

### 3 Lessons from Unsuccessful Inter Partes Review Petitions

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In the first two and a half years of inter partes reviews, the proceedings have proved potent, cancelling hundreds of patents and over 3,000 claims.<sup>1</sup> Nevertheless, the Patent Trial and Appeal Board doesn't automatically institute IPRs, despite some suggesting otherwise.<sup>2</sup> The PTAB must first decide whether to institute an IPR by reviewing the petition, and, if filed, the optional patent owner's preliminary response (POPR). For the PTAB to institute, the petitioner must show a "reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."<sup>3</sup>

In reality, the PTAB has instituted only 69 percent (1079/1559) of IPR petitions, denying nearly a third. But include properly filed joinder petitions, and the percentage—often quoted without caveat—jumps to 76 percent (1188/1559).<sup>4</sup>

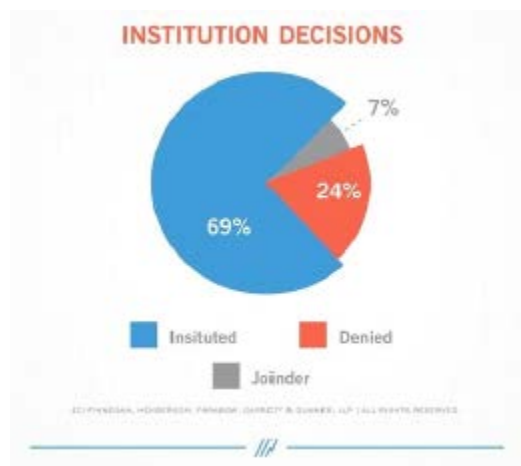


Figure 1: Institution decisions.<sup>5</sup>

To be sure, the threshold showing does not seem to be an overwhelming hurdle to vault. The board has found unpatentable a majority of the claims it has considered: 73 percent (2497/3425).<sup>6</sup> Any patent owner's first goal should be to prevent IPR institution, if possible. So what can patent owners do to increase their chances that the PTAB will deny petitions filed against them?

### **1. Recommendation: File Only Forward-Looking Specifications and Claims**

Once someone files an IPR petition and the board grants it a filing date,<sup>7</sup> patent owners have only three months to prepare an optional POPR.<sup>8</sup> Therefore, earning IPR denials begins early, during claim and specification drafting.

The importance of claim and specification drafting is heightened because the ability to amend claims in IPRs has been virtually nonexistent. In the first 224 IPR final written decisions,<sup>9</sup> it appears that substitute claims were considered in about 26 percent (59/224) of these cases, with only three cases allowing substitute claims (1.3 percent, three out of 224 cases overall; 5 percent in three out of 59 cases in which substitute claims were considered).<sup>10</sup>

Patent owners have particular challenges arguing claim construction in a POPR (and during an IPR). The PTAB uses the "broadest reasonable interpretation" (BRI) claim construction standard,<sup>11</sup> whereas a district court applies the narrower Phillips standard. While it is in patent owner's interest to have the board adopt a BRI that does not lead to the board holding claims unpatentable, they still must think about infringement. This can be challenging because in a POPR or during IPR, patent owners will have to propose claim constructions without the benefit of discovery regarding the petitioner's potentially infringing product. When drafting claim language and the specification, patent owners should try to lay the foundation for desired claim construction positions—in either forum.

This will mean following fundamental drafting principles, such as checking to define and use consistently important claim terminology. It may also mean using "patent profanity"—i.e., claim terms normally best avoided<sup>12</sup>—for "critical" embodiments that could put limits on a broad but "reasonable" construction, and could be advantageous to patent owners,<sup>13</sup> while maintaining claims to other embodiments without profanity to preserve a broad, fully supported claim scope for infringement.

Patent owners should draft the specification with multiple embodiments to mirror and support a range of claim scopes, from broad to narrow. Patents with several claims of varying claim scope are more likely to have one or more claims survive IPR—thus preserving patent term. Ideally, the patent should include broad claims for infringement and "picture" claims covering, at a minimum, literal infringement. The narrower claims, assuming that they will be infringed, likely provide strong patentability positions both during prosecution and IPR trial, as it may be more difficult to find prior art that discloses, teaches or suggests their narrow limitations. And the broader claims can offer context for claim interpretation of the narrower claims, and protect the invention from design-around variants.

