

**REEXAMINATION, REVIEW, AND**  
**LITIGATION**

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## **I. Reexamination History – Ex Parte**

Reexamination is a well known vehicle for the United States Patent and Trademark Office (USPTO) to review the patentability of issued claims in a United States patent. As originally conceived by way of Public Law 96–517<sup>1</sup>, enacted on December 12, 1980, reexamination was ex parte and allowed the patentee or any third party to bring questions of patentability involving patent references and other printed publications to the USPTO’s attention.<sup>2,3</sup> But the ex parte reexamination procedures did not provide any substantive check on the dialogue between the patentee and the USPTO once reexamination had been initiated – which would have allowed others to correct any mistakes or seek clarification of conclusions having an impact on the public at large. Many patentees, for example, sought one or more personal interviews to discuss substantive issues. This greatly reduced, if not eliminated, much of the written record as to the basis upon which the patent examiner and the patentee reached agreement on patentability. The net result was that a patentee would oftentimes obtain a reexamination certificate reflecting consideration of newly cited references but no written record upon which the public could ascertain how the claims were construed or the references interpreted. As a result, many counsel viewed reexamination as an ineffective tool to contest claims in favor of federal court action.

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<sup>1</sup> See 35 U.S.C. §§ 301-307.

<sup>2</sup> The effective date of this enactment was July 1, 1981.

<sup>3</sup> 37 CFR § 1.510.

## **II. Inter Partes Reexamination**

This pervasive view of ex parte reexamination as an ineffective tool prompted creation of inter partes reexamination via enactment of Public Law 106–113 on November 29, 1999.<sup>4</sup> Inter partes reexamination provided for active participation by a third party during reexamination via written submissions after any submission made on behalf of the patentee. In addition, inter partes reexamination prohibited telephonic and personal interviews.<sup>5</sup>

Statistics available from the USPTO suggest inter partes reexamination was underutilized. During the period between November 29, 1999 and June 30, 2012, the USPTO substantively considered only 1,530 inter partes reexamination requests.<sup>6</sup> The USPTO granted more than 94 percent of these requests (1,442 inter partes reexamination requests granted). Compare the number of granted requests to the number of issued patents during this same time period and one finds that just over 0.058 percent of issued patents were challenged using inter partes reexamination.<sup>7</sup> In other words, approximately one in every 1,715 issued patents during this time period was challenged using this avenue. In contrast, during approximately the same relevant period, 6,750 requests for ex parte reexamination were filed and, of these requests, approximately 92 percent were granted.<sup>8</sup> This resulted in approximately one in every 398 issued patents being challenged through ex parte reexamination.

The statistics also provide inter partes reexamination information on patent claim survival rates, which arts are most affected, and average pendency. More than half (52%) of inter partes

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<sup>4</sup> Inter partes reexamination was limited to patents issuing from applications filed on or after November 29, 1999.

<sup>5</sup> 37 CFR § 1.955.

<sup>6</sup> [http://www.uspto.gov/patents/stats/IP\\_quarterly\\_report\\_June\\_30\\_2012.pdf](http://www.uspto.gov/patents/stats/IP_quarterly_report_June_30_2012.pdf).

<sup>7</sup> USPTO database records indicate 2,472,318 patents were issued between November 29, 1999 and June 30, 2012 (excluding plant and reissue patents).

<sup>8</sup> [http://www.uspto.gov/patents/stats/EP\\_quarterly\\_report\\_June\\_30\\_2012.pdf](http://www.uspto.gov/patents/stats/EP_quarterly_report_June_30_2012.pdf) (Time period taken from January 1, 2000 to June 30, 2012).

reexaminations were classified as pertaining to the electrical arts. Mechanical arts comprised approximately thirty percent, with the chemical arts and design patents making up the remainder. Of inter partes reexamination requests granted, viewing the glass as half empty, disposition resulted in eighty-nine percent of patents having at least one claim cancelled. Looking at the glass as half full, fifty-eight percent resulted in at least one claim surviving reexamination. Average pendency for an inter partes reexamination was 36.1 months.<sup>9</sup> But unlike ex parte reexamination, inter partes reexamination attached estoppels to the third party requesting reexamination and to the USPTO.

A first estoppel prohibited a third party requestor<sup>10</sup> from seeking a second inter partes reexamination in certain circumstances if the first inter partes reexamination resulted in confirming the patentability of any original, amended, or newly added claim of the patent.<sup>11</sup> More specifically, the third party requestor was estopped from requesting a second inter partes reexamination involving “issues which that party or its privies raised or could have raised in such [] inter partes reexamination proceeding.”<sup>12</sup> Yet this estoppel was inapplicable to “newly discovered prior art unavailable” to the third party requestor during the prior inter partes reexamination.<sup>13</sup> And the foregoing estoppel applied only in a situation where a final decision adverse to the third party requestor had been issued. If there remained any time for an appeal, or

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<sup>9</sup> [http://www.uspto.gov/patents/stats/IP\\_quarterly\\_report\\_June\\_30\\_2012.pdf](http://www.uspto.gov/patents/stats/IP_quarterly_report_June_30_2012.pdf) (pendency is measured from the filing date of the inter partes reexamination request until publication of a reexamination certificate).

<sup>10</sup> Also includes “privies” of the party. *See* 35 U.S.C. § 317.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

a request for reconsideration, from a court decision, or such action had already taken place, then the decision was not final, and the estoppel would not attach.<sup>14</sup>

In addition to this first estoppel, a party whose inter partes reexamination request had been granted was estopped from later asserting invalidity of any patent claim in any civil action that was the subject of the reexamination using grounds that were or could have been raised during the reexamination.<sup>15</sup> Given that inter partes reexaminations had limited scope to address validity issues involving patent references and printed publications,<sup>16</sup> this estoppel was inapplicable for invalidity assertions involving prior public use, sales, offers for sale, inventorship, and any “newly discovered prior art unavailable” to the party during the prior inter partes reexamination.<sup>17,18</sup>

While the foregoing estoppel provisions related to the conduct of the party challenging the validity of a patent, a final estoppel provision applied to the USPTO. The patent statute precluded the USPTO from maintaining an inter partes reexamination as to a particular patent claim where a patent challenger had failed in a federal court to prove that this particular claim was invalid.<sup>19</sup> In particular, 35 U.S.C. § 317 provided that once a final decision has been entered against a patent challenger in a civil action, and the patent challenger had not proven invalidity of that patent claim, the USPTO was precluded from maintaining a pending inter partes reexamination requested by the patent challenger or its privies regarding that claim.

