

Contested Proceedings Before the New Patent Trial and Appeal Board

Navigating PTO Practice Under the New Procedures

TUESDAY, APRIL 3, 2012

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

Today's faculty features:

Scott A. McKeown, Partner, **Oblon Spivak McClelland Maier & Neustadt**, Alexandria, Va.

Greg H. Gardella, Partner, **Oblon Spivak McClelland Maier & Neustadt**, Alexandria, Va.

The audio portion of the conference may be accessed via the telephone or by using your computer's speakers. Please refer to the instructions emailed to registrants for additional information. If you have any questions, please contact **Customer Service** at 1-800-926-7926 ext. 10.

Conference Materials

If you have not printed the conference materials for this program, please complete the following steps:

- Click on the + sign next to “Conference Materials” in the middle of the left-hand column on your screen.
- Click on the tab labeled “Handouts” that appears, and there you will see a PDF of the slides for today's program.
- Double click on the PDF and a separate page will open.
- Print the slides by clicking on the printer icon.

Continuing Education Credits

FOR LIVE EVENT ONLY

For CLE purposes, please let us know how many people are listening at your location by completing each of the following steps:

- In the chat box, type (1) your **company name** and (2) the **number of attendees at your location**
- Click the **SEND** button beside the box

Tips for Optimal Quality

Sound Quality

If you are listening via your computer speakers, please note that the quality of your sound will vary depending on the speed and quality of your internet connection.

If the sound quality is not satisfactory and you are listening via your computer speakers, you may listen via the phone: dial **1-866-570-7602** and enter your PIN -when prompted. Otherwise, please **send us a chat** or e-mail **sound@straffordpub.com** immediately so we can address the problem.

If you dialed in and have any difficulties during the call, press *0 for assistance.

Viewing Quality

To maximize your screen, press the F11 key on your keyboard. To exit full screen, press the F11 key again.

OBLON
SPIVAK

**Post Grant Patent Proceedings
Before the PTAB**
--Proposed Rules & Prognostications--
Scott McKeown
Greg Gardella



AIA Post Grant Mechanisms

Legislative Solutions

- **Patent Trial & Appeal Board (PTAB)**
- *Inter Partes* Review
- **Post Grant Review**
- **Transitional Business Method**
- **Derivation**
 - Whither *Ex Parte* Patent Reexamination, Patent Reissue?



Reexamination Landscape Changes

- **Patent Reexamination or Post-Grant?**
 - *Ex Parte* Patent Reexamination
 - SNQ Standard Holds
 - Anonymity? (1/5/12)
 - *Inter Partes* Patent Reexamination
 - SNQ Standard Replaced by AIA (9/16/11)
 - “*Reasonable Likelihood that Petitioner would prevail . . .*”
 - Effectively prima facie for 12 months.
 - Proceeding Replaced by AIA (9/16/12)
 - CRU to keep jurisdiction of current filings
 - Inter Partes Review Replaces



Inter Partes Review

Timing & Threshold

Major Differences with *Inter Partes* Reexamination

- **PTAB -- No Examination Phase (timing)**
- **Preliminary Response (fairness)**
- **Higher Standard (fairness)**
 - Lower grant rate than *inter partes* reexamination?
- **12-18 month duration by Statute (timing)**
 - 12 month extendible by 6 months for cause
 - Realistically 2 years
 - 3 months after prelim response or last date of filing.
- **Precluded first 9 months, or during PGR**



Inter Partes Review Mechanics

- **ALL PATENTS!!!**
- **Estoppel “reasonably could have raised”**
 - Office estoppel
 - Extended to ITC
 - Written decision only
- **Amendment**
 - 1 motion, or later joint motion
- **Settlement**
 - Business-confidential
 - Gov’t Agency and Public Request (show cause)



Inter Partes Review Quasi-Litigation

- **Limited Discovery**
 - Experts....“Other” in the interests of Justice
- **Oral Hearings**
- **Sanctions!!**
 - 11.18 harassment, abuse, improper purpose
- **Protective Orders**
- **Joinder.....Merger?**
- **Appeal by Either Party to CAFC**
- **Limited to 281 filings yearly (through 2016)**



Post Grant Review

- **Within 9 months of FITF Patent Issuance**
 - Broadening reissue
- **Unused until... 2015?**
 - Accelerated cases?
- **Scope**
 - 282(b)(2) or (3) defenses + novel or unsettled legal Q
 - No obvious-type double patenting
 - “more likely than not..” standard
- **Broader Estoppel**