The first inter partes review decided and appealed, *Garmin Int'l Inc. v. Cuozzo Speed Technologies LLC*, IPR2012-00001,<sup>14</sup> highlights why patent owners should include a narrow claim with written description support in the specification. There, the board denied a motion to amend seeking substitute claims because none of the original claims covered any embodiment that would be within the scope of the proposed substitute claim.<sup>15</sup> Had Cuozzo included both broad independent claims and other narrow claims covering more specific embodiments (with corresponding written description support), Cuozzo might have had an original claim it could have relied on, eliminating the need to amend the claims entirely, or making it more likely that the board would grant their motion to amend, whether in IPR or reissue practice.

## **2. Recommendation: Practice Forward-Looking Prosecution**

Pursuing and maintaining child applications after issuance of a parent patent has long been good practice to pursue additional claim scope. Now, keeping a family member alive can also help a patent owner facing IPR.<sup>16</sup> This can involve re-examination, reissue and continuation practice. For example, if PTAB does not allow a patent owner to enter a particular proposed substitute claim, as long as the subject of the proposed substitute claim is patentably distinct from any canceled claims, the proposed claim could still be pursued in a pending family member, reissue or other examination proceeding.<sup>17</sup>

And ongoing prosecution can be important to the IPR and ongoing litigation as well—evidence and arguments submitted during the prosecution of other applications in the family chain can be introduced and relied upon in a POPR or patent owner response to a patent undergoing IPR.<sup>18</sup>

To be sure, an IPR can only be instituted under 35 U.S.C. §§ 102 and 103 over patents and printed publications. However, §112 issues may be raised in a petitioner's challenge to a claim's entitlement to a priority date to bring in an additional reference, and the board may find the claims too ambiguous to construe, and deny institution—a pyrrhic victory, for obvious reasons.<sup>19</sup> Patent owners can use careful drafting to try to avoid such support problems.

And then there are the ways to show claims would not have been obvious. Exercising caution, patent owners can submit carefully considered declarations, putting more in the record during prosecution—which may benefit the patent in the face of an IPR challenge. Consider submitting solid arguments and/or declarations during prosecution—arguments and declarations supporting §112 and §103 positions. By board rule, in the POPR, a patent owner cannot "present new testimony evidence beyond that already of record."<sup>20</sup> But they are permitted to point to any evidence of record in the prosecution history and any other relevant publicly available documents.<sup>21</sup>

For example, in *Omron Oilfield & Marine Inc. v. Varco LP*, IPR2013-00265, the patent owner in its POPR referred to objective evidence of nonobviousness (here, commercial success) submitted during re-examination. The patent owner pointed to the re-examination declarations highlighting objective evidence of nonobviousness and linking that evidence to the claimed invention.<sup>22</sup> Denying institution, the PTAB found first that the petitioner made out a prima facie case of obviousness. They then assessed the objective evidence of record, balanced it against the evidence of obviousness,

and found the objective evidence of nonobviousness persuasive.<sup>23</sup> PTAB denied institution on all challenged claims.<sup>24</sup>

As always during prosecution, the applicant must collect and present evidence, conforming to current patent case law—especially as set forth in the Manual of Patent Examining Procedure. And applicants should always endeavor to avoid inequitable conduct.<sup>25</sup> Evidence or a declaration thrown together in haste—or otherwise considered defective—may be harmful rather than helpful.<sup>26</sup> So patent owners should proceed judiciously, making reasoned, well-supported legal arguments. Since inequitable conduct cannot be raised during an IPR or post-grant review, there would likely be no estoppel precluding a losing IPR or PGR petitioner from raising inequitable conduct in any subsequent litigation.

### 3. File a Carefully Argued and Complete POPR

By statute, a patent owner "may" file a POPR before the institution decision.<sup>27</sup> The commentary to the IPR/PGR rules expressly states that "[n]o adverse inferences will be drawn where a patent owner elects not to file a response or elects to waive the response."<sup>28</sup> But patent owners must consider that their chances of having an IPR petition denied will almost certainly be increased when an effective POPR is filed, particularly if the strength of the patent was enhanced through artful drafting of the claims and specification and forward-looking prosecution. Remember—a denied IPR petition is a complete win for the patent owner.

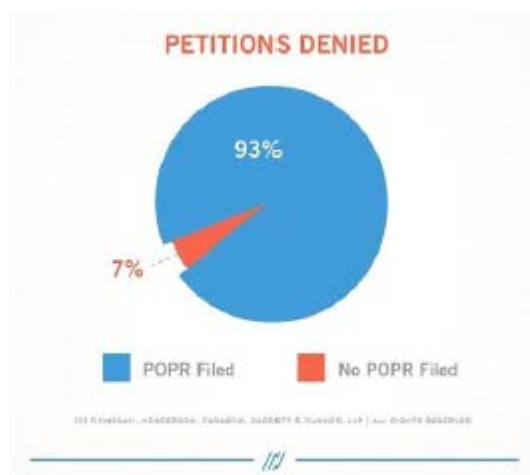


Figure 2: Sample of 41 bio/pharma/chem IPR denials of institution.