One can view this circumstance as providing two different tracks to avoid infringement. The first track involves a U.S. district court determining whether one or more patent claims are

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<sup>14</sup> See *Bettcher Industries, Inc. v. Bunzl USA, Inc.*, 661 F.3d 629, 646 (Fed. Cir. 2011).

<sup>15</sup> 35 U.S.C. § 315.

<sup>16</sup> 37 CFR § 1.915.

<sup>17</sup> 35 U.S.C. § 317.

<sup>18</sup> Also includes validity issues involving 35 U.S.C. §§ 101, 112.

<sup>19</sup> 35 U.S.C. § 317.

invalid. The second track involves the USPTO determining whether one or more patent claims during inter partes reexamination are patentable. Choosing the right time to file a request for inter partes reexamination could prove vital for the third party challenger.<sup>20</sup> By way of example, the USPTO and a U.S. district court may reach different conclusions as to patent claim validity. As a result, while inter partes reexamination was available,<sup>21</sup> a patent challenger needed to evaluate which track (USPTO vs. district court) provided the best alternative for having one or more of the challenged claims invalidated, canceled, or amended to avoid infringement. Choosing the wrong time to institute either an inter partes reexamination or a U.S. district court action could result in the USPTO having to prematurely terminate an inter partes reexamination. If the patent challenger had requested and been granted inter partes reexamination involving a patent claim currently being litigated, the patent challenger was in a race against the litigation to conclude the reexamination prior to conclusion of the litigation. If the litigation concluded first, the inter partes reexamination would be terminated as to those claims at issue during the litigation – regardless of the stance of the proceedings and any findings of the USPTO. In essence, the patent challenger was in a race to have the USPTO conclude its work and appeal to the Court of Appeals for the Federal Circuit (CAFC) prior to the federal court finishing its work and allowing for an appeal to the CAFC. Given these competing tracks, many patent challengers sought to have the federal court proceeding stayed pending the outcome of the inter partes reexamination.

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<sup>20</sup> The author acknowledges that no two situations are ever the same. Various circumstances, interests, and considerations may be present that sway the decision to even file a lawsuit or request for inter partes reexamination. For purposes of this article, it is presumed that a patent infringement lawsuit has been filed or soon will be filed against an alleged infringer.

<sup>21</sup> Inter partes reexamination cannot be requested on or after September 16, 2012. Instead, a party would need to file a request for post grant review governed by 35 U.S.C. §§ 312-329. *See* Public Law 112–29, enacted September 16, 2011.

### **III. Litigation Stay Pending Inter Partes Reexamination**

Sixty-seven percent of patents involved in inter partes reexamination were known to be the subject of a pending litigation.<sup>22</sup> For those patents not the subject of inter partes reexamination, an average time to trial between 2005 and 2011 was approximately thirty months.<sup>23</sup> Consequently, patentees and courts regularly estimated that time to trial may be in excess of five years if the alleged infringer requested a stay pending final resolution of a granted inter partes reexamination. Accordingly, even if a request for inter partes reexamination was granted, a significant fight often resulted when the patent challenger attempted to persuade a federal judge to stay the litigation until the conclusion of all reexaminations involving the patent-in-suit. Federal judges were frequently reminded by patentees of CAFC precedent indicating that litigation and reexamination are not mutually exclusive alternatives, thus mitigating against granting any stay.<sup>24</sup>

Inter partes reexamination was regularly requested as a means to seek a stay of a pending patent infringement suit. This gave the patent challenger an opportunity to reduce expenses otherwise devoted to litigation and at the same time potentially reduce or eliminate problematic patent claims. When seeking a stay in a patent infringement litigation, alleged infringers frequently identified a number of advantages including: (1) a review of all printed publications by the USPTO, with its particular expertise; (2) the potential alleviation of numerous discovery problems relating to prior art by USPTO reexamination; (3) the potential dismissal of a civil action should unpatentability of all claims of a patent be found by the USPTO; (4)

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<sup>22</sup> [http://www.uspto.gov/patents/stats/IP\\_quarterly\\_report\\_June\\_30\\_2012.pdf](http://www.uspto.gov/patents/stats/IP_quarterly_report_June_30_2012.pdf).

<sup>23</sup> 2012 PricewaterhouseCoopers LLP study titled, "2012 Patent Litigation Study," at 21, available at [http://www.pwc.com/en\\_US/us/forensic-services/publications/assets/2012-patent-litigation-study.pdf](http://www.pwc.com/en_US/us/forensic-services/publications/assets/2012-patent-litigation-study.pdf).

<sup>24</sup> See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988).

encouragement to settle based upon the outcome of the USPTO reexamination; (5) an admissible record at trial from the USPTO proceedings which would reduce the complexity and length of the litigation; (6) a reduction of issues, defenses, and evidence during pre-trial conferences; and (7) a reduction of costs for the parties and a court. Unlike *ex parte* reexamination, *inter partes* reexamination provided an estoppel of the party from seeking invalidity of the patent claims during a later litigation that were the subject of the reexamination.

35 U.S.C. § 315 mandated that any party whose request for an *inter partes* reexamination was granted was precluded from asserting at a later time the invalidity of any claim finally determined to be valid and patentable on any ground that the party raised or could have raised during the *inter partes* reexamination. But this estoppel did not preclude assertion of certain other invalidity defenses, including prior sale, offer for sale, public use, inventorship issues, abandonment, non-patentable subject matter (35 U.S.C. § 101), and flaws in the specification (35 U.S.C. § 112). These additional invalidity defenses provided ammunition for patentees arguing against a stay.