Proposed Rules

- Proposed Rules Issued February 2012
- Final Rules August 2012
 - Refinement in Fall of 2012
 - Umbrella Rules
 - Practice Guide
 - PGR
 - IPR
 - Derivation
 - TPCBM
- Technical Amendment to AIA in Congressional limbo
 - Awaiting appropriate “vehicle”



Proposed Rules: Derivation Proceedings

- Petition must “[d]emonstrate that an invention was derived from an inventor named in the petitioner's application and, without authorization, the earliest application claiming such invention was filed.”
- Petition must include “at least one affidavit addressing communication of the derived invention and lack of authorization that, if unrebutted, would support a determination of derivation.”
- The showing of communication must be corroborated
- Parties may participate in binding arbitration but the Office is not bound by the result and may independently determine patentability



Proposed Rules: TPCBM Applicability

- Does not apply to “technological inventions” which are patents which “recite[] a technological feature that is novel and unobvious over the prior art; and solve[] a technical problem using a technical solution.”
- In other words, the point of novelty must be non-technical.
- Requester must have been sued
- Statutes favor stay
 - Provide for interlocutory review of stay refusal
 - Codifies factors courts should consider



Proposed Rules: Fees

- Fees of \$27,200 for IPR and \$35,800 for PGR for up to 20 challenged claims
- Fees ratchet up to \$68,000 and \$89,500, respectively, for 60 challenged claims
- Surcharges of \$27,200 and \$35,800, respectively, for each set of 10 additional challenged claims
- Fees based on prospective costs
- No refund for settlement



Proposed Rules: Provisions Applicable to IPR, PGR and TPCBM

- Broadest reasonable construction
- May be filed by any party other than the patent owner who is not estopped
- Petitions must specify how challenged claim is to be construed, including specification of corresponding structure for means-plus-function claims
- Patent Owner may file a preliminary response within 2 months
- Office will decide whether to institute Review within 3 months thereafter
- Any supplemental information relevant to any ground of review must be filed within one month of the decision
- Scheduling conference within 30 days



Proposed Rules: Provisions Applicable to IPR, PGR and TPCBM

- Patent Owner has, roughly, 2 months to respond to decision and propose any claim amendments
 - Exemplary timeline in proposal is not fixed
- Written decision will be rendered “normally no more than one year” from the decision to institute the Review
- Requests for re-hearing to be filed within 14/30 days
- Co-pending proceedings before the Office concerning same patent will be stayed, transferred, consolidated, etc. within the discretion of the Board.
 - Reexamination carve out?
 - Fact specific determinations



Proposed Rules: Discovery

- Direct testimony typically by affidavit (may be by deposition where compelled)
- Right to cross-examine declarants by deposition
- Discovery is not going to be a big component of IPR
 - Secondary considerations to be a discovery sword?
- Affirmative duty to produce material “information that is inconsistent with position advanced by the patent owner or petitioner during the proceeding.”
- Party may move for additional discovery that is “in the interests of justice”



Proposed Rules: Discovery

- In PGR and TPCBM proceedings, may additionally request additional discovery “upon a showing of good cause as to why the discovery is needed”
- Protective orders may be entered upon a motion to seal; access to materials may be restricted as deemed appropriate by the Board, such as prohibiting access to materials absent express permission from Board
- PGR to have more discovery opportunities due to breadth
 - 3rd parties to be subpoenaed by VA dist. Ct. where necessary
- PTAB will closely control discovery
 - Sanctions!



Proposed Rules: Settlements

- Board may in its discretion proceed to written decision
- Settlement agreement may release petitioner and thereby avoid estoppel on petitioner
- Can request adverse judgment
- Agreement may be sealed on the request of the parties, in which case the public will be given access only for good cause shown



Proposed Rules: Page Limits

- Petitions requesting IPR and Derivation proceedings are limited to 50 pages
- PGR and TPCBM petitions are limited to 70 pages
- Motions are limited to 15 pages
- Oppositions have same page limits
- Replies in support of petitions are limited 15 pages, replies in support of motions to 5 pages
- Proposed limits based on interference filings