In 41 of the sample of 165 decisions, the petition was denied, and in 38 of 41, a POPR was filed (93 percent).<sup>29</sup> In 21 of 26 cases where the board instituted trial on less than all the asserted claims, the patent owner filed a POPR (81 percent).<sup>30</sup> In 73 of 102 cases where the board instituted trial on fewer than all the grounds asserted in the petition, the patent owner filed a POPR (72 percent).<sup>31</sup>

The POPR provides patent owners—particularly forward-looking patent owners with an excellent specification and prosecution history—with the opportunity to, among other things:

- attack the petitioner's standing;
- attack the status of references as prior art;
- attack the petitioner's proposed claim constructions;
- attack the petitioner's unpatentability arguments;
- tell the PTAB why the petition should be denied before a decision on institution, framing the case early, in a way that will remain unrebutted until institution.

In a recent law review article, one of the authors analyzed the first 274 denials of IPR, tracking and counting what the board highlighted as their primary motivation for denial.<sup>32</sup> As shown below, the overwhelming majority of those denied were not due to a standing or procedural error—"did not timely file" or "other"—but rather denied the petition due to either a failure of the evidence presented or a failure to adequately explain or provide reasons to the board. Thus, the patent owner has a chance in the POPR to help PTAB see these weaknesses and conclude that the petitioner did not carry its burden of showing a substantial likelihood of unpatentability.

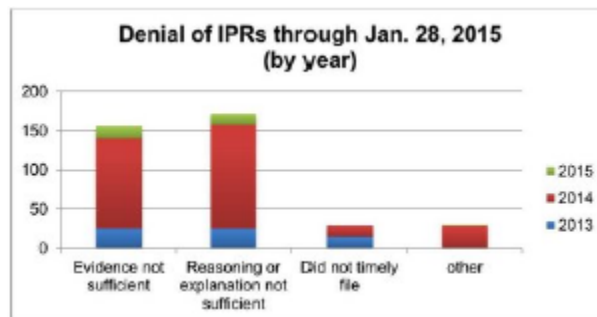


Figure 3: Primary Reasons for Denial of the first 274 IPR Petitions<sup>33</sup>

The POPR also gives patent owners the chance to propose a desired claim construction. Proposing claim constructions at the POPR stage may facilitate outright denial, fewer instituted claims, fewer instituted grounds, or, at least, a trial instituted using the patent owner's desired claim construction rather than the petitioner's. A POPR also allows patent owners to show how the intrinsic evidence (the carefully crafted and fully supported claims, specification, and prosecution history) support the patent owners' desired claim constructions.<sup>34</sup>

To be sure, when the board first introduced IPR, some were concerned that filing a POPR would provide the petitioner an unfair first look into patent owners' IPR strategies.<sup>35</sup> But this concern has been significantly offset by the risk associated with canceled claims if the PTAB institutes an IPR. The POPR provides an opportunity for the patent owner to enter unrebutted arguments of their own prior to institution—earning the ear of the board in a way unlike any other time during trial. The PTAB's desire to have petitioners front-load cases—which makes the most efficient use of the PTAB's resources by allowing PTAB to make the institution decision based on the most information possible—applies to patent owners, too.

If patent owners have dutifully entered relevant and compelling information in the prosecution history, and addressed the closest relevant prior art, that could very well help patent owners convince the PTAB to deny any petitions against the patent.<sup>36</sup> In particular, in the POPR, the patent owner can provide the PTAB a concise, compelling argument why the board should not institute. This may help judges who otherwise would be considering only the petitioner's arguments and expert declaration. Concise, compelling arguments could help PTAB achieve the statutory objectives that IPR proceedings remain "just, speedy, and inexpensive."

## Conclusion

For any patent hit with a petition, avoiding an IPR remains the best-case scenario, particularly since the Federal Circuit cannot review the denial.<sup>37</sup> Forward-looking claim and specification drafting, prosecution, re-examination and reissue practice may help better the patent owner's odds. And filing a carefully crafted POPR can lead to denial or an institution on fewer grounds and/or claims than those presented.

## Endnotes

<sup>1</sup> See., e.g., America Invents Act: PTAB Stats, Finnegan, available at <http://www.aiablog.com/> (posting monthly updates of PTAB statistics); Brian J. Love & Shawn Ambwani, Inter Partes Review: An Early Look at the Numbers, 81 U. of Chi. L. Rev. Dialogue 93, 93 n.3, 94 (2014) (collecting blog statistics; gathering own).