Patentees contesting a patent challengers' motion for stay highlighted the disadvantages of a stay. These disadvantages included: (1) further delaying an already lengthy process; (2) prolonging the patentee's day in court; (3) potential unavailability of witnesses and evidence; and (4) reduction in market share of the patentee for a practicing entity. Indeed, it appeared to be the case that courts were more reluctant to grant a stay when the alleged infringer and the patentee were direct competitors. Courts appeared particularly influenced by the patentee's argument that a stay may result in loss of permanent market share, thereby suffering an irreparable injury not compensable by money damages.<sup>25</sup>

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<sup>25</sup> See *Tesco Corp. v. Weatherford Int'l, Inc.*, 599 F.Supp.2d 848, 851 (S.D. Tex. 2009).

A federal district court judge has the inherent power to stay pending proceedings under the guise of economy of time and effort.<sup>26</sup> Courts almost universally weigh three factors in determining whether to grant a stay: (1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.<sup>27</sup> Courts may also consider whether the party seeking the stay has done so in good faith or for the purposes of delay.

Patentees commonly asserted a stay would unduly prejudice them in pursuit of justice. As a first reason, the length of inter partes reexamination and the resulting delay typically lasted years. Patentees provided statistics that common pendency for reexaminations, including any appeals to the CAFC, was six and a half years. Patentees also cited witnesses relocating, witness unavailability, memories fading, companies going out of business, and evidence unavailability as grounds for irreparable injury resulting from stay of the litigation. Ironically, each of these grounds could apply equally to alleged infringers. Patentees also pointed to reexamination statistics tending to show that in the vast majority of cases, at least one claim of the patent survived. But this argument is somewhat misleading because the mere fact that a claim survived reexamination does not mean it was infringed.

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<sup>26</sup> See *Landis v. North Am. Co.*, 299 U.S. 248, 254 (1936); see also *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (noting that “[c]ourts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.”) (internal citations omitted).

<sup>27</sup> See *Xerox Corp. v. 3Com Corp.*, 69 F.Supp.2d 404, 406 (W.D. N.Y. 1999), *Telemac Corp. v. Teledigital, Inc.*, 450 F.Supp.2d 1107, 1111 (N.D. Cal. 2006); *Tomco Equip. Co. v. S.E. Agri-Systems, Inc.*, 542 F.Supp.2d 1303, 1307 (N.D. Ga. 2008); *Gryphon Networks Corp. v. Contact Center Compliance Corp.*, 792 F.Supp.2d 87, 89-90 (D. Mass. 2011); *Tesco Corp. v. Weatherford Inter'l, Inc.*, 599 F.Supp.2d 848, 850 (S.D. Tex. 2009).

Defendants frequently argued a stay would actually benefit both sides as well as the court in reducing the amount of resources spent simultaneously litigating the same issues. While plaintiffs may suffer a slight prejudice, defendants argued that this prejudice is far outweighed by the benefits to all of simplifying the issues in dispute. Defendants regularly pointed out that plaintiffs waited for considerable time after learning of defendant's conduct to file suit. Also, the absence of a preliminary injunction has been used by some defendants to show the absence of irreparable harm. In circumstances where the plaintiff was a non-practicing entity, defendants used the absence of direct competition between the parties to allege money damages were an adequate remedy regardless of the duration of the stay.

It has also been difficult for patentees to persuasively argue inter partes reexamination would fail to simplify the issues of the litigation. This difficulty stemmed primarily from courts acknowledging the estoppel that precluded an alleged infringer from litigating invalidity issues post reexamination involving printed publications and patent documents. Moreover, most courts acknowledged that there was a substantial chance that not all claims would survive reexamination, thereby potentially negating certain claims from ever again being at issue.

Unfortunately for alleged infringers, not all courts interpreted "simplify" in its ordinary sense. Rather, some courts construed "simplify" as total elimination of all issues, which meant total rejection of all claims. And no court was willing to presume that reexamination would result in total refusal of all of the patentee's claims. For those courts interpreting "simplify" as total elimination, it was nearly impossible for an alleged infringer to persuasively argue a pending inter partes reexamination would necessarily result in all claims being disallowed.

Another argument raised almost exclusively by alleged infringers was the possibility of inconsistent results. If a stay was not granted and validity issues are litigated, the district court

may conclude certain claims are valid while at the same time having the USPTO conclude these same claims are unpatentable. From reviewing district court decisions regarding motions to stay the litigation, it appears the inconsistent result argument is very persuasive to some judges and completely unpersuasive to others. For those judges finding this argument persuasive, such judges express an overriding interest is maintaining consistency and not subjecting a defendant to damages for infringing a claim that was never patentable. On the other hand, some judges express overt disdain for the USPTO as a subservient administrative body and the possibility that this subservient administrative body would come to a conclusion regarding patentability that is contrary to that of the judge. This view, by itself, often results in these judges refusing to stay the litigation – regardless of the facts.

Upon reviewing numerous district court rulings on motions to stay pending the outcome of an inter partes reexamination, it is clear that the final factor – stage of the litigation – has as much or more to do than anything with whether the stay is granted. Included as an exhibit is a chart summarizing numerous district court decisions where motions were filed to stay the litigation pending resolution of at least one inter partes reexamination. Not surprisingly, cases in the early stages of discovery are more readily stayed. For example, circumstances where a majority of depositions were not completed, expert discovery had not commenced, or a *Markman* hearing had not occurred lent themselves to persuasive arguments that a stay would be minimally prejudicial. To the extent a district court had patent local rules, these local rules sometimes included timeliness requirements for filing motions to stay the litigation. Complying with these timeliness requirements was a strong indication that the litigation had not proceeded past the point of no return. Conversely, when discovery was complete, dispositive motions had been filed, a trial date had been set, or unnecessary duplication may happen post-reexamination

to revisit discovery, evaluate new dispositive motions, or reevaluate *Markman* rulings, the trial judge usually refused to stay the litigation.

All of that being said, trial judges will increasingly confront a different set of circumstances in view of inter partes reexamination being phased out in favor of inter partes review (IPR). The following is a brief discussion of IPR, including the requirements for instituting an IPR and the sequence of events after an IPR is instituted.

