

POST-GRANT PROCEEDINGS: THE YEAR BEHIND AND THE YEAR AHEAD

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Post-grant proceedings before the Patent Trial and Appeal Board have now been available for more than one year, the anniversary being Sept. 16, 2013. We have assembled a database of all of the covered business method and inter partes reviews filings at the PTAB, and analyzed the information in the database together with the statistics published by the PTAB.

Our analysis, coupled with our experience before the PTAB in a number of these proceedings, has revealed some interesting statistical trends. The following sections hopefully summarize our analysis in a manner that will be helpful to practitioners as they make their way through these proceedings.

The first section summarizes the statistics we have generated, and the second section presents a few predictions for the coming year.

Year in Review — By the Numbers

In the first year, the number of covered business method reviews and the number of inter partes reviews were very close to the PTO estimates. From Sept. 16, 2012, to Sept. 16, 2013, there were 483 petitions for IPR filed, whereas there were only 53 petitions for CBM review. The PTO estimated that about 50 petitions for CBM would be filed, and about 460

petitions for IPR (Federal Register, Vol. 77, No. 157, pg. 48724). The total number of filings therefore exceeded the PTO's estimate by less than about 5 percent.

There have been 174 (17 CBM and 157 IPR) decisions to grant or deny a trial, of which 150 (14 CBM and 136 IPR) have been granted. This means that about 86 percent of petitions filed are granted a trial — 82 percent for CBMs and a little over 87 percent for IPRs. In contrast to the grant rate for IPRs, the grant rate for inter partes re-examination was about 94 percent, according to the PTO statistics. The more interesting statistic is that the PTAB is granting trial on far fewer grounds than those proposed in the petition. The PTAB has granted trial for about 32.8 percent of the grounds proposed (29 percent for CBM and a little over 33 percent for IPRs). This is dramatically different that inter partes re-examination where, if re-examination were granted, the PTO typically granted the re-examination on most if not all of proposed grounds of rejection.

Thus, petitioners should be careful in the number of grounds they propose in these post-grant proceedings, especially when the PTAB denies trial on grounds that have been proposed and still satisfied the statutory burden

of proving that 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) for IPR, or 35 U.S.C. §324(a) for post-grant review (PGR) or CBM, in which the standard is slightly different — a “more likely than not” standard).

Instead of granting trial, the PTAB has decided to deny trial because it considers the proposed grounds to be cumulative to the grounds upon which trial has already been granted. It appears that patent practitioners may be learning from the PTAB’s decisions to deny trial on a large number of proposed grounds, and now file multiple petitions for the same patent, each petition containing fewer proposed grounds. The first 50 IPRs filed averaged over 10 proposed grounds, whereas the most recent 50 IPRs averaged only about 7.5 proposed grounds.

There appears to be an advantage to filing a patent owner preliminary response, which is permissible under the rules. Out of the 174 decisions to grant or deny trial, 34 have been decided with no patent owner preliminary response. Most practitioners therefore are filing patent owner preliminary responses to challenge the grounds proposed in the petition. This is not surprising because the petitioner in a post-grant review proceeding cannot respond to the patent owner preliminary response, whereas previously, a re-examination requester could respond to a patent owner preliminary response in inter partes re-examination proceedings.

For the cases in which the patent owner filed a preliminary response, the PTAB granted trial about 85 percent of the time, and granted trial on about 33 percent of the proposed grounds. In contrast, for the cases in which the patent owner did not file a preliminary response, the PTAB granted trial about 94 percent of the time, on about 31 percent of the proposed grounds. This statistic is surprisingly similar to the 94 percent grant rate of requests for inter partes re-examination where patent owners rarely, if ever, filed a preliminary response. While there is insufficient data yet for these results to be statistically significant, there does appear to be a general trend insofar as the PTAB grants trial less often when the patent owner files a preliminary response.

A large percentage of post-grant proceedings are filed with parallel patent infringement litigation matters, and/or with other post-grant proceedings on the same patent or patent family. About 88 percent of the post-grant proceedings have been filed with related litigation or other post-grant proceedings. In contrast, only about 67 percent of inter partes re-examinations were filed in conjunction with district court litigation. Even though both post-grant proceedings and inter partes re-examinations have similar estoppel provisions, more post-grant proceedings may be filed because they are being handled by administrative patent judges instead of patent examiners. In addition, the post-grant proceedings must be completed within one year from the date of grant, whereas the average pendency of inter partes

re-examination matters was about three years.

The PTAB appears to be capable of deciding to grant or deny trial within the six-month window provided in the statute (patent owners have three months from the date of filing the petition to file a preliminary response, and the PTAB must make its decision within three months of that date for a total of six months). The PTAB renders its decision to grant or deny trial in about 139.2 days (4.6 months) for CBMs and about 153.4 days (5.1 months) for IPRs.

