courts and litigants explore the contours of the new test over the coming months.
ARTICLES

Partial Institution by PTAB Violates the AIA—And There Is a Simple Solution
By Tim Wilson and John Sieman – August 4, 2014

The Problem of Partial Institution
The America Invents Act (AIA) created several new and important administrative procedures to challenge issued patents: post grant review (PGR), inter partes review (IPR), and transitional covered business method reviews (CBM). The Patent and Trial Appeal Board (PTAB) at the United States Patent and Trademark Office (PTO) runs these trials under rules promulgated by the PTO. In the less than two years since the post-grant trials became available, parties have made increasing use of these trials, especially IPR and CBM. Under a statutory requirement to complete the trials within one year of institution, the PTO has taken steps to narrow proceedings as much as possible to ensure their timely completion. But at least one of these narrowing steps violates the AIA itself and must be corrected: the partial institution of a trial on only a subset of the challenged claims. According to the PTAB, as of April 2, 2014, 10 out of 52 CBM institution decisions and 90 out of 416 IPR institution decisions involved partial institution. AIA Trial Roundtables at 25.

IPR and CBM trials follow similar procedures and both suffer from the problem described in this article. We focus on IPR trials here for simplicity. The IPR process begins when a challenger files a petition seeking review of patent. The petition must include a set of challenged claims, and each claim may be challenged on one or more grounds of unpatentability. “The statute . . . establishes a two-step procedure for inter partes review: the Director’s decision whether to institute a proceeding, followed (if the proceeding is instituted) by the Board’s conduct of the proceeding and decision with respect to patentability.” St. Jude Med., Cardiology Div., Inc. v. Volcano Corp., No. 2014-1183, slip op. at 5 (Fed. Cir. Apr. 24, 2014). The PTAB may institute an IPR if “there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition.” 35 U.S.C. § 314(a). Based on the phrase “at least one of the claims,” the standard contemplates holding a trial on more claims than those that exceeded the initial threshold.

While the PTAB may decline to initiate a trial if no claims cross the threshold, once one claim exceeds the threshold, the resulting trial must cover all of the challenged claims. Thus, rather than allowing claim-by-claim institution, as currently practiced by the PTAB, Congress intended for institution to be a binary decision: institute the trial on all challenged claims, or none of them. But unfortunately for challengers facing a partial institution, the statute bars appellate review of the decision whether to institute an IPR. Thus, a challenger has no apparent way to appeal the patentability of non-instituted claims because the non-appealable institution decision does address the non-instituted claims, but the appealable final written decision does not.
The statute provides challengers the right to appeal as to the patentability of any challenged claim. The PTAB’s partial institution practice strips petitioners of this statutory right as to non-instituted claims. Under the AIA, the PTAB must issue a final written decision at the conclusion of each trial. That final written decision must address “the patentability of any patent claim challenged by the petitioner.” St. Jude Med., slip op. at 3 (emphasis added, citing 35 U.S.C. § 318(a)). And the statute consistently describes the “challenged” claims as those the petitioner chose to include in the petition. 35 U.S.C. § 312(a)(3) (requiring an IPR petition to “identif[y], in writing and with particularity, each claim challenged”); 35 U.S.C. § 314(a) (referring to “claims challenged in the petition”). The provision relating to claim amendments in IPR trials likewise relates to any “challenged patent claim.” 35 U.S.C. § 316(d)(1). It would make little sense to allow amendments on any challenged claims, if all of the challenged claims were not included in the trial. Thus, the final written decision must address the patentability of all of the claims the petitioner included in the petition.

The importance of a complete final written decision addressing all challenged claims stems from the statutory scheme linking the challenger’s appeal right to the PTAB’s final written decision. 35 U.S.C. § 319 (permitting “[a] party dissatisfied with the final written decision [to] appeal the decision pursuant to sections 141 through 144”); 35 U.S.C. § 141 (permitting “[a] party to an inter partes review . . . who is dissatisfied with the final written decision . . . [t]o appeal the Board’s decision only to the United States Court of Appeals for the Federal Circuit”). Because the right to appeal stems from a final written decision, and because the final written decision must address the patentability of all challenged claims, the AIA provides an appeal right as to the patentability of any challenged claim. The PTAB’s partial institution practice takes that right away.

Instead of instituting a trial on all challenged claims, the PTAB—consistent with the USPTO’s own regulations, but not the AIA—institutes trials only on those claims it decides warrant review. This practice, coupled with statute’s designation of institution decisions as “final and nonappealable,” 35 U.S.C. § 314(d), leaves no point in the process for a party to appeal regarding the patentability of claims excluded from a trial. When Congress enacted the AIA, it insulated the determination “whether to institute”—note the binary phrasing—from appellate review. St. Jude Med., slip op. at 2 (emphasis added, citing 35 U.S.C. § 314(b)). But that did not authorize the PTO to remove challenged claims from the scope of a trial.

Our search of the AIA’s legislative history for any approval or even suggestion of a claim-by-claim institution practice failed to find support. It appears this practice was never contemplated by Congress, at least on the record. The closest point we located was a statement by Senator Kyl explaining that the original petition should define the scope of the trial. He explained in the context of the heightened bar to get a trial instituted, “[t]he elevated threshold will require challengers to front load their case. Also, by requiring petitioners to tie their challenges to particular validity arguments against particular claims, the new threshold will prevent challenges from ‘mushrooming’ after the review is instituted into additional arguments employing other
prior art or attacking other claims.” 157 Cong. Rec. S1368, S1376 (2011). Senator Kyl’s remarks align with our view that the petition defines the claims that will be included in any resulting trial.

The PTO was made aware of this issue before the first IPR petition was filed, when it received comments on its proposed AIA implementation rules. In summarizing the public’s comments in the Federal Register, the PTO highlighted one comment indicating “that instituting review on a claim-by-claim basis is unfairly prejudicial to challengers and potentially at odds with the statute” and noted the comment further raised concerns that “claims or issues deemed not to have a reasonable likelihood of prevailing are cut off from further review in a final and non-appealable decision.” 77 Fed. Reg. 48680, 48702 (Aug. 14, 2012). The comment referenced by the PTO appears to originate from IBM. Letter from IBM Corp. to Lead Judge M. Tierney at 2–3 (April 6, 2012).

The PTO’s response to IBM’s concerns did not resolve the statutory conflict. According to the only substantive part of the PTO’s response, partial institution was acceptable because the statutory estoppel also applies on a claim-by-claim basis. 77 Fed. Reg. at 48703. But the Office failed to explain the relevance of the statutory estoppel provision or tie it to the institution decision. On the contrary, the claim-by-claim estoppel provided in the statute contradicts the Office’s argument.

The estoppel provision in section 325 shows Congress knew how to specify claim-by-claim treatment where it wanted to. Recently, the PTAB itself has relied on similar logic to explain why CBM reviews are available for entire patents even if only one claim recites a covered business method. The PTAB reasoned that “[i]f Congress intended to limit the availability of the covered business method patent review on a claim-by-claim basis, . . . it could have used the term ‘claim’ rather than ‘patent.’” Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2012-00002, Paper 66 at 6 (Jan. 23, 2014). The same is true here. Congress could have written the statute to permit claim-by-claim institution, but did not.

Moreover, section 325’s estoppel provision refers to “a final written decision under section 328(a).” The final written decision, as noted above, must address “patentability of any challenged claim.” That Congress wanted the estoppel effect to be tailored to the challenges made in the petition does not mean it authorized partial institutions. Beyond its point about estoppel, the PTO made no other substantive statutory arguments and deferred to its own rulemaking authority and highlighted concerns about efficiency. 77 Fed. Reg. at 48703. Of course, no rulemaking authority or policy concerns about efficiency permits the PTO to violate the statute. Those statutory violations carry with them a number of practical problems for parties involved in IPR and district court proceedings.

Problems Caused by Partial Institution
District courts will feel the impact of the partial institution procedure in many cases. One factor district courts consider in deciding motions to stay litigation pending an IPR trial is whether the PTO proceeding will simplify the issues for trial. Partial institution further complicates stay
decisions by making it less clear how much a PTAB trial will simplify issues. Claims excluded from a partially-instituted trial will return to the district court, presumably without estoppel. In one recent decision granting a stay pending IPR, the district court reasoned that “the case is likely to be streamlined even if no claims are cancelled because of the estoppel provisions of 35 U.S.C. § 315(e), which will estop [defendant] from asserting that surviving claims are invalid on grounds that were addressed during the inter partes review.” Brixham Solutions Ltd. v. Juniper Networks, Inc., No. 3-13-cv-00616 (N.D. Cal. April 28, 2014). This result is not unusual. Many courts are staying cases to allow the PTO to review patent claims, and if a case comes back at all, the courts expect a simplified version of the case. The judges ordering stays may be especially surprised to see the parties return in 18 months, with the plaintiff asserting claims that were supposed to be simplified by the IPR, and the defendant unrestrained by any estoppel as to those claims.

IBM’s comments identified the statutory problems with partial institution early on. Now, two years later, early data shows the concerns were well founded. As noted above, in 100 IPR and CBM trials—over 20 percent of the institution decisions—the PTAB has violated the statute. AIA Trial Roundtables at 25. The scope of this problem is significant. Of those 100 trials, many have not settled and will likely return to the PTAB on remand based on this violation. The PTAB should fix these cases by acting now, before the number of cases to fix becomes unmanageable.

A Simple Solution to the Problem
Fortunately for the parties to PTAB trials and the PTAB itself, the problem can be fixed through a minor modification to current PTAB practice that will not impact the one-year time frame for competing trials. The PTAB already addresses the patentability of all challenged claims in its institution decisions. The PTAB could institute trials on all challenged claims by changing a few lines in its institution decisions. The parties would then try the case, subject to the existing page and time limits, which serves as limits on the scope of the trial and forces the parties to focus on the most important issues. Following this procedure, the parties will generate a more complete record. By the end of the trial, if the PTAB judges have not changed their opinions that some claims should survive, they would only need to carry their analysis about those claims forward from the institution decision into the final written decision. That small change would require little additional effort by the PTAB, restore the right to appeal the final written decision as to all challenged claims, make sure the Federal Circuit has a complete record for appeal, and limit the number of trials that the Federal Circuit may be remanding back to fix this issue in the future.