<sup>2</sup> See Kyle Gottuso & Michelle Taylor, Statistical Overview of the First Twenty Months of Inter Partes Review Final Decision, Senniger Powers (posted June 26, 2014) ("The PTAB institutes trial on petitions for IPR at a very high rate."); Tony Dutra, Rader Regrets CLS Bank Impasse, Comments on Latest Patent Reform Bill, Bloomberg BNA Legal and Business News (Oct 29, 2013), available at <http://www.bna.com/rader-regrets-cls-n17179879684> (visited Mar. 23, 2015) (quoting Randall Rader, then Chief Judge of the US Court of Appeals for the Federal Circuit, stating that "the PTAB . . . [is] 300 administrative patent judges 'acting as death squads, killing property rights'").

<sup>3</sup> 35 U.S.C. § 314(a).

<sup>4</sup> As of March 6, 2015. Source: [http://www.uspto.gov/sites/default/files/documents/030515\\_aia\\_stat\\_graph.pdf](http://www.uspto.gov/sites/default/files/documents/030515_aia_stat_graph.pdf).

<sup>5</sup> See U.S. Patent & Trademark Office, AIA Trial Statistics: Graphical Subsets (post Mar. 6, 2015) available at [http://www.uspto.gov/sites/default/files/documents/030515\\_aia\\_stat\\_graph.pdf](http://www.uspto.gov/sites/default/files/documents/030515_aia_stat_graph.pdf).

<sup>6</sup> As of March 1, 2015. Source: Finnegan research, with thanks to Daniel Klodowski, Kai Rajan, Elliot Cook, Joseph Schaffner, and Cara Lasswell.

<sup>7</sup> In a Notice of Filing Date Accorded. Data shows that the average time to a Notice of Filing Date Accorded has crept up, and the wait can sometimes be as long as a month or more, potentially delaying any final written decision that goes the distance. Note to the early the Board practice of designating a managing judge under 37 C.F.R. § 42.5 has disappeared from most notices.

<sup>8</sup> 37 C.F.R. § 42.107(b) (2015) ("(b) Due date. The preliminary response must be filed no later than three months after the date of a notice indicating that the request to institute an inter partes review has been granted a filing date.").

<sup>9</sup> As of March 1, 2015. Source: Finnegan research, with thanks to Daniel Klodowski, Kai Rajan, Elliot Cook, Joe Schaffner, and Cara Lasswell.

<sup>10</sup> *Id.*

<sup>11</sup> *In re Cuozzxo Speed Techs., LLC*, 2015 WL 448667 (Fed. Cir. Feb. 4, 2015) (upholding BRI).

<sup>12</sup> See Sarah Goodman, Patent Profanity—It's Not What You Think, The University of Notre Dame Master in Science in Patent Law Blog (posted Feb. 4, 2013), <http://blogs.nd.edu/patentlaw/2013/02/04/patent-profanity-its-not-what-you-think/> ("When drafting patent applications, it is important to avoid the use of certain terminology. Some specific words should either never be used or be used with extreme caution. The use of these words is commonly called "patent profanity." Patent profanity includes words and phrases that cause unnecessary complicated litigation and limit a patent's scope.").

<sup>13</sup> See, e.g., *Conopco, Inc. v. Procter & Gamble Co.*, IPR2013-00510, Paper X (P.T.A.B. DATE) (Petitioner argued "no evidence in the '155 patent or its file history of the criticality of the recited ranges in the compositions as claimed[.]").

<sup>14</sup> *Garmin Int'l, Inc. v. Cuozzxo Speed Techs. LLC*, IPR2012-00001, Paper 59 (PTAB Nov. 13, 2013), *aff'd* in *In re Cuozzxo Speed Techs., LLC*, 2015 WL 448667 (Fed. Cir. Feb. 4, 2015).

<sup>15</sup> 35 U.S.C. § 316(d)(3) (2012).

<sup>16</sup> Keeping in mind that the Patent Owner should avoid "unreasonable and unexplained delay" in patent prosecution. See, e.g., *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009); *In re Bogese*, 303 F.3d 1362 (Fed. Cir. 2002); *Symbol Tech., Inc. v. Lemelson Medical, Educ. & Research Foundation*, 422 F.3d 1378 (Fed. Cir. 2005).