The spread across the technology centers for post-grant reviews nearly mirrors the spread in inter partes re-examination, although a majority of post-grant challenges for both still exists in the electrical/software arena. The breakdown of filings per technology area (chemical/bio (TC 1600 and 1700), (computer/software (TC 2100, 2400, 2600, 2800, 2900) and e-commerce, mechanical/design (TC 3600 and 3700)) is about 16 percent, 53 percent and 31 percent, respectively. The same spread across technology sectors for inter partes re-examination was 17 percent, 52 percent and 31 percent, respectively.

The decision to grant or deny trial, as well as the percentage of proposed grounds upon which trial is granted varies throughout the technology centers. Covered business method reviews are placed in only four technology centers, and the most significant number of CBMs are filed in TC 3600 (36 out of 52). Of these, the PTAB granted trial in only 81 percent of the decided cases, on only about 28.5 percent of the proposed

Tech Center	Number of Cases	Decided	Granted	% Grant	Claim proposed	Granted	% claims
1600	47	14	12	85.7	158	43	27.2
1700	38	17	16	94.1	180	60	33.3
2100	97	36	32	88.9	217	80	36.9
2400	26	9	6	66.7	46	15	32.6
2600	75	14	12	85.7	121	43	35.5
2800	70	33	33	100	342	115	33.6
2900	6	2	2	100	13	3	23.1
3600	69	21	14	66.7	157	56	35.7
3700	55	11	10	90.9	136	42	30.9

grounds. Inter partes reviews have been filed across all technology centers. The data per technology center for IPRs is presented in the table below.

As shown in the above, table, most of the IPRs are filed in the 2000 series, with the most in technology center 2100. Technology centers 2400 and 3600 appear to be the most stringent in denying trial, granting trial in only 67 percent of the cases, although the low number for TC 3600 could be due to the fact that trial was denied in five related cases. Interestingly, in those technology centers that grant trial above the average of 86 percent for all cases, the trials generally are granted on fewer proposed grounds than the average of 32.8 percent. Similarly, in those Technology Centers that grant trial below the average of 86 percent of the time, the trials generally are granted on more proposed grounds than the average.

These statistics, together with some of the more important orders and decisions from the PTAB, can provide useful guidance to those practitioners handling post-grant review proceedings. While practitioners cannot change the technology center in which they operate, they will know the technology center where the post-grant proceeding will be decided and can alter their strategy accordingly. In addition, the statistics make it clear that proposing a large number of grounds of rejection is not beneficial, regardless of the technology.

What to Expect Next Year

The second full year of post-grant proceedings will be sure to be full of surprises. We expect to see some of the statistical trends to continue. We also expect to see patent attorneys adjusting to the manner in which the PTAB conducts its trials, and a consequence, we expect the

percentage of grounds on which the PTAB grants trial to increase as fewer, more focused grounds are proposed. We also expect to see the number of CBM reviews to be less than the 53 filed in the first year, and the number of IPRs to be about the same.

The Federal Circuit may review and perhaps render an opinion in one of the post-grant proceedings. Here, the court may have the opportunity to decide whether the PTAB is correct in using the broadest reasonable interpretation (“BRI”) in construing claims. The PTAB’s first written decision in *SAP America Inc. v. Versata Development Group Inc.*, CBM2012-0001, paper No. 70, June 11, 2013, devoted nearly half of the decision explaining why the BRI standard is appropriate in post-grant proceedings. The PTAB explained that the difference in claim construction standard between district courts and the patent office “generally arises from the ability of an applicant or patent owner in Office proceedings to amend their claims, and the fact that there is no presumption of validity before the Office.” *Id.* at 7.

Decisions by the PTAB restricting the patent owner’s ability to amend its claims, however, militate somewhat against its rationale for using BRI in post-grant proceedings. For example, the PTAB stated in *Idle Free Systems Inc. v. Bergstrom Inc.*, IPR2012-00027, paper No. 26 at pg. 6 (June 11, 2013) that an “inter partes review is more adjudicatory than examinational in nature.” The PTAB also requires significant explanation of the patentability of the claims, not only over the prior art cited by the PTAB, but also over other non-cited art of which the patent owner is aware (*Id.* at pg. 8), which is quite

distinct from amendments made during examination.

The PTAB also has stated publicly that claim amendments should be made on a one-to-one correspondence, and has recommended filing re-examinations or reissues if the patent owner wishes to amend a significant number of claims. See *Innolux Corporation v. Semiconductor Energy Laboratory Co. Ltd.*, IPR2013-00066, IPR2013-00068, paper No. 24 (July 18, 2013):

To the extent that SEL perceives the limit for motions to amend to be unfair, SEL is not without remedy. SEL may possibly pursue such additional claims by filing a request for ex parte re-examination or by filing a reissue application.

Id. at 5.

The PTAB also stated in this order that a “motion to amend is contingent upon the Board determining that some or all of the involved claims are unpatentable.” *Id.* at 4. Finally, the PTAB has stayed a parallel re-examination during pendency of an inter partes review, which would appear to have the effect of negating the possibility noted in the *Innolux* order. See *CBS Interactive Inc. v. Helferich Patent Licensing LLC*, IPR2013-00033 (Nov. 16, 2012).