A Test Case: Synopsys v. Lee
On June 5, 2014, Synopsys, Inc. filed a lawsuit under the Administrative Procedures Act against the PTO challenging the partial institution practice as applied in an IPR filed by Synopsys. Among other remedies, Synopsys asks the court to order the PTAB to institute review of the claims that were in its IPR petition but excluded from the proceeding that resulted. We encourage the PTO to correct this problem on its own, to avoid digging itself into the deeper hole that will result from having to reopen many cases that have already been decided.
Keywords: litigation, intellectual property, PTAB, AIA, inter partes review, partial institution, PTO

Tim Wilson is senior IP counsel, and John Sieman is patent counsel, at SAS Institute Inc. in Cary, North Carolina.
Harmonizing Standards for District Court and PTAB Claim Construction
By Robert M. Asher – August 4, 2014

Claim construction in the United States Patent and Trademark Office (PTO) has long been distinct from the approach used by courts to construe a patent claim. This is one reason the Patent Trial and Appeal Board (PTAB) has the power to invalidate patents found not invalid in district court. “[U]nlike in district courts, in reexamination proceedings claims are given their broadest reasonable interpretation, consistent with the specification . . .” In re Swanson, 540 F.3d 1368, 1377–8 (Fed. Cir. 2008) (internal quotation marks omitted).

The threat of inconsistent results took the judiciary by storm when it learned that an unpatentability ruling in the PTAB could nullify a court’s ruling the patent is not invalid, even after that ruling had been approved by the Federal Circuit on appeal. Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330 (Fed. Cir. 2013).

Inconsistent rulings, and particularly, inconsistent claim constructions are undesirable. Claim construction was taken away from juries in order to promote uniformity. The Supreme Court saw “the importance of uniformity in the treatment of a given patent as an independent reason to allocate all issues of construction to the court.” Markman v. Westview Instruments, 517 U.S. 370, 390 (1996). The Federal Circuit understands that inconsistent results are not ideal. In re Baxter Int’l, 678 F.3d 1357, 1365 (Fed. Cir. 2012) (“even with a more lenient standard of proof, the PTO ideally should not arrive at a different conclusion”). It appears that the time is right for the Federal Circuit to bring greater uniformity to claim construction. With the emergence of the new AIA post-grant proceedings, including inter partes reviews, covered business method reviews, and post-grant reviews, the court has an opportunity to discuss claim construction on a clean slate.

In “Inter Partes Review: The New Markman Hearing?,” I sought statutory support in the AIA for applying in inter partes review a proper-meaning approach as applied in the district courts. The PTO has vigorously opposed the proper-meaning approach in favor of “broadest reasonable construction in light of the specification.” 37 C.F.R., § 42.100 (b). While there are many proponents for the use of proper meaning in the AIA proceedings, this article considers an alternative approach, grounded in emerging Federal Circuit case law, which may achieve improved consistency while meeting with less resistance from the broadest-reasonable-construction advocates.

Broadest Reasonable Construction and Phillips
The Federal Circuit has begun to recognize that application of broadest reasonable construction in the PTAB requires attention to how district courts construe claim terms. Specifically, the tenets of Phillips v. AWH Corp., 415 F.3d 1303, 1315–17 (Fed. Cir. 2005) (en banc), which clarified the hierarchy of intrinsic and extrinsic evidence, must be heeded. The centrality of Phillips was asserted in an appeal from an ex parte reexamination before the Board. “[C]laire
construction is a legal issue that we review *de novo.*” *In re Baxter Int’l*, 678 F.3d at 1362 (citing *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1454–55 (Fed. Cir. 1998) (en banc)). “To ascertain the scope and meaning of the asserted claims, we look to the words of the claims themselves, the specification, the prosecution history, and, lastly, any relevant extrinsic evidence.”

In other cases, we have seen the Federal Circuit struggle with whether, on appeal from a reexamination, the standard of review calls for: (1) seeking the correct claim scope *de novo* as in *Phillips*, or (2) deferring to the PTAB’s claim construction when it is reasonable in light of the specification. *Flo Healthcare Solutions, LLC v. Kappos*, 697 F.3d 1367, 1380 (Fed. Cir. 2012) (Plager, J., additional views, “it is perhaps time that the court definitively decide *en banc* on an agreed review standard . . .”).

The *Phillips* teachings are being applied in numerous broadest reasonable construction cases. In a final written decision in an inter partes review, the PTAB stated:

> We begin our claim construction analysis with the claims. See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (“It is a bedrock principle of patent law that the claims of a patent define the invention to which the patentee is entitled the right to exclude.”) (citations and quotations omitted). Although some of the dependent claims are not involved in the instant proceeding, we review the claim features including those in dependent claims, as dependent claims further define the claim features in the involved independent claims. *Id.* at 1314 (“Because claim terms are normally used consistently throughout the patent, the usage of a term in one claim can often illuminate the meaning of the same term in other claims.”).

*CBS Interactive Inc. v. Helferich Patent Licensing LLC*, IPR2013-00033, Paper 122, at 9–10 (P.T.A.B. Mar. 3, 2014). The PTAB has also made use of claim differentiation, much as this doctrine was enunciated in *Phillips*:

> Emcore does not explain adequately as to why the term “annealing” recited in independent claim 1 should be construed to require a limitation recited in a dependent claim 15. *Phillips*, 415 F.3d at 1314–15 (stating “the presence of a dependent claim that adds a particular limitation gives rise to a presumption that the limitation in question is not present in the independent claim.”); see also *Curtiss-Wright Flow Control Corp. v. Velan, Inc.*, 438 F.3d 1374, 1380 (Fed. Cir. 2006) (“In the most specific sense, ‘claim differentiation’ refers to the presumption that an independent claim should not be construed as requiring a limitation added by a dependent claim.”).

Even when applying broadest reasonable construction, “the specification is always highly relevant to the claim construction analysis. . . . [u]sually, it is dispositive; it is the single best guide to the meaning of a disputed term.” In re Abbott Diabetes Care, Inc., 696 F.3d 1142, 1149 (Fed. Cir. 2012) (citing Phillips, 415 F.3d at 1315) (internal quotation marks omitted). In Abbott, the Federal Circuit relied on the patent specification to define and narrow the claim construction for an electrochemical sensor to mean a sensor without external cables or wires because that is how they are consistently and exclusively depicted in the patent.

Even in a patent application appeal, the Federal Circuit reversed the PTAB holding that “adapted to” could not be read broadly to mean “capable of.” “Although the phrase can also mean ‘capable of’ or ‘suitable for,’ . . . here the written description makes clear that ‘adapted to,’ as used in the ’261 application, has a narrower meaning, viz., that the claimed machine is designed or constructed to be used as a rowing machine whereby a pulling force is exerted on the handles.” In re Giannelli, 739 F.3d 1375, 1379 (Fed. Cir. 2014). According to the Federal Circuit, the pre-issuance claim construction standard for the PTO “has been to give claims their broadest reasonable construction in light of the specification as it would be interpreted by one of ordinary skill in the art.” In re Giuffrida, 527 F. App’x 981, 986 (Fed. Cir. 2013) (citing Phillips, 415 F.3d at 1316) (internal citation and quotation marks omitted) (the dictionary meaning of a term may be too broad to constitute the broadest reasonable construction where the specification described the meaning of the term with greater specificity).

Addressing the final leg of intrinsic evidence—the prosecution history—the Federal Circuit, in Phillips, ruled: “In addition to consulting the specification, we have held that a court should also consider the patent’s prosecution history, if it is in evidence.” 415 F.3d at 1317 (internal quotation marks omitted). This too has been applied to claim construction in the PTAB.

In Tempo Lighting, Inc. v. Tivoli, LLC, 742 F.3d 973 (Fed. Cir. 2014), the Federal Circuit ruled that the PTAB, in an inter partes reexamination processing, correctly rejected the broad dictionary-based claim construction adopted by the patent examiner. The correct claim construction was based on a meaning supplied by the patent applicant during the original patent application prosecution. On appeal from the PTAB, the Federal Circuit stated, “In claim construction, this court gives primacy to the language of the claims, followed by the specification. Additionally, the prosecution history, while not literally within the patent document, serves as intrinsic evidence for purposes of claim construction. This remains true in construing patent claims before the PTO.” Tempo Lighting, 742 F.3d at 977 (citing In re Morris, 127 F.3d 1048, 1056 (Fed. Cir. 1997).

Further, the Federal Circuit confirmed that, like a court, the PTAB should place little value on extrinsic evidence that contradicts the intrinsic evidence.

In sum, the examiner erred by resorting to extrinsic evidence that was inconsistent with the more reliable intrinsic evidence. Bell Atl. Network Servs. v. Covad Comms’ns Grp., 262 F.3d 1258, 1269 (Fed. Cir. 2001) (“[E]xtrinsic evidence may
be used only to assist in the proper understanding of the disputed limitation; it may not be used to vary, contradict, expand, or limit the claim language from how it is defined, even by implication, in the specification or file history.”).

*Tempo Lighting*, 742 F.3d at 977–8.

**Persuasive Effect of Prior Claim Construction Analyses**

Based on this review of recent broadest-reasonable-construction cases, the Federal Circuit should have no trouble requiring the PTAB in AIA proceedings to apply the same intrinsic evidence analysis as the courts perform for the purposes of claim construction. The courts will then be able to constructively make use of the PTAB’s underlying intrinsic evidence analyses, so long as the PTAB presents these analyses explicitly and separately in its decisions.

Likewise, the PTAB will be able to strive for consistency with earlier court decisions on these issues. Such consistency has been viewed with favor. For example, in a prior decision, a district court had analyzed the intrinsic evidence to determine that the patent applicant had not narrowed the ordinary meaning of a term by explicitly disavowing certain claim scope. Although the district court’s construction was ultimately narrow for other reasons, the Board was nevertheless able to find consistency with the factual finding of no disavowal in the intrinsic evidence. *See In re Rambus*, 694 F.3d 42, 48 (Fed. Cir. 2012) (“Moreover, and consistent with the district court’s opinion in *Micron*, there is no basis to find a disavowal or redefinition that would limit the term ‘memory device’ to a single chip.”)