#### **IV. Inter Partes Review (IPR)**

Public Law 112-29, enacted September 16, 2011, inhibited any party from requesting inter partes reexamination after September 15, 2012 by amending 35 U.S.C. §§ 311-318 and adding 35 U.S.C. § 319, all effective September 16, 2012. In place of inter partes reexamination, Congress crafted IPR. IPR is applicable to all issued patents for which reexamination is sought by a patent challenger on or after September 16, 2012. Similar to inter partes reexamination, IPR provides any party<sup>28</sup> with the opportunity to challenge the patentability of any issued claim based upon lack of novelty or obviousness using solely prior art consisting of patents or printed publications.<sup>29</sup> This challenge must be presented in the form of a petition that satisfies a number of statutory and regulatory requirements.

#### **A. IPR Petition Requirements**

A number of statutory qualifications must be met in order for a patent challenger to file the petition for IPR and have it considered the USPTO. A first of these qualifications is the absence of a prior civil action filed on behalf of the patent challenger of any claim of the patent

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<sup>28</sup> Presuming the party is not the owner of the patent for which review is sought. *See* 35 U.S.C. § 311(a).

<sup>29</sup> 35 U.S.C. § 311(b).

which is the subject of the petition.<sup>30</sup> The second qualification is the absence of a complaint alleging infringement of the patent subject of the petition that was served on the patent challenger more than one year prior to the IPR petition filing.<sup>31</sup> A third qualification is the absence of estoppel from challenging any claim based upon a prior IPR final decision.<sup>32</sup> A fourth and final qualification is the absence of an on-going post-grant review of the patent in question and ensuring at least nine months have passed from the issue date of the patent.<sup>33</sup> Each IPR petition must include a certification attesting to the foregoing qualifications having been satisfied.<sup>34</sup>

Presuming the foregoing qualifications are met, an IPR petition must include certain substantive content addressing the merits of the patent claim(s) challenged. Among this content is a statement of the precise relief requested for each claim challenged.<sup>35</sup> In particular, the patent challenger must articulate for each challenged claim: (1) the claim language; (2) the statutory basis for the challenge; (3) how the challenger is construing the recited limitations of the claim;<sup>36</sup> (4) why the claim is unpatentable by specifying where each limitation is found in the prior art relied upon; and, (5) providing a copy of the prior art relied upon and assigning an exhibit

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<sup>30</sup> 35 U.S.C. § 315(a)(1); 37 CFR § 42.101(a). On its face, 35 U.S.C. § 315(a)(1) would preclude a challenger from filing an IPR petition upon the filing of a declaratory judgment complaint seeking invalidity of the patent in question despite the complaint being dismissed without prejudice.

<sup>31</sup> 35 U.S.C. § 315(b); 37 CFR § 42.101(b).

<sup>32</sup> 35 U.S.C. § 315(e)(1); 37 CFR § 42.101(c).

<sup>33</sup> 35 U.S.C. § 311(c); 37 CFR § 42.102.

<sup>34</sup> 37 CFR § 42.104(a).

<sup>35</sup> *Id.* § 42.104(b).

<sup>36</sup> *See* USPTO Office Patent Trial Practice Guide, at 38-40. (A party may provide a simple statement that the claim terms are to be given their broadest reasonable interpretation. Alternatively, a party may provide a specific construction for a claim term where plain meaning is inapplicable.)

number unique to each piece of prior art.<sup>37</sup> It is anticipated that most challengers will provide a claim chart setting forth the limitations of the claim(s) at issue in a first column and providing one or more adjoining columns with quotes or paraphrases taken from the prior art that are accompanied by a specific citation. As part of this claim chart, the prior art relied upon may be assigned a consecutive numerical designation and provided as an appendix to the claim chart.

In addition to providing substantive content, the patent challenger must also include additional non-substantive content and the requisite fee. Part of the non-substantive content includes designation of a lead counsel and a stand-by counsel by the patent challenger if represented by counsel,<sup>38</sup> as well as providing a power of attorney authorizing counsel to act on the challenger's behalf.<sup>39</sup> In addition to filing the petition and any appendices with the USPTO, a copy of the petition and any appendices must be served upon the patentee at the correspondence address of record for the patent.<sup>40</sup> Alternatively, if the patent challenger has reached a prior agreement with the patentee, service may be made by Express Mail or other comparable delivery service.<sup>41</sup> Finally, the challenger must pay the IPR fee, which is currently \$27,200 for the first twenty claims reexamined, with additional claims each incurring a \$600 fee.<sup>42</sup> Until all of the substantive content, aforementioned non-substantive content, and the requisite fee are supplied, a filing date is not accorded to the IPR petition.<sup>43</sup>

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<sup>37</sup> 37 CFR § 42.104(b).

<sup>38</sup> *Id.* § 42.10(a).

<sup>39</sup> *Id.* § 42.10(b).

<sup>40</sup> *Id.* § 42.105(a).

<sup>41</sup> *Id.* § 42.105(b).

<sup>42</sup> *Id.* § 42.15

<sup>43</sup> *Id.* § 42.106.

In circumstances where the IPR petition is deficient for whatever reason, the petitioner is given one month to correct all deficiencies.<sup>44</sup> Failure to correct the deficiency of the petition will result in the petition being dismissed.<sup>45</sup> By way of recap, statutory requirements for a complete IPR petition include:<sup>46</sup> (1) payment of the petition fee, \$27,200 + \$600 for each claim over 20; (2) identification of the patent and claims being challenged; (3) identification of the real-party-in-interest; (4) copies of printed publications and patent references relied upon to assert unpatentability; and, (5) certificate of service on the patentee. In addition to these requirements, regulatory requirements for a complete petition include: (1) a petition not exceeding 60 pages;<sup>47</sup> (2) use of at least 14-point font on 8.5 x 11 paper;<sup>48</sup> (3) at least one inch margins on each side;<sup>49</sup> (4) double spacing of text except claim charts, headings, table of contents, table of authorities, indices, signature blocks, and certificates of service;<sup>50</sup> (5) identification of lead and back-up counsel;<sup>51</sup> (6) a power of attorney in favor of designated counsel; and, (7) a signature on each paper filed.<sup>52</sup> If the initial IPR petition is deficient as to one or more statutory requirements, any correction of a statutory deficiency will result a filing date being accorded only when all statutory requirements have been satisfied.<sup>53</sup> Conversely, if the initial IPR petition is deficient only as to regulatory requirements, a filing date will be accorded and the petition maintained so long as the deficiencies are cured within one month from the mailing date of the USPTO

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<sup>44</sup> *Id.* § 42.106(b).

