

Inter Partes Review (IPR): Lessons from the First Year

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Inter Partes Review

- Key distinctive features over *inter partes* reexamination:
 - Limited Duration
 - Limited Amendment by Patent Owner
 - Some Discovery Permitted (e.g., Expert, invention date)
 - Ability to Settle and End Proceeding

Inter Partes Review

- Key distinctive features over litigation:
 - Limited Duration
 - Reduced Cost (however, USPTO filing fee at least \$23,000 per patent – can be significant in multiple patent case)
 - Focus on Invalidity Only
 - Narrow, Focused Discovery (Expert, invention date)
 - Early, Favorable Settlement Opportunities
 - More lenient standards for both claim construction and burden of proof

Pace of Institution Decisions

- Total Petitions filed: 486
- Total Institution Decisions: 200
- Average Pendency to Institution Decision is five months

Decisions to Institute IPR

- Total petition decisions: 200
- Total petitions granted in whole or in part: 156 (78%)
- Granted on 94% of claims challenged

Decisions to Institute IPR

- Looks promising
 - 78% petitions granted
 - 94% of claims
- However...

Decisions to Institute IPR

- Looks promising
 - 78% petitions granted
 - 94% of claims
- However...**only granted on 50% of grounds raised on average**
 - Grounds denied as redundant or cumulative

Issues for Concern

- Institution on Limited Claims
- Institution on Limited Grounds
- Still no final decisions on the merits or appellate decisions to provide guidance

Institution on Limited Claims

- If IPR granted on fewer than all claims raised, then IPR potentially cannot resolve all the claims raised in litigation
- Courts are less likely to stay litigation pending IPR if there will still be claims to resolve regardless of IPR outcome
- Even though no estoppel, difficult to maintain challenge in court

Institution on Limited Grounds

- Estoppel provision prevents Petitioner from litigating validity of the patent based on any grounds raised or that reasonably could have been raised.
- Likely that all grounds not adopted by the PTAB will be estopped.

Institution on Limited Grounds

- Denying institution on “redundant” or “cumulative” grounds may present a threat to Petitioners.
 - Contents of prior art rarely truly redundant or cumulative – depending on arguments presented by Patent Owner certain art may be stronger or weaker
 - Prevented from using “redundant” prior art in the IPR (unless amendment by patent owner)
 - Likely to be estopped from using prior art in litigation
 - Limited recourse (Request for rehearing)

Redundant Grounds

- PTAB often denies grounds as redundant or cumulative (>50% of grounds in granted petitions)
- Board will pick the strongest grounds unless Petitioner makes clear the strengths and weaknesses of each ground (Liberty Mutual, (CBM2012-00003))
- The stated reason is that the redundant grounds would interfere with “the just, speedy, and inexpensive resolution of every proceeding” as required under 37 C.F.R § 42.1(b).

Redundant Grounds

- Redundant grounds generally fall into two categories:
 - Horizontal: Multiple primary references with largely overlapping disclosures
 - Vertical: Multiple secondary references used to allege obviousness in view of a common primary reference
- Seemingly small differences between each prior art reference may turn out to be important, but petitioner is foreclosed
- Different references may have different prior art status, e.g. 102(b) references cannot be sworn around, but a 102(a) or 102(e) reference may be

Redundant Grounds

- Petitioner may not hold grounds in abeyance
- “With respect to [petitioner]’s proposal of holding certain denied grounds in abeyance, such a serial procedure would introduce unnecessary, significant delays and inefficiencies. “ IPR2013-00083.

Request for Rehearing

- Standard: Abuse of discretion (37 C.F.R. § 42.71(c))
- The request must specifically identify all matters the party believes the Board misapprehended or overlooked (37 C.F.R. § 42.71(d))

Request for Rehearing

- The Board will only reverse a prior “cumulative grounds” rejection if the petitioner is able to “provide a meaningful distinction between the different, redundant rejections.” It will not be enough for a petitioner to argue that the cited references are not identical, or to “speculate[] that in certain publications an element may be more clearly set forth in one publication rather than another.” Rather, a petitioner must provide an adequate explanation as to the differences between the references and “how this difference would impact the unpatentability challenge.” (IPR2012-00006.)