Earlier claim constructions will rarely have collateral estoppel effect, but as in the situation where one district court issues a claim construction before a second district court addresses the same patent claims, an earlier construction can be given significant persuasive effect. *See, e.g.*, *Powervip, Inc. v. Static Control Components, Inc.*, 2011 WL 2669059 (W.D. Mich. July 6, 2011) (“[T]he Court finds, as have several other district courts faced with the issue, that while not entitled to a preclusive effect, the MDNC *Markman* order is instructive and may properly be considered by the Court in rendering its own construction of the claims at issue.”) (internal citations omitted). *See, e.g.*, *Parker–Hannifin Corp. v. Baldwin Filters, Inc.*, 724 F. Supp. 2d 810, 815–16 (N.D. Ohio 2010) (holding that the prior order would receive “deferential treatment unless clearly erroneous,” but was not entitled to a preclusive effect); *Kim v. The Earthgrains Co.*, 2005 WL 66071, at *11 (“While stopping short of according a preclusive effect to Judge Hart’s claim construction, the court will bear his interpretations in mind as instructive while rendering its own construction of the claims at issue here.”); *Nilssen v. Motorola, Inc.*, 80 F. Supp. 2d 921, 924 n.4 (N.D. Ill. 2000) (“[W]hile the court is respectful of Judge Kennelly’s ruling construing some of the claims in those patents . . . and of the ‘importance of uniformity in the treatment of a given patent,’ it is not compelled to reach the same conclusions.”) (internal citation omitted); *Tex. Instruments, Inc. v. Linear Techs. Corp.*, 182 F. Supp. 2d 580, 589 (E.D. Tex. 2002) (finding that a court should be respectful of and may defer to a prior construction, but that it is not bound by it).
Some Differences between PTAB and Court Constructions Are Unavoidable

Even when intrinsic evidence analyses are conducted similarly in court and in PTAB proceedings, some issues arise demanding differing approaches. When “the court concludes, after applying all the available tools of claim construction, that the claim is still ambiguous,” a court may construe the claims in such a manner so as to preserve their validity. Phillips, 415 F. 3d at 1327. The PTAB would not apply this doctrine, but would instead accept the broadest of otherwise equally acceptable constructions.

In court, in view of a co-pending or previous PTAB proceeding, statements made by the patent owner may be used by the court when the statements amount to prosecution disclaimer. Such statements may result in a narrower construction in court when the PTAB did not accede to those statements in its claim construction in the PTAB proceeding. Differing presentations of extrinsic evidence in the two forums might also contribute to differing claim constructions. Other situations demanding differing constructions in court and the PTAB can be imagined and will be handled by the courts on a case-by-case basis.

Differing Broadest Reasonable Construction Approaches

Broadest reasonable construction in AIA proceedings need not be confused with broadest reasonable construction before a patent examiner. While these standards would certainly benefit by receiving different names to reduce confusion between them, for now it would be enough to recognize the differences. In front of a patent examiner, “the broadest reasonable interpretation is an examination protocol, not a rule of law.” Flo Healthcare, 697 F.3d at 1382 (Newman, J., additional views) (internal quotation marks omitted). “In this demanding process, the examiner views the applicant’s presentation broadly in order to assure that all possibly relevant prior art is explored. . . . That is the role of broadest reasonable interpretation: it is an examination tool whereby the applicant and the examiner work together to determine and define the ‘invention’ to be claimed.” Flo Healthcare, 697 F.3d at 1382 (Newman, J., additional views) (some internal quotation marks omitted). The effect of broadest reasonable interpretation before an examiner is that the applicant may be forced to amend its claims to better define the invention.

AIA proceedings are totally different from patent prosecution. Here, claim construction is used in the determination of patentability of an issued patent claim, with the ultimate potential effect of invalidating the claim. The recent precedents discussed above should lead to determining the correctness of claim construction through a careful evaluation of the intrinsic evidence as well as consideration of extrinsic evidence to the extent it does not contradict, expand, or limit the meaning determined from the intrinsic evidence.

Were the Federal Circuit instead to mistakenly treat broadest reasonable construction like a patent examiner, the risk would rise of inconsistent claim constructions by the Federal Circuit itself. Without a common approach in the PTAB and the courts, a claim construction approved in the Federal Circuit on appeal from an AIA proceeding would be of no persuasive value to the district court. The district court could arrive at a claim construction entirely different from that approved by the Federal Circuit. The Federal Circuit could then quite properly—using a different
approach to claim construction—approve this distinctly different claim construction, in contradiction of its own earlier claim construction ruling from the PTAB appeal. This is the antithesis of uniformity.

Harmonization
By following the tenets of Phillips in AIA proceedings, as the PTAB and the Federal Circuit have done in recent cases, the claim construction decisions made during these proceedings will have an enhanced persuasive value in court, contributing to the goal of uniformity. Greater consistency and predictability will result. This carries great importance given that uniformity was a stated goal of Markman and claim construction in the first place.

Keywords: litigation, intellectual property, PTAB, claim construction, inter partes review, broadest reasonable construction, AIA

Robert M. Asher is a partner at Sunstein Kann Murphy & Timbers LLP in Boston, Massachusetts.
Amending Fences: Early Failures Amending Claims in Inter Partes Review
By P. Andrew Riley and Jonathan R.K. Stroud – August 4, 2014

Surprising many in the patent bar, the Patent Trial and Appeal Board (PTAB or Board) has denied nearly all motions to amend in inter partes reviews (IPR) and covered business method (CBM) post-grant reviews. Until May 20, 2014, the Board had granted motions only where the patent owner requested cancellation of claims. See, e.g., Motivepower, Inc. v. Cutsforth, Inc., IPR2013-00268, Paper 15, at 2 (P.T.A.B. Feb. 18, 2014); Intellectual Ventures Mgmt, LLC v. Xilinx, Inc., IPR2012-00020, Paper 34, at 2 (P.T.A.B. Feb. 11, 2014); Liberty Mutual Ins. Co. v. Progressive Cas. Ins. Co., CBM2013-00002, Paper 30, at 2 (May 17, 2013) (all granting a patent owner’s motion to amend that requested cancellation of one or more claims at issue). Indeed, according to the Board, patent owners disclaimed 245 claims as of April 2, 2014. The Board’s May 20, 2014, decision granted in part a motion to amend where the patent owner cancelled all 27 existing claims and filed an unopposed motion to amend. See Int’l Flavors & Fragrances Inc. v. United States, IPR2013-00124, Paper 12, at 2 (P.T.A.B. May 20, 2014). There, the Board allowed one proposed independent claim but rejected another. The Board also allowed all proposed substitute claims that depended from the first independent claim allowed. While the situation seems grim for patent owners, analyzing these decisions reveals strategies for improving the likelihood of a successful motion to amend.

Significantly, patent owners should keep in mind that “[a] motion to amend claims in an inter partes review is not itself an amendment.” Nichia Corp. v. Emcore Corp., IPR2012-00005, Paper 68, at 49 (P.T.A.B. Feb. 11, 2014) (Emcore). Indeed, the Board views motions to amend as proposed “substitute” claims that will pass directly to issue if allowed. Emcore, IPR2012-00005 at 55; 35 U.S.C. § 326(a)(9) (“allowing the patent owner to move to amend the patent . . . to cancel a challenged claim or propose a reasonable number of substitute claims”); 37 C.F.R. § 42.121(a)(3) (“a reasonable number of substitute claims”).

As a result, the patent owner’s motion to amend should lay out the proper construction of the proposed new claims, the written description support for the new claims, and the features of the new claims that distinguish them from the prior art. The patent owner bears the burden of proof, see 37 C.F.R. § 42.20(c), and must show by a preponderance of the evidence that the proposed substitute claims are patentable. Int’l Flavors, IPR2013-00124 at 7. The Board’s recent decisions on motions to amend also illustrate the importance of complying with the formal requirements and technicalities of applicable rules. By presenting a technically compliant motion setting forth what the new claims mean and why they are patentable, the patent owner greatly increases the chances of avoiding the dire fate met by nearly all other motions to amend.

Claim Construction
As the Board wrote in Emcore: “Claim construction is an important step in a patentability determination.” Emcore, IPR2012-00005 at 51. Thus, any “motion to amend claims must identify how the proposed substitute claims are to be construed, especially when the proposed
substitute claims introduce new claim terms.” So, if presenting a new term—or even a new combination of terms—parties “should” probably provide a claim construction. *Toyota Motor Corp. v. Am. Vehicular Sciences LLC*, IPR2013-00419, Paper 32, at 5 (P.T.A.B. Mar. 7, 2014) (*Toyota*). And if the claim adds a means-plus-function limitation, the patent owner “should” identify the corresponding structure, material, or acts. The Board counsels that indicating a term should be given its plain and ordinary meaning is unhelpful, and the motion should provide a construction supported by evidence.

**Written Description**

Similarly, patent owners must show written description support for the claim as a whole under 35 U.S.C. § 112, first paragraph. 37 C.F.R. § 42.121(b)(1)–(2). This includes the entire combination, as well as any new features. *Toyota*, IPR2013-00419 at 5. For example, in *Garmin Int’l, Inc. v. Cuozzo Speed Techs, LLC*, the patent owner, Cuozzo, failed to explain where the specification supported the proposed *combination* of three elements, given the proposed claim construction. Thus, even when combining elements are found in other claims, the patent owner must show written description support.

Contrast that decision with *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027, Paper 66 (P.T.A.B. Jan. 7, 2014) (*Idle Free*), where Bergstrom relied on the specification to support a proposed amendment, which the Board found “sufficient, if unrebutted, to show written description support for the proposed substitute claims.” *Idle Free* tried to discount that reliance by relying on new expert testimony, but the Board found that testimony unpersuasive. *Idle Free* at 29–31. Similarly, in *International Flavors*, the patent owner pointed to specific parts of the written description by paragraph number—supporting both the original claim and the added limitations. *Int’l Flavors*, IPR2013-00124 at 10. Pointing to clear support in the specification, therefore, may meet the Board’s requirements.

**Patentability over All Art Generally Known to Patent Owner**

Parties have successfully argued that claim amendments are patentable over prior art references applied to the original patent claims. See, e.g., *Int’l Flavors*, IPR2013-00124 at 12; *Idle Free*, IPR2012-00027 at 31–32. But, as noted in a March 2014 opinion authored by Board Judge Jameson Lee, “[e]xplaining patentability over references applied by the petitioner against the original patent claims is not the main event.” *Toyota*, IPR2013-00419 at 4; see also *Idle Free*, IPR2012-00027 at 33 (“Distinguishing the proposed substitute claims only from the prior art references applied to the original patent claims, however, is insufficient to demonstrate general patentability over prior art.”).

Rather, the patent owner should discuss “whether the feature was previously known anywhere, in whatever setting, and whether or not the feature was known in combination with any of the other elements in the claim.” *Toyota*, IPR2013-00419 at 4; see also 37 C.F.R. § 42.20(c). Accordingly, “there should be a discussion of the ordinary skill in the art” in every motion to amend, and it should be specific to the “technical knowledge pertaining to the feature added,” rather than “this many years of education and that many years of experience.” In *International Flavors*, the patent...
owner went beyond distinguishing the closest prior art to “demonstrate the level of ordinary skill in the art, as well as provid[e] evidence regarding what would have been understood by the ordinary artisan as to those features being relied upon to demonstrate patentability of the proposed claims.” Int’l Flavors, IPR2013-00124 at 12. In particular, they relied on references as evidence that “small changes in structure can result in a compound with very different properties,” which the Board found persuasive. Int’l Flavors, IPR2013-00124 at 15–16.

