

An Update on Unsuccessful Inter Partes Review Petitions

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On April 22, 2015, we published an [article in Law360](#) outlining three lessons to help patent owners secure dismissals of inter partes review petitions. Since then, the Patent Trial and Appeal Board's rate of institution of IPR petitions has reduced slightly to 68 percent (1243/1822 as of May 21, 2015) from 69 percent (1079/1559).¹ Including properly filed joinder petitions, the percentage of institutions is the same as two months ago: Institutions were 75 percent (1364/1822), as of May 21, 2015, and also 75 percent 1188/1559 as of March 3, 2015.² Filings of IPR petitions were actually lower in April 2015 than in April 2014, although the first four months of 2015, still show a significant increase in IPR filings over the year prior.³

At least one thing is consistent—once an IPR has been instituted, the PTAB continues to find most of the claims it has considered unpatentable: 73 percent (3178/4355).⁴ Any patent owner's first goal, therefore, remains to prevent IPR institution, if possible.

Bases for Denial

There are several bases that PTAB avails itself of for denying an IPR petition, including:

- Failure to name real-party-in-interest as required by 35 U.S.C. §312(a)(2) and 37 C.F.R. §42.8(b)(1);
- The IPR is time-barred under 35 U.S.C. §315(b);
- Another proceeding or matter involving the same patent is before the Office under 35 U.S.C.

§315(d);

- Under 35 U.S.C. §325(d), the same or substantially the same prior art/arguments raised during prosecution or previously presented to the office in another IPR petition;
- Based on PTAB's claim construction, asserted reference does not contain claim limitation or petitioner does not meet threshold of a "reasonable likelihood" of prevailing under 35 U.S.C. §314(a);
- Insufficient evidence to meet the threshold for institution under 35 U.S.C. §314(a);
- Objective evidence of nonobviousness presented by the patent owner;
- Reference relied on by the petitioner is not prior art.

All of these bases provide possible points to attack a petition.

Analyzing the rate of PTAB's discretion to grant or reject under 35 U.S.C. § 325(d) provides particular insight. As noted above, there are really two grounds for rejecting institution under §325(d): (1) if the "same or substantially the same prior art or arguments" were raised during prosecution, and alternatively, (2) when the "same or substantially the same prior art or arguments" were raised in another IPR petition. Patent owners, however, have had markedly more success asking the PTAB to reject institution when arguing that the art or arguments were raised in another IPR proceeding (58 percent; 25/43) versus arguing that the art or arguments were raised during prosecution (17 percent; 5/30).⁵

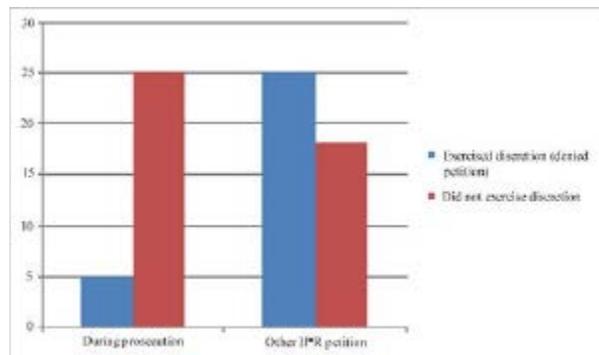


Exhibit 1. Difference in rate of PTAB exercising discretion whether "same or substantially the same prior art or arguments previously presented to the Office" in prosecution or in another IPR petition. Source: Finnegan research analyzing 73 IPR institution decisions where 35 U.S.C. §325(d) was raised. LexMachina query, as of May 15, 2015.

The Patent Owner's Preliminary Response

The PTAB's institution decision is a substantive one in the timeline of an IPR because it is a tool for achieving a "just, speedy, and inexpensive" resolution.⁶ As the dust has settled since the first IPRs were filed in September 2012, it is becoming clear that patent owners are wise to use the patent owner's preliminary response (POPR) to raise arguments that could provide a basis for denial. As noted by the PTAB panel in *Actavis Inc. v. Research Corporation Technologies Inc.*, IPR2014-01126, Paper 21 (PTAB Jan. 9, 2015), the PTAB does not want either party to wait until after institution to present their cases:

Therefore, based on the record before us, we determine that Petitioner has not provided competent evidence to qualify the LeGall thesis as a "printed publication" under § 102(b). Petitioner may have recognized this deficiency. Indeed, in a footnote, Petitioner states that it "reserves the right to supplement this Petition with additional evidence that the LeGall thesis was accessible to a POSA well before" the critical date. Pet. 36 n. 3. But a party may only submit supplemental information after a trial has been instituted (37 C.F.R. § 42.123) while we must decide whether to institute a trial based on "the information presented in the petition" (35 U.S.C. § 314(a)). Because the Petition and the accompanying evidence are insufficient to qualify the LeGall thesis as a §102(b) prior art, we deny the Petition regarding this ground.