<sup>45</sup> *Id.*

<sup>46</sup> 35 U.S.C. § 312.

<sup>47</sup> 37 CFR § 42.24 (Claim charts need not be double spaced, 37 CFR § 42.6, but each page of a claim chart counts against the 60 page limit of the petition. *See also* USPTO Office Patent Trial Practice Guide, at 38).

<sup>48</sup> 37 CFR § 42.6(a).

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* §§ 42.8(b)(3), 42.10(a).

<sup>52</sup> *Id.* §§ 1.33, 11.18, 42.6.

<sup>53</sup> *See* <http://www.uspto.gov/ip/boards/bpai/prps.jsp>.

deficiency notice.<sup>54</sup> Additional rules address events subsequent to the filing of a complete IPR petition.

## **B. IPR Trial Practice at USPTO**

The USPTO has established a number of rules governing trial practice before the Patent Trial and Appeal Board (PTAB), which includes rules for submitting an IPR petition and other documents as part of an IPR.<sup>55</sup> Among these rules is an electronic filing requirement that may only be waived upon granting a motion requesting acceptance of a paper submission.<sup>56</sup> To facilitate electronic filing at the PTAB, a Patent Review Processing (PRP) System has been established and is accessible on the USPTO's website.<sup>57</sup> This PRP system is separate from the USPTO's electronic filing system EFS-Web, but the USPTO's Patent Application Information Retrieval (PAIR) system will be linked to PRP and includes indications about IPR proceedings. For example, after a complete IPR petition has been electronically filed with the PRP system, PAIR will include an entry, "Petition Requesting Trial." Other entries will be included in PAIR as the IPR moves forward.

A number of guidelines have been published for using the PRP system.<sup>58</sup> For example, a party must register before it can file a document using the PRP system.<sup>59</sup> At present, registration requires providing a user-defined login name, first and last name of the user, an e-mail address, USPTO practitioner registration number, and creation of a user-defined password. And despite

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<sup>54</sup> *See id.*

<sup>55</sup> *See* 37 CFR §§ 42.1 – 42.80 (Patent Trial and Appeal Board replaced the Board of Patent Appeals and Interferences effective September 16, 2012; *See* 35 U.S.C. § 6).

<sup>56</sup> 37 CFR 42.6(b) (An advisory issued by the USPTO indicates that paper submissions should only be made if electronic filing (upload or email) is not available).

<sup>57</sup> <https://ptabtrials.uspto.gov/>.

<sup>58</sup> *Id.*

<sup>59</sup> Registration is not required to access filed documents. Anyone can search for and access previously filed documents as long as the documents are not filed under seal.

initial indications of document size limits of 250 megabytes, the USPTO has experienced problems with uploading larger files. To address these problems, the current document size limit is 10 megabytes, but there is no limit to the number of documents one can file.<sup>60</sup> In addition, PDF is the required format for all submitted documents with the exception of exhibits, which may be submitted as MPEG files.

### **C. Patentee Preliminary Response**

Presuming all of the requirements are satisfied for consideration of an IPR petition, the patentee may file a preliminary response.<sup>61</sup> Regulatory guidelines provide that a patentee must file a preliminary response, if any, within three months of the filing date of the IPR petition.<sup>62</sup> The preliminary response is of limited scope and may only address reasons why IPR should not be instituted by citing a failure of the challenger to meet any statutory requirement of an IPR. A simple example includes a challenger's citation to evidence that is neither a printed publication nor a patent reference to allege unpatentability of a claim.<sup>63</sup> Moreover, the patentee may challenge the timeliness of the petition by showing service of a complaint for patent infringement upon the challenger or a party in privity with the challenger more than one year prior to the petition filing date.<sup>64</sup> Another example includes the patentee pointing out why the cited references fail to anticipate the claimed subject matter or render it obvious to one skilled in the

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<sup>60</sup> <http://www.uspto.gov/ip/boards/bpai/prps.jsp>.

<sup>61</sup> 35 U.S.C. § 313; 42 CFR § 42.107 (The patentee may also file an election to waive any preliminary response).

<sup>62</sup> 42 CFR § 42.107(b).

<sup>63</sup> *See* 35 U.S.C. § 311(b).

<sup>64</sup> *See id.* § 314(b).

art. But the patentee's preliminary response must not include claim amendments or testimonial evidence not already of record.<sup>65</sup>

#### **D. Patentee and Challenger Dialogue**

Within the three months following a complete petition filing, the challenger and patentee should discuss the scope of any mandatory initial disclosures.<sup>66</sup> If the parties reach an agreement as to the scope of any mandatory initial disclosures, the parties must submit such agreement to the Board with the initial disclosures as exhibits no later than the filing of the patent owner preliminary response or expiration of the time period for filing such a response.<sup>67</sup> Currently, the USPTO provides two suggested options, a first following Rule 26(a)(1)(A) of the Federal Rules of Civil Procedure, and a second being more specific in scope to target information regarding secondary indicia of non-obviousness.<sup>68</sup> If an IPR trial is instituted, both parties may immediately take discovery of the information identified in the initial disclosures.<sup>69</sup> Where the parties fail to reach an agreement as to the scope of mandatory initial disclosures, either party may request discovery by motion to the Board.<sup>70</sup>

#### **E. PTAB Determination**

After receiving a patentee's preliminary response or expiration of time for the patentee to file such a response, the Board evaluates the evidence of record to determine whether to institute

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<sup>65</sup> 37 CFR § 42.107(c), (d) (Testimonial evidence may be submitted if authorized by the Board in the interests of justice).

<sup>66</sup> 37 CFR 42.51.

<sup>67</sup> 42 CFR § 42.51(a)(1)(i); *See* USPTO Office Patent Trial Practice Guide, at 27.

<sup>68</sup> *See* USPTO Office Patent Trial Practice Guide, at 27-29.

<sup>69</sup> 42 CFR § 42.51(a)(1)(ii).