Thus, the patent owner may wish to introduce evidence, which can include textbooks, examples of conventional practices, and even prior art searches. Why prior art searches? As the Board noted in Emcore:

> An inter partes review is neither a patent examination proceeding nor a patent reexamination proceeding. The proposed substitute claims, in a motion to amend, are not entered automatically and then subjected to examination. Rather, the proposed substitute claims will be added directly to the patent, without examination, if the patent owner’s motion to amend claims is granted.

Emcore, IPR2012-00005 at 55. As one Board judge suggested at a PTAB roundtable event, a certified prior art search report and an expert declarant who can testify—separately from the patent owner’s response—to the contents of that search report can go a long way toward demonstrating the patentability of the substitute claims. See PTAB AIA Trial Roundtable, Part I, at 1:30:15 (Apr. 15, 2013) (“If [the patent owners seeking amendment] want to do a prior art search, that’s their option, but, I don’t think I want to set down a bright-line rule that they have to, but . . . we want a good-faith effort by the patent owner to tell us what you know, especially about that added feature.”) (Comments of Lead Judge Grace Obermann). In sum, the patent owner should take appropriate steps to demonstrate the patentability of the substitute claims, recognizing that they will proceed directly to issue if the Board allows amendment.

**Compliance with Technical Requirements of Board Rules**

In addition to the substantive showings discussed above, the rules on practice before the Board hold traps for the unwary. Errors such as improper claim numbering, unintentional broadening of claim scope, and running afoul of the Board’s strict page limits may scuttle a motion to amend. Patent owners are well served by keeping these technical requirements in mind in preparing motions to amend.

**Equal number of claims canceled; improper numbering.** First, Board rules require that there be no “amending in place.” See Toyota, IPR2013-00419 at 2. During its April 2014 roundtable, the Board gave an example of allowing a hypothetical patent owner to replace claim 1 with a substitute claim 6, and replace claim 4 with substitute claim 7. See AIA Trial Roundtables, PowerPoint Slides, at 68 (Apr. 15, 2014). Note, “[t]he request to cancel claims will not be regarded as contingent. However, the request to substitute claims is always contingent.” Toyota, IPR2013-00419 at 2. In other words, a patent
owner may not simply add limitations to an existing claim; the existing claim must be cancelled and a new claim (including the proposed amendment) added.

**No broadening claims.** By statute and regulation, proposed substitute claims cannot enlarge the scope of the claims under review. 35 U.S.C. § 316(d)(3); 37 C.F.R. § 42.121(a)(2)(ii). Thus, a “patent owner may not seek to broaden a challenged claim in any respect.” *Emcore*, IPR2012-00005 at 53. Removing “any feature of the challenged claim being replaced” runs afoul of this prohibition and will be considered “not responsive to a ground of unpatentability of [the] challenged claim.” *Emcore*, IPR2012-00005 at 53. Accordingly, the patent owner may succeed if the substitute claims only add features to the claims, without removing any original claim language. *See, e.g., Int’l Flavors*, IPR2013-00124 at 9 (proposing as a new limitation a subset of a Markush group, thus clearly limiting the scope of the original claim); *Idle Free*, IPR2012-00027 at 27–28. By proceeding in this way, the patent owner can ensure “no issue” regarding the prohibition against broadening original patent claims. *Idle Free*, IPR2012-00027 at 28.

**Avoid double patenting.** Further, the Board may deny as raising double patenting issues an amendment that simply includes the language of an existing dependent claim. *See PTAB AIA Trial Roundtable*, Part I, at 1:34:40 (Apr. 15, 2013) (“Wouldn’t that mean that you’re double patenting? Because the scope of your substitute would be identical to the scope of your dependent claim.”) (Comments of Lead Judge Grace Obermann). To avoid the prohibition on double patenting, a patent owner should consider adding either wholly new limitations or new combinations of features found in other claims, provided that the new subject matter finds written description support in the specification. For instance, in *International Flavors*, the motion to amend added only the first five compounds listed in a challenged dependent claim—thus avoiding identical scope, but also providing written description support for the limitation. *Int’l Flavors*, IPR2013-00124 at 9.

**Page limits.** Patent owners are also well served by keeping in mind the strict page limits applicable to Board Proceedings. Parties have only 15 pages for all motions, including motions to amend. 37 C.F.R. § 42.24(a)(1)(v). While this limit excludes tables of contents, tables of authorities, certificates of service, and appendices of exhibits, multiple judges have suggested that patent owners focus on proving up one or two substitute claims, rather than attempting to “save” every claim at issue.

**Conclusion**

Although nearly all motions to amend have failed to date, the denials—and the single grant-in-part thus far—provide valuable lessons for any patentee considering a motion to amend. Moreover, many parties have successfully met some of the Board’s various requirements for amending claims, each denial painting the picture of what a successful post-grant “motion to amend” will look like. By applying the lessons of the past, a patent owner can hope for better outcomes in future motions to amend.
Keywords: litigation, intellectual property, PTAB, inter partes review, amendments, patents, prior art

P. Andrew Riley is a partner, and Jonathan R.K. Stroud is an associate, at Finnegan, Henderson, Farabow, Garrett & Dunner LLP in Washington, D.C.
The Use of Inter Partes Review Petitions in ANDA Litigation
By Matias Ferrario, Jennifer Giordano-Coltart, and Leslie Grab – August 4, 2014

Since the implementation of the America Invents Act (AIA) and the creation of the inter partes review (IPR) process, patent challengers have been using the Patent Trial and Appeal Board (PTAB) as an alternative or additional venue in patent disputes. In fact, the PTAB is currently the second most active venue for patent disputes. While the majority of IPR petitions filed to date have been in the electrical engineering or computer science arts, there has been a rise in the number of chemical or pharma requests (71 percent of electrical/computer IPR requests versus 13.3 percent for chemical/bio/pharma IPR requests). The use of IPRs in the pharmaceutical context, particularly in the context of ANDA litigation, presents some interesting and unique issues for patent holders, as well as first ANDA filers and follow-on generics. This article will discuss general strategies concerning the use of IPRs in the pharmaceutical context as well as special issues that may arise when there is a concurrent ANDA litigation proceeding.

While a full description of IPR is beyond the scope of this article, this relatively new procedure allows patent challengers to seek review of patents in the Patent and Trademark Office. Patentability may be challenged in an IPR only on a ground that could be raised under 35 U.S.C. §§ 102 (novelty) or 103 (obviousness), and only on the basis of prior art consisting of patents or printed publications. The PTAB will institute an IPR if it finds a reasonable likelihood that the petitioner would prevail with respect to at least one challenged patent claim, and a final determination by the PTAB will be issued within one year from institution (extendable for good cause by six months). IPR is available for a patent issued at any time but cannot be sought until after the later of: (1) nine months after the issuance or reissuance of the patent; or (2) termination of any post-grant review procedure (another relatively new procedure for challenging recently issued patents), and may no longer be sought after either of the following: (a) more than one year elapses after service of a complaint for infringement of the patent on the challenger, or (b) filing of a declaratory judgment action to invalidate the patent by the challenger (excluding counterclaims). Once a decision is made to institute an IPR, the parties are permitted to engage in some limited discovery. A more fulsome explanation of IPRs can be found in the article by Eric Hutchins, Mitchell Stockwell, and Wab Kabada, “Inter Partes Review: Rocket Docket Patent Validity Trials in the USPTO.

IPR Benefits for Patent Challengers in the Pharmaceutical Context
For parties seeking to invalidate or narrow a patent, IPR presents a good forum in which to present technical arguments (compared to district court litigation). Establishing invalidity of patents that cover drug formulations is often complicated and can involve complex obviousness arguments. PTAB judges often have technical degrees in the subject area of the dispute and are typically well-versed in patent law. Additionally, while district courts interpret claims using the “ordinary and customary meaning” standard (see Phillips v. AWH Corp., 415 F.3d 1303, 1312–18 (Fed. Cir. 2005) (en banc)), which involves looking to the claim language, the specification, the prosecution history, and relevant dictionary definitions, in IPR proceedings, the PTAB applies the broadest reasonable interpretation to the claims and need only look to the
specification. See 37 C.F.R. § 42.100(b). Thus, the challenger receives the benefit of a broader claim interpretation, potentially opening up the patent to a larger universe of prior art. Also, the standard for proving invalidity in an IPR is only a preponderance of the evidence, in contrast to the higher clear and convincing evidence standard required in a patent litigation. Further, district courts are required to presume that the claims of a patent are valid. See 35 U.S.C. § 282(a). This is not the case in IPRs.

These standards and requirements are generally helpful for patent challengers but may be of particular use to those challenging pharmaceutical patents due to the technically complex nature of the claims being challenged. In combination with the heightened patent and technical experience of PTAB judges, IPRs provide an attractive forum for presenting highly technical or multi-reference obviousness arguments. In addition, these standards and the expertise of the PTAB judges means that prior art previously considered during examination may provide a strong basis for invalidity arguments, which district court judges and juries may be hesitant to accept, particularly in view of the presumption of validity.

With multiple forums available to patent challengers, both in IPR proceedings and district court litigation, parties now have the opportunity to be selective in their invalidity strategies. For example, challengers may choose to make use of the PTAB’s expertise and the lower proof standards of the IPR proceedings to present their most technical arguments in an IPR forum. The challenger could then focus their efforts during any concurrent litigation on other grounds of invalidity, such as arguments regarding patentable subject matter under 35 U.S.C. § 101, written description or enablement under 35 U.S.C. § 112, or prior art under 35 U.S.C. §§ 102 and 103 that is unavailable for use in an IPR, such as a prior art system. This provides patent challengers with the ability to focus their arguments during litigation and present a more concise case of invalidity to the court.

In addition, if an IPR is filed in the absence of concurrent district court litigation, not only is the patent holder forced to respond rapidly to the petition, but the patent owner may need take positions in the IPR proceedings that can be used against it in a future litigation. Without the benefit of discovery into the accused products, it may be difficult for the patent holder to present claim amendments that would still encompass the patent challenger’s products, particularly for pharmaceuticals, where small changes in structure can have a significant impact on function or efficacy. Although filing an IPR provides notice to the patent holder and the market that the challenger likely is preparing to launch a competitive/generic product, unlike when a Paragraph IV certification is filed, the exact nature of the product would remain unknown. This fact may make it even more challenging for the patent holder to maintain claims that cover a soon-to-be introduced product.