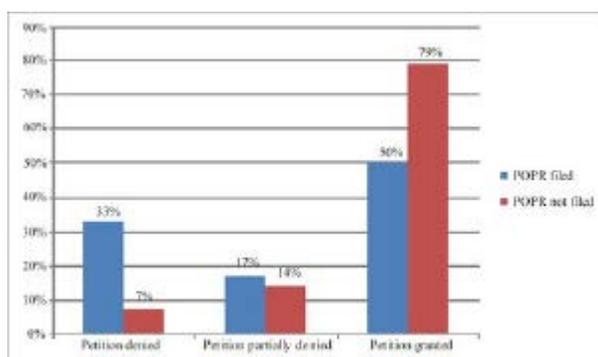


Exhibit 2: Source: Finnegan research of IPRs relating to chemical/material engineering or biochemistry/organic chemistry; as of May 13, 2015. "Denied-in-Part" indicates institution on fewer than all claims challenged in the petition. POPR filed in 145 cases, POPR not filed in 42 cases.

Of course, each case is unique and the decision to file a POPR must be analyzed in view of the particular facts. An analysis of cases relating to chemical/material engineering or biochemistry/organic chemistry, however, suggests that when patent owners file a POPR, the chances of having a petition denied are almost five times greater than when a POPR is not filed. Furthermore, in cases where the petition was granted, the petition grant rate is 1.5 times higher in cases where a POPR was not filed compared to cases where a POPR was filed.

Priority Dates

A reference must predate the priority date of the challenged claims in order to be prior art to those claims. The PTAB has denied petitions because the petitioner did not establish entitlement to a priority date for the asserted reference and therefore the reference was not prior art to the

challenged claims. See, e.g., *Globus Medical Inc. v. Depuy Synthes Products LLC*, IPR2015-00099, Paper 15 (PTAB May 1, 2015). Patent owners can challenge the priority date of an asserted reference (and/or the evidence presented by the petitioner in its priority date contention) in a POPR to help the PTAB see that the reference is not prior art against the challenged claims.

Claim Construction

We discussed the importance of addressing claim construction in the POPR in our first article, but we find this point worth repeating. There are several examples of the PTAB denying institution because, once the claims were construed, the asserted references did not address every limitation or, based on the PTAB's constructions, the PTAB found that the petitioner had not established a reasonable likelihood of prevailing in showing unpatentability of any of the challenged claims. See, e.g., *Lenroc Co. v. Enviro Tech. Chemical Services Inc.*, IPR2014-00382, Paper No. 12 (Jul. 24, 2014); *Toshiba Corporation v. Optical Devices LLC*, IPR2014-01440, Paper No. 7, at 7 (Mar. 10, 2015); *Polygroup Ltd. v. Willis Electric Co. Ltd.*, IPR2014-01264, Paper 12 (PTAB Jan. 30, 2015); *BioDelivery Sciences Int'l Inc. v. MonoSol Rx LLC*, IPR2014-00794.⁷

What Could Impact the Petition Denial Rate?

According to the U.S. Patent and Trademark Office director's blog of March 27, 2015,⁸ the USPTO is working on a rule package that may contain a revision to the rule forbidding the patent owner from providing evidence with the POPR.⁹ Currently, 37 C.F.R. §42.107(c) prohibits the patent owner from submitting with the POPR new testimonial evidence beyond that already of record, which has been interpreted as prohibiting testimonial evidence prepared in response to the IPR petition.¹⁰ If this revision goes through, there is a possibility that the petition denial rate will rise because patent owners' arguments in their POPRs will presumably be strengthened by expert declarations.

Another change that could impact the IPR petition denial rate is the proposed legislative reform relating to PTAB's use of the "broadest reasonable interpretation" standard to interpret claims. According to both the Innovation Act (H.R. 9) and the STRONG Act (S. 632), the PTAB would be required to use a district court's claim construction, if there is one from a previous or contemporaneous litigation. Since the Phillips claim construction standard applied by district courts is generally considered narrower than the BRI standard, this could impact the petition denial rate by making the institution threshold potentially harder to meet. In other words, since, theoretically a claim would be more narrowly interpreted in a district court, it may be harder for a petitioner to find prior art that renders unpatentable a more narrowly interpreted claim. The STRONG Act, moreover, includes a provision that issued claims would be presumed valid, again possibly making the threshold for petitioners harder to meet.

The USPTO is currently undergoing a training program for examiners on the "plain meaning of claim terms" in view of BRI.¹¹ It is called "informative claim interpretation," and one of the goals is that the PTAB and courts will be better informed as to what the examiner and the applicant understood the claims to mean during prosecution. Using "informative claim interpretation,"

examiners will provide explanatory remarks as to the BRI of the claim terms. This may impact the petition denial rate based on claim construction because it may reduce the disputes between the parties over the BRI of the claim terms.

Finally, the PTAB's workload may nudge the petition denial rate higher. According to outgoing Chief Judge James Smith in Law360 on May 14, 2015,¹² there are currently 231 judges (with 260 expected by the end of 2015) and those judges will have to issue more than 100 final written decisions each month. With a continuing increase in the number of petitions filed, and the statutory deadline for instituted trials looming in the background, PTAB panels may be motivated to deny more petitions. This could be further impacted if the STRONG Act (S. 632) provision requiring that a PTAB judge involved in an institution decision not be involved in the subsequent proceeding, if instituted, is passed into law.