<sup>70</sup> *Id.* § 42.51(a)(2).

an IPR trial.<sup>71</sup> As part of its determination, the Board uses the reasonable likelihood of success standard.<sup>72</sup> In other words, the Board cannot allow an IPR to proceed with respect to a challenged claim unless there is a reasonable likelihood that the challenger will prevail with respect to that claim.<sup>73</sup> And it is within the Board’s discretion to proceed with trial on fewer claims and on fewer grounds than suggested in the IPR petition.<sup>74</sup> Upon reaching its determination, the Board issues a written decision indicating whether or not an IPR trial is instituted.<sup>75</sup> If an IPR trial is instituted, the written decision by the Board will set forth the triable issues on a claim-by-claim and a ground-by-ground basis.<sup>76</sup> Alternatively, if no IPR trial is instituted, the written decision may include a short statement explaining why the requisite standards for review were not satisfied.<sup>77</sup> In addition, the Board enters a Scheduling Order setting due dates for the trial. The following is an exemplary Scheduling Order.

Deadline #1 – 3 months from Board Determination

- Patent owner post-institution response to the petition
- Patent owner post-institution motion to amend patent

Deadline #2 – 3 months from Deadline #1

- Petitioner reply to patent owner response
- Petitioner opposition to patent owner amendment

Deadline #3 – 1 month from Deadline #2

- Patent owner reply to petitioner opposition

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<sup>71</sup> The Board must determine whether to institute an IPR within three months after: (1) receipt of the patentee’s preliminary response; or (2) the last date on which the patentee could have filed a preliminary response. 35 U.S.C. § 314(b).

<sup>72</sup> 35 U.S.C. § 314(a).

<sup>73</sup> 37 CFR § 42.108. *See* USPTO Office Patent Trial Practice Guide, at 42 (describing the “reasonable likelihood” standard as “somewhat flexible [] that allows the Board room to exercise judgment”).

<sup>74</sup> 37 CFR § 42.108.

<sup>75</sup> *See* USPTO Office Patent Trial Practice Guide, at 44-45.

<sup>76</sup> 37 CFR §§ 42.2, 42.4, 42.108.

<sup>77</sup> *See* USPTO Office Patent Trial Practice Guide, at 44 (Board’s decision is final and nonappealable).

Deadline #4 – 3 weeks from Deadline #3

- Petitioner motion for observation regarding cross examination of reply witness
- Motion to exclude
- Request for oral argument

Deadline #5 – 2 weeks from Deadline #4

- Patent owner response to observation
- Opposition to motion to exclude

Deadline #6 – 1 week from Deadline #5

- Reply to opposition to motion to exclude

Deadline #6 – set on request

- Oral argument

**F. IPR Trial Sequence**

Approximately one month after trial is instituted, the Board will initiate a conference call with the parties.<sup>78</sup> As part of this conference call, the Board will discuss the Scheduling Order and any motions the parties anticipate filing during trial.<sup>79</sup> The USPTO Trial Practice Guide suggests that prior to the initial conference call the parties are to submit a list of proposed trial motions.<sup>80</sup> This proposed list is important because a party may need to seek prior authorization to file any motion not identified on this list.<sup>81</sup> Unfortunately, neither the administrative rules nor the USPTO's Trial Practice Guide provides any guidance as to how the parties will learn of the date for the initial conference call. From a common sense review of the publicly available information, it appears as though the Board will provide advance notice by way of a telephone call or possibly setting the date in the Scheduling Order.

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<sup>78</sup> See *id.* at 45-46.

<sup>79</sup> See *id.* at 45.

<sup>80</sup> See *id.*

<sup>81</sup> See *id.* at 46.

Either party may file a motion to submit supplemental information within one month of the Board's written decision to institute an IPR trial.<sup>82</sup> Currently, the trial practice rules do not define "supplemental information." To the extent either party attempts to submit supplemental information more than one month after trial is instituted, the party must request authorization to file a motion to submit supplemental information and show why the information reasonably could not have been obtained earlier and its consideration would be in the interests-of-justice.<sup>83</sup>

It is anticipated that the patentee will take discovery after the IPR trial is instituted and before Deadline #1, while the challenger will take discovery after Deadline #1 and before Deadline #2. Though the regulations provide for a challenger and a patentee to both take discovery of the information identified in agreed upon initial disclosures as soon as an IPR trial is instituted,<sup>84</sup> the regulations also provide either party with the opportunity to compel testimony or production of documents by filing a motion with the Board.<sup>85</sup> Any motion to compel must describe the general relevance of the information or item sought as well as identification of any witness or the general nature of the document/item.<sup>86</sup> The regulations also provide additional requirements for any motion to compel for testimony or production sought outside the United States.<sup>87</sup> And all compelled testimony must be in the form of a deposition transcript.<sup>88</sup>

The patentee may file a patent owner response after the Board's written decision to institute an IPR trial, and before Deadline #1, which addresses why those claims subject to the

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<sup>82</sup> 37 CFR § 42.223.

<sup>83</sup> *Id.* § 42.123.

<sup>84</sup> *Id.* § 42.51(a)(1)(ii).

<sup>85</sup> *Id.* § 42.52.

<sup>86</sup> *Id.* § 42.52(a).

<sup>87</sup> *Id.* § 42.52(b).

<sup>88</sup> *Id.* § 42.53(a) (sets forth a number of requirements for taking testimony including requirements for a notice of deposition and the certification requirements for the officer before whom the deposition to taken).

IPR trial are patentable.<sup>89</sup> This patent owner response can be no more than sixty pages and must include a statement setting forth the relief requested and the reasons supporting the requested relief.<sup>90</sup> More specifically, this statement must include a detailed explanation of the significance of evidence referenced and any applicable governing laws, rules, and precedent.<sup>91</sup> In addition, the patent owner response must include a statement identifying any material fact in dispute – in view of the rules providing alleged facts are deemed admitted if not denied.<sup>92</sup> Though not required per se, it is highly advisable for the patent owner response to provide a statement of material facts. This statement needs to include separately numbered sentences with specific citations to the record that support the fact.<sup>93</sup> To the extent the patentee has taken any deposition testimony, this testimony may be used as part of the patent owner response and filed by the patentee as an exhibit.<sup>94</sup> Finally, the patent owner response may be accompanied by a motion to amend the patent.