Additionally, as IPRs are relatively much less expensive than litigation and, thus, provide a more cost effective means of invalidating a patent, challengers may choose to make use of IPR proceedings at earlier stages of product development or commercialization, when patent holders may not be in a position to mount an aggressive defense. For example, patents issuing to small
companies or universities could be challenged before the patents have been licensed to pharmaceutical companies. Such patent holders may be unwilling or unable to fund the cost of defending a patent in an IPR proceeding. The quick pace of IPRs is also a factor that weighs in favor of challengers. For example, an IPR proceeding must be instituted by the PTAB within six months of a petition filing and dispensed within 12 months of institution (or up to 18 months with good cause). See 35 U.S.C. § 326(a)(11) and (c). Thus, IPR petitions can be used strategically as a leveraging tool during licensing negotiations with universities or start-up companies.

Another strategy for using IPR petitions is to attack patents listed in the Orange Book that a New Drug Application (NDA) holder chose not to assert against a potential infringer in a Paragraph IV litigation (filed under 21 U.S.C. § 355(j)(2)(a)(vii)) or related patents not listed in the Orange Book (e.g., claims to processes, packaging, intermediates). Thus, for parties in the pharmaceutical market, IPRs present an alternative and complementary means of challenging a patent holder’s entire intellectual property estate concerning an Orange Book listed drug.

Finally, another facet of IPR challenges is the potential to engage in pre-litigation settlement discussions. By engaging in such discussions, the patent challenger may be able to reach a favorable monetary settlement or an agreement to stay off of the market. Some types of these settlements in the Paragraph IV litigation context have taken the form of “reverse payment” agreements, which continue to be the subject of heightened scrutiny by the Federal Trade Commission. It is not clear whether such settlements in the IPR context would receive as much attention from the FTC.

**Strategies for Patent Holders in the Pharmaceutical Context**

Patent holders are not without any defensive advantages against IPR attacks.

IPR petitions are subject to very strict requirements, which can make preparing an IPR petition difficult. An IPR petition must include certifications, identify the challenged claims and basis, provide claim constructions, and identify proposed rejections, including claim charts. Not only is there a 60-page limit for the petition, there are other formatting requirements, such as the requirement of double-spacing and 14-point font that may provide obstacles to potential IPR filers. See 37 C.F.R. §§ 42.24(a)(i) and 42.6(a). These obstacles can be particularly acute in the context of pharmaceutical patents with large claim sets or claims that may require multiple prior art references to establish obviousness. While a patent challenger could file multiple petitions to cover multiple sets of claims or to present multiple prior art combinations against the same set of claims, the high cost of preparing the petitions (each including their own set of prior art and expert declarations) and the filing fees may serve as a barrier to such practices. See 37 C.F.R. § 42.15(a)(1–4) (filing fee is $23,000 with additional fees for any claims above 20). Cost estimates for complex IPR petitions, such as are often found in the pharmaceutical context, can be quite high, which may discourage the use of these petitions in situations when the parties are also litigating in another forum.
Patent holders may also make use of the opportunity to strategically narrow certain claims to avoid prior art or to address infringement issues. For example, the PTAB recently granted a motion to amend claims in an IPR for the first time in *International Flavors & Fragrances Inc. v. U.S. Department of Agriculture*, IPR2013-00124 (P.T.A.B. May 20, 2014). While the motion was unopposed, and appears to effectively be a settlement by amendment (the new claims no longer posed a threat to the challenger), the decision indicates that it is possible to successfully present a motion to amend the claims of the challenged patent. Also, in the event of concurrent litigation, patent holders may have the benefit of discovery to inform decisions regarding potential amendments to more closely tailor the claims to an allegedly infringing product.

Patent holders may also choose to file retaliatory IPRs or infringement suits (if not filed already). A commercially successful patent holder may be in a good position to shift the cost-benefit analysis in its favor by aggressively responding to the patent challenger and increasing the challenger’s costs. Through litigation, the patent holder could expand the scope of the dispute to patents not at issue in the IPR. One benefit of instituting an infringement action is that the patent challenger may be forced to take claim construction and invalidity positions in the IPR proceeding, without knowing the patentee’s infringement positions in the litigation. A well-funded patent holder can also increase the stakes for the patent challenger by putting the challenger’s own patent portfolio at risk.

**Hatch-Waxman and IPR**

The Drug Price Competition and Patent Term Restoration Act, informally known as the “Hatch-Waxman Act” (P.L. 98-417), sets forth the process by which a generic drug manufacturer can file an ANDA to seek approval of a generic drug by the U.S. Food and Drug Administration (FDA). See 21 U.S.C. § 355(j). The first generic drug manufacturer to file an ANDA containing a Paragraph IV certification—certifying that one or more of the Orange Book-listed patent claims for the approved drug are invalid, unenforceable, and/or not infringed—will be granted a 180-day market exclusivity for the generic market if it successfully maintains the patent challenge in litigation. See 21 U.S.C.§505(j)(2)(A)(vii)(IV).

Both first ANDA filers and later ANDA filers may take advantage of IPR petitions. There are unique issues associated with both of these potential filers as they relate to the Hatch-Waxman Act.

**First ANDA filers.** In spite of the benefits discussed above related to the standards and the expertise of the PTAB judges, potential first ANDA filers may not have a strong incentive to file an IPR proceeding against patents that have been asserted in an ANDA litigation. When a NDA holder files a Paragraph IV infringement suit against an ANDA filer, there is an automatic 30-month stay of FDA approval of the ANDA under the Hatch-Waxman Act (21 U.S.C. § 355(j)(5)(B)(iii)). his regulatory stay can be lengthened or shortened by the court. If an IPR petition is filed while there is an ongoing patent litigation in which the same patent is challenged in both proceedings, either party may ask the district court to stay the litigation. However it is not certain whether a litigation

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A first Paragraph IV ANDA filer benefits from a 180-day exclusivity period under the Hatch-Waxman Act. See 21 U.S.C.§505(j)(5)(B)(iv). First-filer exclusivity blocks final approval of other ANDAs with Paragraph IV certifications for 180 days. See 21 U.S.C. § 355(j)(5)(B)(iv). If an Orange Book-listed patent is invalidated in an IPR proceeding, it is still unclear whether the first ANDA filer may receive the benefit of the exclusivity period because a decision by the PTAB in an IPR may not qualify under the statute to trigger the exclusivity period. Additionally, if the IPR petition is not successful, the ANDA filer must still go through Paragraph IV certification and potential litigation in an attempt to invalidate the patent. In this situation, the ANDA filer would be estopped from raising any art in the litigation that was “raised or reasonably could have raised” during the IPR. See 35 U.S.C. § 315(e).

Later ANDA filers. Later ANDA filers are arguably in the best position to use IPR petitions most effectively. First, because IPR petitions are generally more cost effective than litigation, a later ANDA filer may choose to “clear” certain patents on invalidity grounds while waiting for the first filer’s data exclusivity period to run. The lower burden of proof and broader claim interpretation standards are also helpful for second ANDA filers seeking to be proactive in clearing potentially problematic patents.

Second, later ANDA filers receive the benefit of seeing any invalidity arguments that have been presented by a first ANDA filer and have the opportunity to potentially improve upon those arguments or to take arguments that were presented in a litigation proceeding and put them against the more challenger-friendly standards at the PTAB. This strategy was successfully employed by Apotex against Alcon Pharmaceuticals. Alcon had previously sued Teva, the first Paragraph IV filer. Alcon, Inc. v. Teva Pharmas. USA, Inc., 664 F. Supp. 2d 443 (D. Del. 2009). Teva had raised certain prior art during the litigation but the court found Alcon’s patents valid and infringed by Teva. Apotex was a later ANDA filer and was sued by Alcon. Alcon v. Apotex, No. 1:12-cv-00960 (D. Del. July 20, 2012). Apotex filed two IPRs using the same art that had been previously considered by the district court in the Teva litigation. See Apotex Inc. v. Alcon Pharmas., Ltd., IPR2013-00012 (P.T.A.B. Mar. 19, 2013) and IPR 2013-00015 (P.T.A.B. Mar. 19, 2013). The PTAB granted the IPR for all challenged claims. Alcon and Apotex then settled both the litigation and the IPRs.

Third, due to the accelerated nature of IPR proceedings, a later ANDA filer may actually be in a better position to launch its generic drug relative to a first ANDA filer. Although a later ANDA filer may not have its application approved until the expiration of the first stay would extend the 30-month regulatory stay for approval of the NDA. See, e.g., Peschke Map Technologies, LLC v. J.J. Gumberg Co., C.A. Nos. 12-1525-SLR; 12-1527-SLR; 12-1528-SLR; 12-1530-SLR; 12-1572-SLR; 12-1573-SLR, (D. Del. Apr. 24, 2014) (granting stay of litigation pending outcome of IPR proceedings without addressing 30-month regulatory stay).
ANDA filer’s 180-day exclusivity period, later ANDA filers may be able to use an IPR to trigger the 180-day exclusivity period by securing a final judgment of invalidity or noninfringement on the Orange Book patents that had been asserted against the first ANDA filer. Such a scenario would occur if the later ANDA filer receives a final IPR decision before a first ANDA filer’s product is ready for launch. This might trigger the “failure-to-market forfeiture” provision of 21 USC § 355(j)(5)(D)(i)(I)(bb)(AA) (the Medicare Modernization Act), allowing the second ANDA filer to enter the market. This last factor is more complicated as it is not yet clear whether an IPR decision would qualify as “an infringement action . . . or declaratory judgment action” that would start the clock under the “failure to launch” provision. Further, it is an open issue whether the affirmance of an IPR decision by the Federal Circuit would meet the statutory requirement or whether the later ANDA filer would also have to move for final entry of a judgment with a district court after the affirmance.

In summary, the strategic use of IPR petitions as an offensive tool in the pharmaceutical context is still in development. It is already clear, however, that IPR petitions can be a powerful tool for patent challengers who are involved in ANDA litigation, or are simply contemplating the launch of a generic product. However, patent holders are not without recourse as there are a number of tactical advantages in IPR proceedings that are available to them as well.

**Keywords:** litigation, intellectual property, ANDA, inter partes review, pharmaceutical, Hatch-Waxman, PTAB

Matias Ferrario is a partner, and Leslie Grab and Jennifer Giordano-Coltart are associates, at Kilpatrick Townsend & Stockton LLP in Winston-Salem, North Carolina.
Is That a Complaint? The Grey Area of 35 U.S.C. § 315(b)
By Herbert D. Hart III, Malaika D. Tyson, and Robert F. Kappers – August 4, 2014

With the creation of inter partes review under the America Invents Act (AIA), Congress enacted a statutory bar, 35 U.S.C. § 315(b), limiting the time within which a petition for inter partes review (IPR) may be filed.