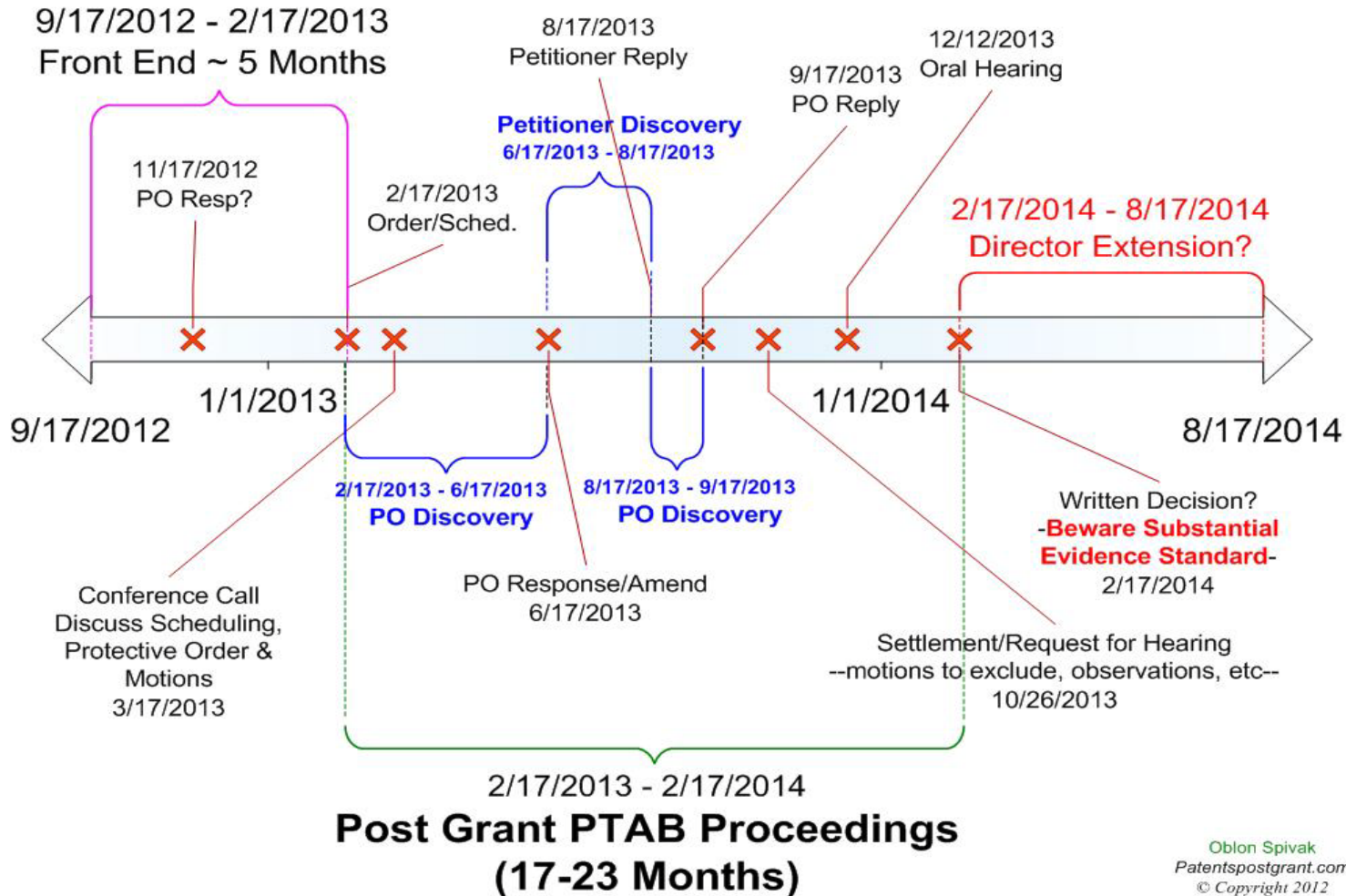


Proposed Rule Impacts

PTAB Proceedings Strategies, Problems and Predictions **Scott McKeown**



Post Grant Timeline





Hiring Counsel

- Lead counsel and back up counsel
 - Pro Hac practice likely to be quite limited
 - Experience, technical qualifications
 - Registered practitioners favored
- All filings via electronic system
 - Service copies
- Sanctions
 - Attorney fees
 - Refusal of filing, discovery, terminal disclaimer, etc.
 - Best not to go with inexperienced counsel



Post Grant Rule-Based Pitfalls

- **Preliminary Response (patentee)**
 - No new evidence (§§ 42.107; 42.207)
 - Can't rebut declarations of challenger
 - No extensions (two months to file)
 - PTO predicts 3% drop in grant rate as compared to IPX
 - Probably not advisable to file Prelim Response absent clear error
 - Challenger preparation time disparity
 - Mailing, counsel delays
 - Preview of arguments 6-7 months before filing...why?