Current rules provide a patentee with the opportunity to file only one motion to amend the patent during an IPR trial.<sup>95</sup> A motion to amend the patent may only be filed after conferring

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<sup>89</sup> *Id.* § 42.120. The patentee may also decline to file a patent owner response and instead request adverse judgment pursuant to 37 CFR § 42.73(b).

<sup>90</sup> *Id.* §§ 42.22, 42.24(b)(2) (sixty page limit for the patent owner response does not include a listing of material facts that are admitted or denied).

<sup>91</sup> *Id.* § 42.22(a)

<sup>92</sup> *Id.* § 42.23. *See also* USPTO Office Patent Trial Practice Guide, at 46, explaining that the patentee may submit a claim chart comparing the claim to specific evidence.

<sup>93</sup> 37 CFR § 42.22(c).

<sup>94</sup> *Id.* § 42.53(f)(7).

<sup>95</sup> *Id.* CFR § 42.121 (An additional motion to amend may be authorized by the Board for good cause or upon a joint motion of the patentee and challenger). *See also* USPTO Office Patent Trial Practice Guide, at 47-48 (identifying whether supplemental information has been filed, time remaining for the trial, the degree to which the supplemental information impacts patentability of the claims, and whether the supplemental information was known by the patentee prior to the patent owner response as factors to consider when determining whether to grant patentee's second or later motion to amend).

with the Board and no later than the patent owner response.<sup>96</sup> As part of any motion to amend, the patentee may cancel or propose a substitute claim in place of a challenged claim.<sup>97</sup> A presumption arises that only one substitute claim will be presented to replace each challenged claim, but this presumption may be rebutted by demonstrating sufficient need.<sup>98</sup> Entry of any motion to amend may be denied when a proposed amendment seeks to enlarge the scope of the claimed subject matter or is not responsive to a ground of unpatentability involved in the trial.<sup>99</sup> And a motion to amend must set forth the support in the original disclosure, as well as the support in any priority application for which an earlier filing date is sought, for each claim added or amended.<sup>100</sup>

The USPTO's Trial Practice Guide provides a number of general practice tips when filing a motion to amend.<sup>101</sup> First, any amendment to a claim or new claim should be in clean form and clearly state whether the claim is "original," "cancelled," "replaced by proposed substitute," "proposed substitute for original claim X," or "proposed new claim." Second, each proposed substitute claim should be accompanied by a statement identifying the patentably distinct features. Third, entry of "proposed" claims may be denied entry if the patentee's original claims are patentable.

If a motion to amend is filed, the challenger is provided an opportunity to oppose the motion without requesting prior authorization.<sup>102</sup> The relevant deadline for the challenger to file

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<sup>96</sup> 37 CFR § 42.121(a).

<sup>97</sup> *Id.* § 42.121(a).

<sup>98</sup> *Id.* § 42.121(a).

<sup>99</sup> *Id.* §§ 42.121(a)(2).

<sup>100</sup> *Id.* § 42.121(b).

<sup>101</sup> USPTO Patent Trial Practice Guide, at 47-48.

<sup>102</sup> 37 CFR § 42.24(c)(1).

any opposition will be set forth in the Scheduling Order.<sup>103,104</sup> It is anticipated that during the relevant time period, the challenger may take any depositions necessary to rebut the evidence proffered by the patentee.

As part of any opposition, the challenger may submit new evidence<sup>105</sup> and arguments responsive to the new issues arising from the proposed claim amendments.

As part of any motion and any corresponding opposition filed, the party filing the motion may file a five-page reply.<sup>106</sup> By way of example, presuming the patent owner files a motion to amend and the challenger opposes the motion, the patentee has an opportunity to file a reply. But the moving party may not address arguments that he had not presented in the prior opposition.<sup>107</sup> If the reply addresses arguments beyond those presented in the prior opposition, the Board will refuse to consider those arguments. Even more problematic, the inclusion of arguments beyond the scope of those presented in the prior opposition will result in the entire reply not being considered.<sup>108</sup>

The Scheduling Order is to also provide deadlines for various motions and a request for an oral argument before the Board. For example, a Scheduling Order may set a deadline for filing observations and motions to exclude evidence. In the event that cross-examination occurs after a party has filed its last substantive paper on an issue, this cross-examination may result in testimony that should be called to the Board's attention through an observation. An observation should be a concise statement of the relevance of identified cross-examination testimony to an

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<sup>103</sup> USPTO Patent Trial Practice Guide, at 53.

<sup>104</sup> *Id.* at 62.

<sup>105</sup> 37 CFR § 42.63 (new evidence may be in the form of an exhibit comprising affidavits, transcripts of depositions, documents, and things).

<sup>106</sup> *Id.* §§ 42.23(b); 42.24(c)(2).

<sup>107</sup> *Id.* § 42.23(b).

<sup>108</sup> USPTO Office Patent Trial Practice Guide, at 53.

identified argument or portion of an exhibit.<sup>109</sup> In addition, a party wishing to challenge the admissibility of evidence must object timely to the evidence at the point it is offered and then preserve the objection by filing a motion to exclude. A motion to exclude evidence must: (1) identify where in the record the objection originally was made; (2) identify where in the record the evidence sought to be excluded was relied upon by an opponent; (3) address objections to exhibits in numerical order; and, (4) explain each objection.

After all of the foregoing has been completed and any oral argument held, the Board will enter a final written decision not more than one year from the date a trial is instituted. In limited circumstances, the Board may extend this one year deadline by up to six months for good cause. A party dissatisfied with a decision of the Board may file a request for rehearing.<sup>110</sup> Not surprisingly, the party challenging the decision bears the burden to show the decision should be modified. The party requesting rehearing must specifically identify in such request all matters the party believes the Board misapprehended or overlooked, and identify where the party has previously addressed each rehearing matter in an earlier motion, opposition, or reply.

Either party unsatisfied with the Board's written decision may appeal to the CAFC.<sup>111</sup> As part of filing any appeal with the CAFC, the appealing party is required to file a notice of appeal with the Director of the USPTO and with the Board no later than sixty-three days after the date of the Board's final decision.<sup>112</sup>

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<sup>109</sup> An exemplary form of an observation follows: In exhibit X, on page Y, lines Z, the witness testified A. This testimony is relevant to the A on page B of C. The testimony is relevant because D.