Remember, institution decisions are not appealable,¹³ so an increase in denials would not impact the Federal Circuit, which seems so far to be controlling the flow of PTAB appeals largely by issuing Rule 36 affirmances.¹⁴

Endnotes

¹ As of May 21, 2015. Source:

http://www.uspto.gov/sites/default/files/documents/052115_aia_stat_graph.pdf.

² http://www.uspto.gov/sites/default/files/documents/030515_aia_stat_graph.pdf.

³ About 1.5 times the number of filings January 2015-April 2015 as January 2014-April 2014. As of May 21, 2015. Source:

http://www.uspto.gov/sites/default/files/documents/052115_aia_state_graph.pdf.

⁴ As of May 15, 2015. Source: Finnegan research, with thanks to Daniel Klodowski, Kai Rajan, Elliot Cook, Joseph Schaffner, and Cara Lasswell. 21% survived (906/4355); 6% conceded by patent owner (271/4355).

⁵ Source: Finnegan research analyzing 73 IPR institution decisions where 35 U.S.C. §325(d) was raised. LexMachina query, as of May 15, 2015.

⁶ 37 C.F.R. §42.1(b).

⁷ *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 PTAB adopted some of petitioner's key constructions and found that Petitioner broke patent owner's chain of priority, thus opening up the claims for additional prior art attack).

⁸ http://www.uspto.gov/blog/director/entry/ptab_s_quick_fixes_for. The blog indicates changes relating to the POPR will be in the second package. The first package was released May 19, 2015 (80 Fed. Reg. 28,561), and the only change included that could be even remotely related to POPRs if the

evidence prohibition is removed as the blog suggests is the change to 37 C.F.R. §42.51(b)(1)(ii) specifying that "[c]ross-examination of affidavit testimony prepared for the proceeding is authorized . . ." (emphasis added).

⁹ The STRONG Act (S. 632) includes a similar provision.

¹⁰ See *Anova Food, LLC v. Leo Sandau and William R. Kowalski*, IPR2013-00114, Paper 11 (PTAB June 25, 2014).

¹¹ See <http://www.uspto.gov/sites/default/files/documents/bri%20and%20plain%20meaning.ppx>.

¹² "AIA Patent Amendments Not As Tough As You Think: Judge" by Ryan Davis, Law360 (May 14, 2015).

¹³ 35 U.S.C. § 314(d); *In re Cuozzo Speed Technologies, LLC*, 778 F.3d 1271 (Fed. Cir. 2015).

¹⁴ So far, the Federal Circuit has issued a written decision in three cases (only one is precedential): *In re Cuozzo Speed Technologies, LLC*, 778 F.3d 1271 (Fed. Cir. 2015); *Belden Inc. v. Berk-Tek LLC*, 2015 WL 1781484 (Fed. Cir. Apr. 17, 2015) (affirmed in written decision) (IPR2013-00058)(non-precedential); *Belden Inc. v. Berk-Tek LLC*, 2015 WL 1781484 (Fed. Cir. Apr. 17, 2015) (affirmed in written decision) (IPR2013-00069)(non-precedential); and Rule 36 non-precedential decisions in 10 PTAB appeals: *Softview LLC v. Kyocera Corp.*, No. 2014-1599, 592 Fed.Appx. 949 (Fed. Cir. Feb. 9, 2015) (same) (IPR2013-00004) (joined); *Softview LLC v. Kyocera Corp.*, No. 2014-1599, 592 Fed.Appx. 949 (Fed. Cir. Feb. 9, 2015) (same) (IPR2013-00257) (joined); *Softview LLC v. Kyocera Corp.*, No. 2014-1600, 592 Fed.Appx. 947 (Fed. Cir. Feb. 9, 2015) (same) (IPR2013-00007) (joined); *Softview LLC v. Kyocera Corp.*, No. 2014-1600, 592 Fed.Appx. 947 (Fed. Cir. Feb. 9, 2015) (same) (IPR2013-00256) (joined); *Board Of Trustees Of The University Of Illinois v. Micron Technology, Inc.*, No. 2014-1509, 596 Fed.Appx. 923 (Fed. Cir. March 12, 2015) (same) (IPR2013-00005); *Board Of Trustees Of The University Of Illinois v. Micron Technology, Inc.*, No. 2014-1510, 596 Fed.Appx. 921 (Fed. Cir. March 12, 2015) (same) (IPR2013-00006); *Board Of Trustees Of The University Of Illinois v. Micron Technology, Inc.*, No. 2014-1511, 597 Fed.Appx. 1082 (Fed. Cir. March 12, 2015) (same) (IPR2013-00008); *Clearlamp, LLC v. LKQ Corp.*, No. 2014-1627, 594 Fed.Appx. 687 (Fed. Cir. Feb. 18, 2015); *In re Zillow, Inc.*, No. 2014-1546, 596 Fed.Appx. 921 (Fed. Cir. March 12, 2015); *Helferich Patent Licensing, LLC v. CBS Interactive, Inc.*, No. 2014-1556, 2015 WL 1542771 (Fed. Cir. April 8, 2015).

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