Request for Rehearing

- “[Petitioner] does not explain that any of the denied grounds are any more relevant than the grounds on which the review was instituted.” (IPR2013-00082)
- Other requests for rehearing have been granted: trial instituted on grounds denied in initial determination

Request for Rehearing

- Bottom line: *Request Rehearing*
 - Request might be granted
 - Preserves right to later argue that estoppel should not apply to denied grounds

Redundancy Even Applies to Anticipation v. Obviousness Grounds

- Institution Decision (IPR2013-00075)
 - Granted IPR based on § 102 anticipated by Schilit
 - Denied IPR based on § 103 obviousness over Schilit and Barrett
- Petition for Rehearing Denied

Redundancy Even Applies to Anticipation v. Obviousness Grounds

- “What matters for determining redundancy of grounds is whether Petitioner has articulated meaningful distinction in the potential strength and weaknesses of the applied prior art.”
- The obviousness contention does not acknowledge that any claim limitation is not disclosed by at least one of Barrett and Schilit
- Petition expresses no tentativeness or lack of confidence in connection with finding that any claim limitation is disclosed in Schilit

Redundancy Even Applies to Anticipation v. Obviousness Grounds

- If anticipation is overcome for any reason, e.g., a minor change in claim construction or a single gap in the disclosure of the reference, no recourse to obviousness

Reviving “Redundant” Grounds

- After amendment may be possible to revive formerly denied grounds
- *Rexnord Industries LLC. v. Kappos*, 705 F.3d 1347 (CAFC 2013) – Recent decision in inter partes reexamination, CAFC held that on judicial review an appellant can raise any ground supported in the record, even grounds not adopted by the examiner (i.e., from the petition)
- Seems unlikely to be available in IPR

At Odds with CAFC?

- *Randall Mfg. v. Rea*, ___ F. 3d ___ (Fed. Cir. 2013) (Oct. 30, 2013)
- “Blinkered” approach to obviousness inconsistent with KSR
- “By narrowly focusing on the four prior-art references cited by the Examiner and ignoring the additional record evidence Randall cited to demonstrate the knowledge and perspective of one of ordinary skill in the art, the Board failed to account for critical background information that could easily explain why an ordinarily skilled artisan would have been motivated to combine or modify the cited references to arrive at the claimed invention.”

At Odds with CAFC?

- Apparently standard practice of limiting grounds at the outset in the name of “just, speedy, and inexpensive resolution of every proceeding” presents a substantial risk to Petitioners
- Decision to limit grounds unlikely to be overturned by rehearing request, and appears to be unappealable to CAFC

Estoppel for Denied Grounds?

- 35 U.S.C. § § 315(e)(2) and 325(e)(2): Estopped in litigation from asserting claim is invalid on any ground raised or reasonably could have been raised
- What about grounds raised in petition that are denied?
 - Denied because of failure to meet threshold (35 U.S.C. § § 314(a) and 324(a))
 - Denied because cumulative to grounds on which trial is granted

Estoppel for Denied Grounds?

- *Belkin International, Inc. v. Kappos*, 696 F.3d 1379, 1385 (Fed. Cir. 2012): “The question whether or not the estoppel statute works to preclude citation of a piece of prior art that a requester cited to the PTO, but that the Director determined did not raise a substantial new question of patentability, is not before us.”

Stays of Litigation

- Courts are applying a similar test used for deciding motions to stay litigation pending reexamination
- IPR may increase the likelihood of a stay granting because of its timing (<1 year after start of litigation) and its limited duration (18 months)

Stays of Litigation

- Inter partes reexamination ~50% rate
- IPR: 48 stays granted (rate of ~70%)
- Even if a stay is not granted it is likely that an IPR will conclude before a trial

Thank You



Matt Kreeger chairs Morrison & Foerster's PTO Trial Practice Group, and has served as lead counsel in numerous interferences, reexaminations and inter partes reviews. He also frequently litigates patent cases in district court, arbitrations and the ITC. He is a partner in the firm's litigation and intellectual property groups.

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