<sup>17</sup> Note that this is not the case for claims canceled by certificate—which represent the end of the line. 37 C.F.R. § 42.73(d)(3); *A.C. Dispensing Equipment Inc. v. Prince Castle LLC*, IPR2014-00511, Paper 18 (PTAB Oct. 17, 2014) ("Patent Owner will not be permitted to obtain in a patent any claims that are not patentably distinct from any claim that is canceled as a result of this proceeding.").

<sup>18</sup> See 37 C.F.R. § 42.107(c) ("No new testimonial evidence. The preliminary response shall not present new testimony evidence beyond that already of record, except as authorized by the Board."). See also *Anova Food, LLC v. Kowalski*, IPR2013-00114, Paper 11 (PTAB June 25, 2014), where the PTAB accepted declarations prepared during litigation.

<sup>19</sup> *Butamax Adv. Biofuels LLC v. Gevo, Inc.*, IPR2013-00539, Paper 33 (PTAB Mar. 3, 2015).

<sup>20</sup> See § 42.107(c).

<sup>21</sup> See *Anova*, Paper 11, at 3 ("37 C.F. R § 42.107(c) applies only to 'new' testimony that was taken specifically for the purpose of the inter partes review proceeding at issue, as supported by the discussion and the comments that accompanied the rule. For example, a party submitting the prosecution history for the challenged patent may include a copy of the declarations contained therein. . . . [the] Declaration of Darren Zobrist that was filed in the United States District Court for the District of Hawaii . . . is not 'new' testimonial evidence relied upon by the Patent Owner to support the contentions in the preliminary response, and thus can be appropriately submitted with the response.").

<sup>22</sup> *Omron Oilfield & Marine, Inc. v. Varco, L.P.*, IPR2013-00265, Paper 1 (PTAB May 3, 2013).

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> Many cases have found inequitable conduct before the Office. See, e.g., *Aventis Pharma S.A. v. Hospira, Inc.*, 675 F.3d 1324 (Fed. Cir. 2012); *Apotex Inc. v. Cephalon, Inc.*, 2011 WL 6090696 (E.D. Pa. 2011), *aff'd without op.*, (Fed. Cir. 2013); *Intellect Wireless, Inc. v. HTC Corp.*, 732 F.3d 1339 (Fed. Cir. 2013); *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333 (Fed. Cir. 2013); *Apotex, Inc. v. UCB, Inc.*, 763 F.3d 1354 (Fed. Cir. 2014); & *Am. Calcar, Inc. v. Am. Honda Motor Co., Inc.*, 768 F.3d 1185 (Fed. Cir. 2014).

<sup>26</sup> See, e.g., *K-40 Electronics, LLC v. Escort, Inc.*, IPR2013-00203, Paper 6 (PTAB Aug. 29, 2013) (instituting IPR based on legally defective declaration submitted and originally accepted during prosecution).

<sup>27</sup> 35 U.S.C. §§ 313, 323 (2012).

<sup>28</sup> 77 Fed. Reg. 48,680, 48,689 (Aug. 14, 2012)

<sup>29</sup> Source: Finnegan research.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*



<sup>32</sup> See Jonathan Stroud & Jarrad Wood, 300 Nos: An Empirical Analysis of the first 300+ Denials of Institution for Inter Partes and Covered Business Method Reviews Prior to *In re Cuozzxo Speed Technologies, LLC*, 14 J. Marshall Rev. Intell. Prop. L. 112, at 118 (2015).

<sup>33</sup> *Id.*

<sup>34</sup> *Contra Butamax Advanced Biofuels LLC v. Gevo, Inc.*, IPR2013-00539, Paper 33 (PTAB March 3, 2015) (granting institution after patent owner waived the preliminary response, where the Patent Owner not only did not fully support the claims through the chain of patent applications and so the Board adopted some of petitioner's key constructions).

<sup>35</sup> See, e.g., Carly S. Levin et al, IPR Spotlight Series: Evaluating Whether to File a Preliminary Patent Owner Response, Venable LLP News & Insights (posted June 13, 2014) ("[A] patent owner may choose to wait for the post-institution response to consolidate all of its responsive arguments rather than revealing only certain of its arguments. Similarly, the patent owner may . . . wish to reserve them for when they can be presented most effectively.").

<sup>36</sup> See, e.g., *Prism Pharma Co., Ltd. v. Choongvae Pharma Corp.*, IPR2014-00315, Paper 14 (July 8, 2014) ("The same prior art [] and arguments substantially the same as Petitioner's current contention [] were presented previously to the Office [during prosecution] . . . . We exercise our discretion and deny the Petition under 35 U.S.C. § 325(d).").

<sup>37</sup> *In re Cuozzxo Speed Technologies, LLC*, 2015 WL 448667 (Fed. Cir. Feb. 4, 2015).

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