35 U.S.C. § 315(b) states that:

[n]ter 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 plain language of the statute seems to suggest that Congress made it clear for a potential petitioner that the one-year clock starts running as soon as it is served with a complaint. However, what if the petitioner was the recipient of counterclaims? Or what if the complaint was voluntarily dismissed, service was improper, claims were amended, or the petitioner received multiple complaints?

Over the past year, the Patent Trial and Appeal Board (PTAB) has tackled this and other issues when determining whether to institute an inter partes review. This article will highlight the notable decisions and will provide guidance on avoiding the statutory bar of 35 U.S.C. § 315(b).


The Board denied Accord’s petition because it was filed more than one year after the filing date of the complaint in the first of two Abbreviated New Drug Application (ANDA) lawsuits between the parties. Accord had argued that its petition was timely because it was filed within one year of the filing of the complaint in the second of the two lawsuits. The Board held that the filing of the second complaint did not reset the time for filing a petition for inter partes review stating that “[t]he plain language of the statute does not indicate or suggest that the filing of a later lawsuit renders the service of a complaint in an earlier lawsuit a nullity.”


Before the filing of the petition for IPR, U.S. Patent No. 7,134,994 was involved in litigation, St. Jude Med., Cardiology Div., Inc., et al. v. Volcano Corp., No. 1:10-cv-00631 (D. Del.), in which Volcano filed a counterclaim asserting infringement of the ’994 patent against St. Jude. The
PTAB held that Volcano’s counterclaim is within the meaning of “a complaint alleging infringement of the patent.”

As support for its broad interpretation, the PTAB relied on the legislative history of § 315(b). The PTAB determined that the legislative history of § 315(b) indicated Congress’ intent to provide a quick and cost-effective alternative to litigation, and that:

[n]othing in the legislative history indicates that Congress intended to apply the § 315(b) time limit to some, rather than all, accused infringers. Construing “complaint” in § 315(b) restrictively, i.e., to exclude counterclaims for infringement, would have just that effect. According to the Board, such an interpretation would leave a patent open to serial attack, even after years of patent infringement litigation, whenever the accusation of infringement is only via a counterclaim.


The Board found that § 315(b) barred BioDelivery’s petition even though the petition challenged claims amended by a reexamination certificate that had been issued after service of the complaint. The Board emphasized that reexamination does not result in a new patent; instead, “[a] reexamination certificate merely ‘incorporate[es] in the patent any proposed amended or new claim determined to be patentable.’” *35 U.S.C. § 307(a)* (emphasis added). The reexamination certificate itself states: ‘The patent is hereby amended as indicated below.’” In the Board’s view, the reference in § 315(b), to “the date on which the petitioner . . . is served with a complaint alleging infringement of the patent, indicates that the timeliness analysis is to be made with reference to ‘the patent.’”


The Board denied Apple’s petition because it was filed more than one year after Apple received its first complaint of infringement related to U.S. Patent No. 6,502,135. Apple argued that the first complaint did not trigger the limitations period, because it received a new complaint two years after the first. Apple further argued that “a complaint” in the statute means “any complaint,” and therefore “a petition filed within 1 year of the date any complaint alleging
infringement of the patent is served on a petitioner is timely under the plain statutory language of § 315(b).” The Board rejected this argument, holding that the passage of more than one year from service of first complaint barred the petition.

Apple further argued that “[t]he statutory design of the IPR authority envisions that IPR proceedings will be conducted concurrently with district court litigation involving the same patent.” The Board also rejected this argument, observing that, “even if Congress intended to reduce issues in district courts, this does not overcome the plain meaning involved in Congress’s carefully balanced statutory scheme that applies the time bar to ‘a complaint.’” The Board further stated that since Congress expressly created the joinder exception it “did not intend to create another implied exception to the time bar for concurrent district court litigation.”


Amkor Technology, Inc. and Tessera, Inc. entered into a licensing agreement with respect to U.S. Patent No. 6,046,076 (the ’076 patent). The license agreement included an arbitration clause that would be triggered if there was a nonpayment of royalties. In 2009, a dispute arose between the parties over the payment of royalties and Amkor initiated an arbitration proceeding against Tessera. Tessera responded to Amkor’s arbitration request with an answer and counterclaims alleging infringement of the ’076 patent.

Amkor then filed a petition for inter partes review of the Tessera patent, and a trial was instituted. Tessera moved to terminate, arguing that the counterclaim in the arbitration triggered the one-year statutory bar.

The PTAB denied Tessera's motion to terminate the IPR and held that a “complaint alleging infringement” does not include allegations of patent infringement other than those in a civil action. Looking at the plain language of the statute, the PTAB noted that § 315(b) “omits any reference to arbitral or administrative proceedings, even though such proceedings are contemplated elsewhere in the statute. In construing the meaning of a statute, it is just as important to consider what the statute does not say as it is to consider what it does say.” In reaching its decision, the PTAB stated:

> We do not adopt Tessera’s interpretation that an allegation of infringement in an arbitration proceeding triggers the one-year time period of section 315(b). Within the context of section 315(b), the phrase “served with a complaint alleging infringement of the patent” means a complaint in a civil action for patent infringement. What matters is that the complaint pleads a cause of action for patent infringement and is served lawfully on the accused infringer in a civil action. Once that happens, the accused infringer is subject to the time limit set forth in section 315(b) to petition for *inter partes* review.

BOS Gmbh & KG filed suit against Macauto Industrial Co., Ltd. (Macauto Taiwan) alleging infringement of U.S. Patent No. 6,422,291 (the ’291 patent). Macauto Taiwan moved to dismiss the case for lack of personal jurisdiction and the action was voluntarily dismissed without prejudice. BOS later filed suit against Macauto Taiwan's U.S. subsidiary, Macauto USA, alleging infringement of the ’291 patent. Macauto USA then filed a petition for inter partes review. This petition was filed more than one year after the Macauto Taiwan complaint, but less than one year after the Macauto USA complaint. BOS argued that the petition was barred because it was filed more than one year after the first complaint. The PTAB disagreed, holding that a voluntarily dismissed complaint does not trigger § 315(b).

The Board concluded that Federal Circuit law “consistently interpreted the effect of [voluntary dismissals without prejudice] as leaving the parties as though the action had never been brought.” Since the Macauto Taiwan action had been dismissed, its filing did not trigger the running of the one-year statutory bar.


When BOS filed suit against Macauto Taiwan (See Takeaway 6), it claimed that the complaint was delivered to Macauto Taiwan and that Macauto Taiwan signed and returned a waiver of service under Federal Rule of Civil Procedure 4(d). The waiver was, however, not filed with the district court. The PTAB held that service was improper and therefore could not establish a service date that would trigger the one-year statutory bar.

**Keywords:** litigation, intellectual property, inter partes review, § 315(b), statutory bar, statute of limitations, PTAB

*Herbert D. Hart III* is a shareholder, and *Malaika D. Tyson* and *Robert F. Kappers* are associates, at McAndrews Held & Malloy, Ltd., in Chicago, Illinois.
Qualification for Covered Business Method Review
By Paul C. Haughey – August 4, 2014

The America Invents Act (AIA) provided a transitional program for post-grant review of covered business method (CBM) patents by the Patent Trial and Appeal Board (PTAB). It sunsets after eight years and is currently set to expire on September 16, 2020. A CBM provides an alternative to court litigation for challenging the validity of qualifying business method patents. A CBM review has a number of advantages over an inter partes review (IPR, also enacted in the AIA) for qualifying patents:

- A CBM petition can be filed at any time; it is not limited to one year after service of a complaint like an IPR.
- The estoppel for a CBM is limited to issues actually raised, not issues that could have been raised, as in an IPR.
- A CBM can challenge a patent under 35 U.S.C. § 102 and § 103 like an IPR (except § 102(e)), and can also challenge a patent under § 101 and § 112.

CBM Requirements
1. Standing—suit or threat of suit. Petitioner or privy (e.g., customer) has been sued or charged with infringement (declaratory relief standard).
2. No filed invalidity suit. Petitioner or a real party in interest has not filed a civil action challenging the validity of the patent (declaratory relief). An invalidity counterclaim is acceptable.
3. Qualification. At least one claim of the challenged patent qualifies under the two-part test for a CBM:
   a. Invention is financially related (e.g., described as used for financial services).
   b. The novel elements of the claim are nontechnical.
      i. First prong: Does the claimed subject matter as a whole recite a technological feature that is novel and unobvious over the prior art?
      ii. Second prong: Does the claimed invention solve a technical problem using a technical solution?
4. Showing of invalidity. The challenged claims are shown to be “more likely than not” unpatentable under one of the allowed grounds under 35 U.S.C. §§ 101, 102, 103, or 112.

Standing—Suit or Threat of Suit
To initiate a CBM, the petitioner, or a real party in interest or privy of the petitioner, has to have been sued or charged with infringement. The rules interpret “charged with infringement” to mean it would qualify for declaratory judgment standing. 37 C.F.R. § 42.302(a). In SAP America, Inc. v. Versata Development Group, Inc., CBM2012-00001, Paper No. 70 (P.T.A.B. June 11, 2013), the PTAB held that a determination of invalidity in court that is on appeal does not bar a CBM review. In SAP America, Inc. v. Pi-Net International, Inc., CBM2013-00013, Paper No. 15

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(P.T.A.B. Sept. 19, 2013), the PTAB issued a trial initiation order holding that standing is granted when a customer was sued.

No Filed Invalidity Suit
A couple of CBM petitioners apparently missed the fact that the CBM statute employs all the statutory standards and procedures of a post-grant review (PGR) with listed exceptions. Thus, although no bar is listed in the CBM sections, the PGR sections prohibit a petition if “the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.” 35 U.S.C. § 325(a)(1). Thus, a prior declaratory relief filing for invalidity will bar a CBM petition. The key language is “filed a civil suit.” But a counterclaim of invalidity in a patent infringement suit does not bar a CBM petition. Note that a declaratory relief filing for noninfringement (as opposed to invalidity) has been held not to bar an IPR (Ariosa Diagnostics v. Isis Innovation Ltd., IPR2012-00022, Paper No. 20 (P.T.A.B. Feb. 12, 2013)), and the same logic applies to a CBM review.


Qualification
Up until April 22, 2014, in 63 CBM petitions with an institution decision, every single one was found to qualify. In other words, all were found to be used in a financial product or service and to be nontechnical. However, eight of those were not instituted because the higher standard for a § 101 challenge was not met, or, more often, there was not a showing that a claim was “more likely than not” unpatentable under other allowed grounds, in particular §§ 102 and 103. Two Experian and Epsilon v. Rpost petitions (discussed below) have the dubious distinction of being the first not to qualify. There will likely be more soon, as the number of filings has increased dramatically, and parties are likely to be pushing the envelope.