<sup>110</sup> 37 CFR § 42.71

<sup>111</sup> 35 U.S.C. § 141(c)

<sup>112</sup> 35 U.S.C. § 142; 37 CFR § 90.3(a). A timely request for rehearing before the Board will reset the time for appeal to no later than sixty-three days after action by the Board on the rehearing request.

## **V. Litigation Stay Pending Inter Partes Review**

As discussed previously, an IPR may not be instituted if the patent challenger<sup>113</sup> previously filed a civil action challenging the validity of any claim of that patent.<sup>114</sup> This IPR bar holds true even if the patent challenger is requesting an IPR for a claim of the same patent that was not at issue in the previously filed civil action.<sup>115</sup> In a circumstance where the patent challenger files a civil action challenging the validity of a claim of a patent on or after filing an IPR petition, the civil action is automatically stayed until either: (1) the patentee moves the court to lift the stay; (2) the patentee files a civil action or counterclaim alleging the patent challenger has infringed the patent; or (3) the patent challenger moves the court to dismiss the civil action.<sup>116,117</sup> But what about a circumstance where the patentee filed suit against the alleged infringer and the USPTO has undertaken review of the patent at issue?

Patent challengers have never had any explicit basis in the patent statute to request a stay of a pending litigation. Instead, it was the patentee that had an explicit basis to obtain a stay of a pending litigation after the USPTO determined review of the patent was appropriate.<sup>118</sup> Yet the absence of an explicit basis in the patent statute did not foreclose patent challengers from requesting a stay of a federal district court action where reexamination of the patent in question had been requested. Instead, when a stay was requested by either the patentee or patent

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<sup>113</sup> Also includes “real party of interest” of the patent challenger. *See* 35 U.S.C. § 315.

<sup>114</sup> 35 U.S.C. § 315(a)(1).

<sup>115</sup> *Id.*

<sup>116</sup> 35 U.S.C. § 315(a)(2).

<sup>117</sup> A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of 35 U.S.C. § 315(a). *See* 35 U.S.C. § 315(a)(3).

<sup>118</sup> *See* 35 U.S.C. § 318 (1999), amended by 35 U.S.C. § 318 (2012). (“Once an order for inter partes reexamination of a patent has been issued under section 313, the patent owner may obtain a stay of any pending litigation which involves an issue of patentability of any claims of the patent which are the subject of the inter partes reexamination order, unless the court before which such litigation is pending determines that a stay would not serve the interests of justice.”).

challenger, a federal district court judge relied on inherent powers to stay litigation under the guise of economy of time and effort.<sup>119</sup> And none of the three most common factors judges considered in determining whether to grant a stay are reexamination specific.<sup>120</sup> Rather, each of these factors is generic and applicable to both a patentee and patent challenger for any pending proceeding at the USPTO involving patentability of one or more issued claims. Consequently, there is no legitimate reason to believe requests to stay a pending litigation when the patent at issue is subject to a pending IPR will be evaluated under a different standard.

So how will IPR affect a federal district court judge's stay analysis? Federal district court judge's decisions on motions to stay should take into account the drastic reduction in pendency of an IPR as compared to inter partes reexamination. The chief factor in a judge refusing to stay a patent litigation is the prejudice suffered by the patentee because of a delay in enforcing the patentee's rights. But this prejudice<sup>121</sup> is lessened as the delay is lessened. Unlike inter partes reexamination, IPR omits having a single patent examiner evaluate both parties' cases. Instead, IPR expedites the process by requiring that both parties start with the Board and have a final decision by the Board within one year of instituting an IPR trial.<sup>122</sup> Not surprisingly, this will inevitably lead to lesser delay of any appeal to the CAFC.

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<sup>119</sup> See *Landis v. North Am. Co.*, 299 U.S. 248, 254 (1936); see also *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (noting that “[c]ourts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.”) (internal citations omitted).

<sup>120</sup> See *Xerox Corp. v. 3Com Corp.*, 69 F.Supp.2d 404, 406 (W.D. N.Y. 1999), *Telemac Corp. v. Teledigital, Inc.*, 450 F.Supp.2d 1107, 1111 (N.D. Cal. 2006); *Tomco Equip. Co. v. S.E. Agri-Systems, Inc.*, 542 F.Supp.2d 1303, 1307 (N.D. Ga. 2008); *Gryphon Networks Corp. v. Contact Center Compliance Corp.*, 792 F.Supp.2d 87, 89-90 (D. Mass. 2011); *Tesco Corp. v. Weatherford Inter'l, Inc.*, 599 F.Supp.2d 848, 850 (S.D. Tex. 2009).

<sup>121</sup> Presuming the prejudice is not permanent.

<sup>122</sup> See 35 U.S.C. § 316(a)(11).

IPR will not affect some federal district court judge's decision to deny a motion to stay a pending patent litigation. As mentioned previously, certain judges equate the "simplification of issues" factor to total elimination of all triable issues. Given the limited scope of an IPR to evaluate patentability using patents and other printed publications, it will remain nearly impossible for a party requesting a stay to convince such a court that a pending IPR will necessarily result in all claims being disallowed. Moreover, as the litigation gets closer to trial, judges are less apt to grant a stay.

In summary, nothing about an IPR will make it less likely for a federal district court judge to grant a stay. If anything, an IPR has advantages in timing not exhibited by inter partes reexamination. Moreover, the significant revisions to the patent statute brought about by Public Law 112-29 to create IPR evidence a clear congressional intent to relocate patent battles from federal district courts to the USPTO. To increase the likelihood of a judge granting a motion to stay, the earlier the motion is filed the better. This remains the case even when the Board has received an IPR petition, but not yet instituted an IPR trial. An IPR will result in simplification of the triable issues, unless the partes reach an IPR settlement agreement – that may itself bring about an end of the litigation. In addition, the party requesting the stay should stress the streamlined process of an IPR trial and valuable prosecution history that may impact any future trial. Finally, the party requesting a stay should affirmatively combat any delay argument by pointing out one or more of the following: the absence of a preliminary injunction; large useful life of the patent remaining; the absence of direct competition; and an ability of the alleged infringer to satisfy any money damages (e.g., putting up a bond).