Cost?!

Patentee Initiated

- **Post Grant Base Fee (1-20 claims) \$35,800**
- **Inter Partes Fee (1-20 claims) \$27,200**
 - Cost escalates for additional claims
 - One NTP patent would cost roughly \$2 million in fees!
 - Troll business model insulated?
 - Rejection based fee may be adopted
 - Economically feasible to attack all claims?
 - *Ex Parte* reexam now \$17,750
 - Patentees to aggregate claims in patents to thwart?



Realistic Page Limits??

- **Post Grant Request 70 pages**
- **Inter Partes Request 50 pages**
- **Motions 15 pages, reply 5**
 - Inclusive of claim charts
 - Double space, 14 point font, 8/12 x 11
 - Waiver limited to exceptional cases
 - Declarations?
 - IPX page avg. ~ 264 pages
 - Estoppel provisions and page count cannot coexist
 - Encourages splitting rejections among requests
 - Expect some modification to proposal



Patent Owner Estoppel??

- **Potentially Devastating to Large Patent Filers**
 - **42.73(d)(3)**
 - **Patent applicant or owner. A patent applicant or owner whose claim is canceled is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent:**
 - **(i) A claim to substantially the same invention as the finally refused or cancelled claim;**
 - **(ii) A claim that could have been filed in response to any properly raised ground of unpatentability for a finally refused or cancelled claim; or**
 - **(iii) An amendment of a specification or of a drawing that was denied during the trial proceeding.**



Patent Owner Estoppel??

- PTAB has exclusive jurisdiction over “involved applications” (§42.3)
 - *Involved* = an application, or patent, or claim subject to proceeding.
 - Follows interference model, but combined impact of 42.3 and 42.73(d) may be to disrupt continuation practice.
 - Amend or lose everything
 - Yet, only a “reasonable number” of substitute claims may be added
 - Bar organization outrage...statutory basis?



Estoppel & Litigation

- **New Proceedings Provide One-Sided Estoppel**
- ***Sony v. Dudas* Concern Addressed**
 - Defendant 1 year litigation bar
 - Triggered upon service of complaint
 - Includes privies
 - Impact of anniversary on “enactment defendants”
 - File *inter partes* reexamination or lose inter partes option
 - New defendants on “old patents”
 - Waiting
 - Be Mindful of Demand (400+ filings in FY 2011, not 281)
 - Old patents
 - File Early!



Estoppel & Litigation

- **Civil Actions (DJ) before date of Filing**
 - Venue Filings Could Haunt
 - No Inter Partes Review
 - Counterclaim is not a “civil action challenging validity”
- **Civil Actions on or after date of Filing**
 - Automatic stay
 - Venue “selection and freeze” mechanism
 - Patentee must move the court to lift stay, files counterclaim, or separate infringement action.
 - Will courts really care if the proceeding is truly completed in 12-18 months?



Inter Partes Review Estoppel Variations

	Estoppel Attaches	Valid USPTO & Later Proceeding	Invalid PTO or Court	Valid District Court & Later Proceeding	Parallel - Valid District Court
IPX	Final Decision (All Appeals Exhausted)	Estopped (raised or could have raised in IPX). 315(c) District Court Only	Game Over	Later IPX Estopped 317 (b) (later ex parte filing ok)	IPX Vacated (317(b)) "Race to Conclusion"
IPR	(PTAB) Written Decision	Estopped (raised or reasonably could have raised) ITC & District Court (315(e)(2)) <small>** (Other office proceedings may not be maintained)</small>	Game Over	Outside of 12 month window Practical Estoppel (but ex parte ok)	No Estoppel (IPR Continues)



Estoppel & Litigation Which Option?

- **PGR estoppel is all encompassing**
 - Wait 9 months and file IPR to reserve defenses
 - 112 and 101 best kept for courts anyway
 - Exception for TPCBMP (actually raised estoppel)
 - Note statutory dead zone
- **Stays?**
 - Plaintiff prejudice argument undermined by speed
 - Reverse prejudice....
 - Judges sensitive to one sided shut down ??? Show-down
 - Considered earlier in cases by design



Thank You

Patents Post Grant.com

Greg Gardella

ggardella@oblon.com

Scott A. McKeown

smckeown@oblon.com