In other words, if the PTAB renders its decision in the IPR and invalidates all of the pending independent claims, the re-examination of those same claims (in the *CBS* case, there were different dependent claims challenged) apparently could not go forward since those claims no longer exist in the patent. Moreover, if the

PTAB renders an adverse decision on patentability, there are serious limitations on a patent owner’s ability to pursue similar claims in other proceedings before the PTO (35 U.S.C. §315(e)(1), 37 C.F.R. §42.73(d)(3) (i) – patent owner cannot pursue any claim that is “not patentably distinct” from a refused claim, even if that claim is patentable over the prior art).

These decisions or orders have the cumulative effect of limiting a patent owner’s ability to amend its claims during a post-grant proceeding, and distinguish such proceedings from ordinary examination or re-examination. The rationale for using the BRI therefore may not be as strong in post-grant proceedings as it is in other examination contexts. We therefore expect a party to challenge the PTAB’s authority in using the BRI standard in these proceedings.

In the next year a party may challenge the PTAB’s authority to deny trial on the basis that the proposed ground of rejection was cumulative to a ground on which trial was granted. As noted above, this happens quite frequently, and raises estoppel concerns for the petitioner. For example, it is not clear whether a petitioner would be estopped from asserting a ground of unpatentability in district court or in another proceeding before the PTO (see 35 U.S.C. §315(e)) that was denied only on the basis that it was cumulative.

The PTAB also has not issued any position papers, orders or decisions, where it describes what it would do in situations in which trial was granted on a ground of unpatentability that the patent owner was able to overcome during the proceeding, but other grounds

remained as cumulative. Would the PTAB consider patentability on the cumulative grounds? This can be especially important, for example, if the patent owner overcomes the grounds of unpatentability by predating a document, or convincing the PTAB that one of the references teaches away from the combination proposed, when the prior art in proposed grounds that were denied as cumulative did not teach away or could not be predated.

Judge Michael Tierney, lead judge of the PTAB, was asked where the PTAB obtains the authority to deny trial on a proposed ground of rejection that satisfies the statutory burden, and he replied that the statute uses the term “may,” thus suggesting some degree of discretion. Intellectual Property Owner’s Annual Meeting, Boston, Mass., Sept. 16, 2013, Morning Session. The PTAB also has alleged that it has the authority under 35 U.S.C. §316(b).

Pursuant to 35 U.S.C. § 316(b), rules for inter partes review proceedings were promulgated to take into account the “regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings.” The promulgated rules provide that they are to “be construed to secure the just, speedy, and inexpensive resolution of every proceeding.” 37 C.F.R. § 42.1(b). As a result, and in determining whether to institute an inter partes review of a patent, the Board may “deny some or all grounds for unpatentability for some or all of the challenged claims.” 37 C.F.R. § 42.108(b).

Schrader-Bridgeport International Inc. v. Continental Automotive Systems US Inc., IPR2013-00014, paper No. 15 (April 10, 2013), at pg. 2.

Use of the term “may” in the statute might not confer sufficient authority on the PTAB to deny a trial when it satisfies the statutory burden. The statute uses the expression “may not” and does not use the term “may” by itself.

(a) THRESHOLD.—The Director may not authorize an inter partes review to commence unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

35 U.S.C. §314(a).

The statute states what the director “may not” do, and does not provide authority to the director as to what it

“may” do. Courts generally construe the term “may” by itself to create discretionary authority, but construe the expression “may not” to impose a prohibition. This interpretation is consistent with the ordinary meaning of “may not” as imposing a prohibition. The use of the expression “may not” therefore would not appear to provide the PTAB with the authority to deny trial on grounds that otherwise satisfy the statute.

Although the language of 35 U.S.C. §316(b) may provide the Patent Office with discretion in promulgating rules, this statute might not provide the Patent Office with sufficient discretion to deny trial on a proposed grounds that otherwise satisfies the requirements of another section of the statute. We therefore anticipate that in the next year a petitioner will challenge the Patent Office’s rule making authority as it pertains to denying trial on proposed grounds of unpatentability that satisfy the statutory burden solely on the basis that the proposed ground(s) is cumulative to a ground(s) on which trial was granted.

Finally, we anticipate that the PTAB will publish a standing order to govern post-grant proceedings, much like the Board of Patent Appeals and Interferences has for interference practice. The standing order will govern the procedure at trial, and likely will offer practitioners with a guide as to how to draft petitions, responses, replies, motions, amendments and discovery.

Conclusion

A lot has happened in the first full year of post-grant proceedings. The PTAB has made it clear that it will streamline post-grant proceedings so that it can complete them within the one-year period required by statute. This entails denying trial on a number of proposed grounds, even though they satisfy the statutory requirements, not permitting patent owner’s much flexibility in amending its claims, and denying all parties any significant amount of discovery. We expect to see much of the same in the coming year, as patent practitioners adjust to the rules, decisions and standing orders, and become more acquainted with the procedures before the PTAB.

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