Financially related; used in a financial product or service. The PTAB has been liberal in finding use in a financial service, even where the petitioner had not in one example described below. The claim itself does not have to describe a financial service. It is enough if the patent describes one use as being financially related.

Rule 42.301(a) states: “Covered business method patent means a patent that 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, except that the term does not include patents for technological inventions.” (Emphasis added.)
Most CBM decisions involve methods that are clearly used in financial services. For example, in Apple v. Sightsound Technologies, Inc., CBM2013-00019, Paper No. 17 (P.T.A.B. Oct. 8, 2013), the claims recite a system for paying for songs or video over the Internet, then downloading. In LinkedIn Corp. v. AvMarkets, CBM2013-00025, Paper No. 13 (P.T.A.B. Nov. 12, 2013), the claim recited a method for generating an increased numbers of sales leads, which includes steps of gathering data items and making them available on web pages. In Chicago Mercantile Exchange, Inc. v. 5th Market Inc., CBM2013-00027, Paper No. 9 (P.T.A.B. Dec. 18, 2013), the claims related to a conditional order transaction network that interfaces with at least one external data source.

**Examples of financially related inventions.** In CRS Advanced Technologies, Inc. v. Frontline Technologies, Inc., CBM2012-00005, Paper No. 31 (P.T.A.B. Feb. 13, 2013), the claims recite a method for finding a substitute worker for an absent worker, using the Internet. The order said this was financially related because the patent describes it as applicable to retail banks, among other organizations.

In Volusion Inc. v. Versata Software Inc., CBM2013-00017, Paper No. 8 (P.T.A.B. Oct. 24, 2013), the claims recite a method of representing a plurality of items in a database hierarchically. The order said a person of ordinary skill in the art would have understood that the items displayed may be associated with financial services.

In Google Inc. v. Inventor Holdings, LLC, CBM2014-00002, Paper No. 16 (P.T.A.B. Apr. 1, 2014), patent 5,884,270 was found to qualify as a CBM. The claim was directed to parties exchanging data anonymously, such as for an employer communicating with prospective candidates. The PTAB said: “We are persuaded that matching job candidates and releasing their identities to a specific company or a potential employer . . . is an activity incidental or complementary to financial activity.”

In Google Inc. v. Unwired Planet, LLC, CBM2014-00004, Paper No. 9 (P.T.A.B. Apr. 8, 2014), involving patent 7,463,151, the claims related to providing mobile services using short range communication (e.g., RFID tags) devices. The PTAB held “Claim 22 of the ’151 patent recites a method for receiving an advertisement over a mobile network. See Ex. 1001, 8:28–35. Advertising is an activity that is incidental or complimentary to the financial activity of product sales.”

In Google Inc. v. Unwired Planet, LLC, CBM2014-00005, Paper No. 15 (P.T.A.B. May 9, 2014), involving patent 7,024,205, the claims related to subscriber delivered, location-based services. Since the services include ATM services, this was held to be financially related.

In Google Inc. v. Unwired Planet, LLC, CBM2014-00006, Paper No. 11 (P.T.A.B. Apr. 8, 2014), involving patent 7,203,752, the claims related to controlling access to location
information for mobile devices. The petitioner quoted language in the patent that “client applications may be service or goods providers whose business is geographically oriented,” and argued this could include financial business. The PTAB did not find this convincing, and instead did its own analysis. The PTAB noted the “client application may be associated with a service provider or a goods provider, such as a hotel, restaurant, or store, that wants to know a wireless device is in its area so relevant advertising may be transmitted to the wireless device.” Advertising is considered to be financial activity, and thus CBM qualification was found.

**Technological invention.** The examples described below are the best way to get a feel for what is considered technological. In general, if the claim is directed to using standard computer components to automate a business method, it is not technological. Also, if the novel parts are not technological, even if nonstandard technological elements are included in the claim, the claim as a whole may be nontechnological.

37 C.F.R. § 42.301(b) states: “Technological invention. In determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods (section 42.301(a)), the following will be considered on a case-by-case basis: whether the **claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art** [first prong]; and **solves a technical problem** using a technical solution [second prong].” (Emphasis added.) Both prongs must be met for the exception to apply.

The Office Patent Trial Practice Guide states:

The following claim drafting techniques, for example, typically do not render a patent a “technological invention”:

(a) Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.
(b) Reciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious.
(c) Combining prior art structures to achieve the normal, expected, or predictable result of that combination.

PTAB decisions have consistently held that standard elements in claims (computer, memory, etc.) do not make it technical (although they may prevent a § 101 challenge). Also, the decisions often find the problem solved is a financial or business problem, not a technical problem. A recurring theme is that many challenged patents were drafted to say that the programming steps or other implementation details are well-known to those of
skill in the art. The PTAB has been using this language to find that such steps, even if technical, are not novel or nonobvious technical steps.

**Examples of claim as a whole with technical elements that are not novel or nonobvious (first nontechnical prong).** In *Apple*, CBM2013-00019, the PTAB held that the technical aspects claimed were not novel—“memory,” “telecommunications line,” “transmitter,” and “receiver.”

In *Chicago Mercantile Exchange*, CBM2013-00027, the PTAB held that reciting “terminals,” “workstations,” and “controller computer” does not provide a novel part that is technical.

In *Liberty Mutual Insurance Co. v. Progressive Casualty Insurance Co.*, CBM2012-00011, Paper No. 12 (P.T.A.B. Feb. 25, 2013), the PTAB held that “the mere recitation of known technologies—namely a web browser, a communications network, various software modules, and a computer—does not render the claimed subject matter recited in independent claim 1 a technological invention.”

In *Search America, Inc. v. TransUnion Intelligence, LLC*, CBM2013-00037, Paper No. 18 (P.T.A.B. Feb. 7, 2014), the PTAB held the asserted technical step was nontechnical: “[E]xtracting at least a portion of the credit information and combining the extracted credit information with at least a portion of the patient data to form patient data with corresponding credit information.”

In *Dell Inc. v. Disposition Services, LLC*, CBM2013-00040, Paper No. 8 (P.T.A.B. Feb. 5, 2014), the PTAB said, “[W]e are persuaded that none of these elements recited in claim 1 represents a technological feature that is novel and unobvious over the prior art: An asset, an asset record, a tamper proof transport means, a transport record, customer and disposition facilities, a receipt record, sorting and disposing of an asset, and a disposition record.”

In *Agilysys, Inc. v. Ameranth, Inc.*, CBM2014-00014, Paper No. 19 (P.T.A.B. Mar. 26, 2014), the patent owner asserted that a technological feature of every claim is the functionality of specialized software to synchronize handheld computing device displays. The PTAB stated, “[W]e are persuaded that the recited software functionality, on which Patent Owner relies, is not novel and unobvious, but rather the predictable and expected result of known programming steps. As Petitioner argues, the patent specification itself describes the “discrete programming steps” for creating the recited software functionality as ‘commonly known.’”

engines were conventional technology prior to the invention. The PTAB failed to see how at least claim 2 of the ’924 patent recites the use of any non-prior-art technology.

Examples of technical v. business problem/solution (second nontechnical prong). In Volusion, CBM2013-00017, the PTAB held that the items displayed may be associated with financial services, and representing items in a database hierarchically is more of an organizational problem than a technical problem.

In SAP America, Inc. v. Versata, CBM2012-00001, the PTAB held that “[o]rganizing data into hierarchies however, is not a technical solution as this is akin to creating organizational management charts.”


In Interthinx Inc. v. Corelogic Solutions, LLC, CBM2012-00007, Paper No. 47 (P.T.A.B. Nov. 12, 2013), the PTAB held that the problem of appraising real estate was nontechnical, and difficulties in automating did not change the problem being solved.

In Salesforce.com, Inc. v. VirtualAgility, Inc., CBM2013-00024, Paper No. 16 (P.T.A.B. Nov. 19, 2013), the PTAB said the problems to be solved were deemed nontechnical: “the problem with the first class of software is the inflexibility of only having one model, while the problem with the second class of software is its complexity to non-technical users.”

In Chicago Mercantile Exchange, CBM2013-00027, the PTAB held that the problem solved was a financial problem, not a technical one: “Patent Owner alleges that the conditional order transaction network of claim 1 provides ‘a technical solution to a technical problem[,] i.e., the inability to monitor and effectively match multiple changeable contingent algorithmic/algorithmic or algorithmic/nonalgorithmic trades while receiving external data input as an independent variable or constraint variable for algorithm(s).’”

First nonqualifying cases with claims found to be technical. In Experian Marketing Solutions, Inc. and Epsilon Data Management, LLC v. RPost Communications Ltd., CBM2014-00010, Paper No. 20 (P.T.A.B. Apr. 22, 2014), involving patent 8,224,913, a CBM review was not instituted because the claim was technological. Claim 1 is broadly directed to later providing proof regarding the delivery and content of an email message, using particular protocol dialogs. Because the emails were described as including purchase receipts, it was deemed financially related. However, the PTAB agreed, in an April 22, 2014, decision, with the patent owner that the petitioner’s arguments were conclusory, and that the recording step was a technical feature that solved the technical
problem of providing reliable proof of the content and delivery of electronic messages. The patent owner had argued that “Applicant alone recognized the importance of storing the dialog that occurs between server and destination address that is generated when using mail transport protocol such as SMTP for later use in proof of the message and proof of the delivery of the message.” The Board said that “Petitioner has failed to provide persuasive evidence that such recording by the server configurations was known at the time of the invention of the subject matter of the ‘913 Patent.” The Board went on to say that “Petitioner has provided some analysis of claims 1 and 10, but has analyzed the method steps separately, instead of examining each claim as a whole, as required. Petitioner also has failed to demonstrate that the use of the electronic message systems, per the claimed processes, only would achieve the normal, expected, or predictable result of that combination.” (Internal citations omitted.)

In *Experian Marketing Solutions, Inc. and Epsilon Data Management, LLC v. RPost Communications Ltd.*, CBM2014-00017, Paper No. 21 (P.T.A.B. Apr. 22, 2014), involving patent 8,209,389, a CBM was not instituted for this related patent to the ‘913 patent discussed above for similar reasons in a decision also dated April 22, 2014.

**Statutory disclaimer of qualifying claim can avoid CBM.** If only some claims of a patent would allow it to qualify for CBM review, the patent owner can avoid a CBM by disclaiming those claims. The post-grant review (PGR) rules provide as follows:

37 C.F.R. § 42.207 Preliminary response to petition.

. . .

(e) Disclaim Patent Claims. The patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a), disclaiming one or more claims in the patent. No post-grant review will be instituted based on disclaimed claims.

Section 42.300(a) provides that CBM is subject to PGR procedures. In *Interthinx*, CBM2012-00007, the patent owner, for its preliminary response, filed a statutory disclaimer under 35 U.S.C. § 253(a) with the patent office on the claim relied on by petitioner to qualify for CBM review. However, the PTAB held that the petition referred to other claims, not disclaimed, as being similar, and instituted a CBM review.

**Showing of Invalidity**

**Higher bar for § 101 challenge.** Although nonnovel technical features in a claim may not prevent qualification as a CBM, they may prevent a § 101 subject matter challenge. Several orders find CBM qualification, then go on to deny instituting a trial because the technical aspects prevent a § 101 subject matter challenge (abstract method), which has a higher bar. For example,
in *Apple*, CBM2013-00019, the claims recite a system for paying for songs or video over the Internet, then downloading. The order said it qualified for CBM review because the electronic sale of digital audio is financially related, and the technical aspects claimed were not novel—“memory,” “telecommunications line,” “transmitter,” and “receiver.” However, the technical aspects were enough to deny instituting trial on § 101 grounds. Note a similar petition on the same patent, with §§ 102 and 103 ground challenges, did have a trial initiated. See CBM2013-00020.

**No § 102(e) art for CBM.** Section 18(C) defines CBM art under § 102 as art that qualifies under § 102(a) or (b) art that is not secret. While it was not the intent of the drafters to exclude § 102(e), the PTAB has interpreted the law as excluding § 102(e) art. Section 102(e) art is an earlier filed, but later issuing or publishing application that the PTAB considered “secret” art as it was not known at the time of the later filing of the challenged patent. Thus, § 102(e) prior art (filed before, issued/published later) is not currently allowed by the PTAB, although it can be used in an IPR. See, e.g., *MeridianLink, Inc. v. DH Holdings, LLC*, CBM2013-00008, Paper No. 24 (P.T.A.B. Sept. 12, 2013). Some members of Congress are trying to fix this, but it is uncertain when or if this will happen.

**Need to show “more likely than not” unpatentable.** The challenged claims must be shown to be “more likely than not” unpatentable under one of the allowed grounds under 35 U.S.C. §§ 101, 102, 103, or 112. Most petitions have used §§ 102 and 103 grounds, just like an IPR. A number have qualified, but then failed to meet this standard of likely success.

**Conclusion**

CBM reviews are proving to be a powerful and increasingly popular method to challenge business method patents. As new decisions are issued, they will provide more examples of the boundaries of what is considered nontechnical and financially related. The practitioner would be well served to review such decisions, especially the ones indicated as “not instituted” on the PTAB portal. (A review of the papers filed will quickly identify whether it was not instituted because it settled, which has happened in a number of cases.)

**Keywords:** litigation, intellectual property, covered business method, CBM, AIA, PTAB

Paul C. Haughey is a partner at Kilpatrick Townsend & Stockton LLP, in San Francisco, California.
NEWS & DEVELOPMENTS

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Supreme Court Weighs in on Patent-Eligible Subject Matter

On June 19, 2014, the United States Supreme Court in Alice Corp. Pty. Ltd. v. CLS Bank Int'l unanimously held that the patent claims at bar were drawn to an abstract idea, and abstract ideas cannot become patent eligible by merely requiring generic computer implementation. The case concerned a patent for a way, using a computer, to mitigate “settlement risk,” or the risk that one party in a financial transaction will not fulfill its obligations. Justice Thomas announced the opinion of the Court. Justice Sotomayor concurred, joined by Justices Ginsburg and Breyer.

The patent disclosed a scheme for mitigating risk through the creation of a clearinghouse. Under the scheme, a computer acted as an intermediary between the two transacting parties. The computer created “shadow” credit and debit records that updated in real time, and allowed only transactions when the shadow records indicated that the mutual obligations of the parties would be upheld. Through this computerized approval process, the scheme mitigated the risk that one party would not fully perform its obligations.

Before reaching the Supreme Court, the district court and Federal Circuit Court of Appeals found the patent ineligible for protection under 35 U.S.C. § 101. In 2007, CLS Bank sued Alice Corp. for a declaratory judgment that Alice’s patents were not valid or enforceable, and that CLS Bank was not liable for infringement. The district court found for CLS Bank, holding that the patent was drawn to an abstract idea and therefore was not eligible for protection under § 101. Alice Corp. appealed to the United States Court of Appeals for the Federal Circuit. On en banc rehearing, a plurality of a deeply fractured Federal Circuit Court of Appeals found the patent ineligible, following Mayo Collaborative Services v. Prometheus Laboratories, Inc., 132 S. Ct. 1289 (2012).

In reviewing the patent, the Supreme Court sought to “distinguish between patents that claim the building blocks of human ingenuity and those that integrate the building blocks into something more, thereby transforming them into a patent-eligible invention.” To do so, the Supreme Court applied the two-step Mayo framework: first determining whether the patent claims an abstract idea, among other unpatentable things, and second determining whether the claims—both individually and as an “ordered combination”—transform the nature of the claim into a patent-eligible application. The second step has been described as a search for an “inventive concept.”

The Supreme Court found an abstract idea, but not an inventive concept. First, the Court found the patent to be an abstract concept similar to “hedging,” as it is “a fundamental economic practice long prevalent in our system of commerce.” Second, the Court analogized the patent at issue to the patents found invalid in Mayo, Gottschalk v. Benson, and Parker v. Flook. By contrast, the Court found that the computer-implemented mathematical equation in Diamond v. Diehr was patent eligible because it contained extra steps that “transformed the process into an
Looking forward, some questions remain unanswered. For example, although the opinion in Alice Corp. clarifies the patentability of computer-implemented processes, the Court explicitly reserved the question of “the precise contours of the ‘abstract ideas’ category.” Further, to what extent must a computer-implemented patent take extra steps to gain protection under § 101? More generally, time will tell whether applications such as the one in this case should not be patent eligible, or whether we are following Alice Corp. down a rabbit hole.

Keywords: intellectual property litigation, abstract idea, patent-eligible, computer implementation

—Jarrad L. Wood, American University Washington College of Law, J.D. Candidate, 2015

June 20, 2014

Does Nautilus Avoid the "Zone of Uncertainty"?

On June 2, 2014, the Supreme Court eliminated the Federal Circuit’s “insolubly ambiguous” test for indefiniteness in Nautilus, Inc. v. Biosig Instruments, Inc., 134 S. Ct. 2120 (2014). Prior to Nautilus, the Federal Circuit held that a claim was not “insolubly ambiguous” if it was “amenable to construction, however difficult that task may be.” Exxon Research & Eng’g Co. v. United States, 265 F.3d 1371, 1375 (Fed. Cir. 2001). Citing the Supreme Court’s decision in United Carbon Co. v. Binney & Smith Co., 317 U.S. 228 (1942), the Federal Circuit explained that the purpose of the indefiniteness doctrine was to close the invention-stymieing “zone of uncertainty” by requiring that the claims be “reasonably clear-cut.” Exxon, 265 F.3d at 1375. The Federal Circuit thus crafted the “insolubly ambiguous” test for proving indefiniteness to give equal credit to the purpose of the requirement that claims be definite, as codified in 35 U.S.C. § 112(b), and the statutory presumption of validity accorded to all issued claims as set forth in 35 U.S.C. § 282 (and the attendant clear-and-convincing burden of proof). Exxon at 1375. The Federal Circuit reasoned that “[b]y finding claims indefinite only if reasonable efforts at claim construction prove futile,” the “insolubly ambiguous” test “accord[s] respect to the statutory presumption of patent validity.” Exxon, 265 F.3d at 1375.

The Supreme Court, however, found that the Federal Circuit’s “amorphous” test ran afool of the very reasons for which the Federal Circuit established the test. Nautilus, 134 S. Ct. at 2130–31. The Court explained that “[i]t cannot be sufficient that a court can ascribe some meaning to a patent’s claims; . . . [t]o tolerate imprecision just short of rendering a claim ‘insolubly ambiguous’ would diminish the definiteness requirement’s public-notice function and foster the innovation-discouraging ‘zone of uncertainty.’” Nautilus at 2130 (citation omitted). The Court also dismissed the notion that the “insolubly ambiguous” test was necessary to preserve the presumption of validity: the “presumption of validity does not alter the degree of clarity that § 112[(b)] demands from patent applicants; to the contrary, it incorporates that definiteness
requirement by reference.” *Nautilus* at 2130 n.10 (citing 35 U.S.C. § 282, ¶ 2(3)). In place of the “insolubly ambiguous” test, the Court established a “reasonable certainty” test. Specifically, “a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.” *Nautilus* at 2124. Although indefiniteness is a question of law, the Supreme Court chose to send the case back to the Federal Circuit to apply the “reasonable certainty” test in the first instance.

The “reasonable certainty” test seems to set a lower bar for indefiniteness, but what impact the test will have depends on how litigants address the test and how the Federal Circuit implements it. Of course, reasonable minds can and do differ about how claim terms should be construed, often coming up with reasonable, but differing, constructions. In light of *Nautilus*, parties may rely increasingly on expert testimony to do battle over what one skilled in the art at the time of the invention would understand by the claims. Despite the Supreme Court’s view, implementation of the *Nautilus* test may run afoul of the Supreme Court’s own directive that “if the claim were fairly susceptible of two constructions, that [construction] should be adopted which will secure to the patentee his actual invention, rather than to adopt a construction fatal to the grant.” *Smith v. Snow*, 294 U.S. 1, 14 (1935) (citations omitted). In any event, should the Federal Circuit implement a standard contrary to the Supreme Court’s mandate, the Supreme Court could take up *Nautilus* for a second time, as it did with *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013).

In addition, the impact of *Nautilus* on indefiniteness for means-plus-function claims is unclear, given that indefiniteness for means-plus-function claims depends on whether “the specification fails to disclose structure corresponding to the claimed function,” as opposed to whether the claims are “insolubly ambiguous.” *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 296 F.3d 1106, 1114 (Fed. Cir. 2002). As a result, the Federal Circuit may clarify its test for means-plus-function claims in view of *Nautilus*.

*Nautilus* has made indefiniteness one area of law to watch, as courts and litigants explore the contours of the new test over the coming months.

**Keywords:** intellectual property, litigation, insolubly ambiguous, indefiniteness, *Nautilus*

—Jeanne M. Heffernan and Leslie M. Schmidt, Kirkland & Ellis LLP, New York, NY