

UPDATE

SPRING/SUMMER 2014

IN THIS ISSUE

- 1 Five Considerations When Choosing How to Challenge Patent Validity
- 4 The Google Books Case – Here's the Skinny
- 7 Aesthetic Functionality in the TTAB since *Louboutin*
- 10 IP Decisions Abound at the Supreme Court in Spring 2014
- 17 Global PPH and IP5 – Latest Iteration in the Patent Prosecution Highway

FIVE CONSIDERATIONS WHEN CHOOSING HOW TO CHALLENGE PATENT VALIDITY



BY: H. WAYNE PORTER AND CRAIG W. KRONENTHAL

Inter partes review

(IPR) is quickly becoming a popular

choice for challenging the validity of a patent. The America Invents Act (AIA) established IPR as a mechanism for challenging patent validity through an evidentiary proceeding before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office (USPTO). Under the right circumstances, an IPR may be a viable option for a party seeking to challenge an issued patent. Other options include traditional *ex parte* reexamination and district court litigation. This article discusses five areas to consider when choosing the best option in a particular case.

DISCOVERY

A third party requesting *ex parte* reexamination of a patent will have no real discovery opportunities. For example, *ex parte* reexamination does not allow a third party requestor to depose experts or other parties from whom a patent owner may submit declarations in support of patentability.

On the other hand, litigation allows for a broad scope of discovery. Rule 26(b) of the Federal Rules of Civil Procedure permits discovery so long as it “appears reasonably calculated to lead to the discovery of admissible evidence.” As a result, the discovery process often becomes a lengthy and costly component of litigation. Indeed, some believe that the discovery process is used to drive up expenses and consume resources in hopes of forcing opponents into a settlement.

Discovery in an IPR lies somewhere between these two extremes. Discovery is available in an IPR; however, it is quite limited in scope.¹ The IPR rules establish the right to cross-examine a declarant and require the parties to share information that is inconsistent with their positions.² For additional discovery, parties must reach an agreement or seek additional discovery by motion if agreement cannot be reached. Thus far, motions to the PTAB for additional discovery have been overwhelmingly unsuccessful. Parties have had difficulty persuading the PTAB that additional discovery is necessary in the “interest of justice,” and the PTAB has often noted that the time constraints of the IPR process do not allow for additional discovery.³

[MORE▶](#)

¹ See *Garmin Int'l Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper 26 (March 5, 2013) (noting the significant difference between the scope of discovery in an IPR and litigation).

² 37 C.F.R. § 42.51(b).

³ See e.g., *Apple Inc. v. Achatz Reference Publishing, Inc.*, IPR 2013-00080, Paper 17 (April 3, 2013).

CLAIM AMENDMENTS

One of the largest factors weighing against challenging a patent through *ex parte* reexamination is the ability of the patent holder to amend the claims. In *ex parte* reexamination, the patent holder may add and amend claims to improve its position. The only restrictions are that the amended or new claims must be supported by the original application and must be narrower in scope than the issued patent claims. The only limit on the number of new claims that may be added is the patent owner's willingness to pay extra claim fees. In practice, many patent holders use reexamination as an opportunity to amend or add claims that more clearly cover an allegedly infringing product. Although new or amended claims only have prospective effect, they can still be quite valuable if the reexamined patent has a significant remaining term. Indeed, some patent holders request *ex parte* reexamination of their own patent to solidify the patent by adding and/or amending claims to improve position in preparation for litigation.

Patent claims cannot be amended during district court litigation. For this reason, parties seeking to invalidate a patent have previously chosen to forego reexamination and solely pursue litigation.

Patent claims can be amended during an IPR. However, the ability to amend claims in an IPR is quite limited. Like reexamination, claims may not be amended to enlarge the scope of protection in an IPR.⁴ In addition, claim amendments must be in response to a ground of unpatentability involved in the IPR.⁵ When the patent holder amends a claim, the petitioner (the party that requested the IPR) may argue that the amendment represents a concession that an amendment is needed to overcome a reference. Patent holders may thus be reluctant to amend.

Further, 37 C.F.R. § 42.121(a)(3) limits patent holders to a reasonable number of substitute claims in an IPR. The rule creates a presumption of a one-for-one paradigm in which one claim can be added when one claim is canceled. On a more practical level, applicable IPR page limits restrict the ability of a patent owner to make amendments. Amendments are made through a motion to amend, which is limited under 37 C.F.R. § 42.24(a)(1)(v) to 15 pages. The motion must include a claim listing, a discussion of support for added or amended claims, and how the amended claims distinguish over the asserted prior art. It can be difficult to squeeze all of this into 15 pages if there are more than a few new or amended claims. Although the IPR rules allow patent owners to request additional pages, the PTAB has been quite willing to reject such requests.⁶

TIME

The timeframes for district court litigation vary widely. Some venues are considered "rocket dockets," but it is nonetheless common for patent litigation to last several years. *Ex parte* reexamination is generally considered to be faster, though this is not always the case. On average, the pendency of an *ex parte* reexamination from request filing date to certificate issue date is 27.9 months.⁷

An IPR is likely to be more expedient than *ex parte* reexamination or litigation. The PTAB is required to decide whether to institute an IPR within six months from the filing of a petition for an IPR. The PTAB is also required to reach a decision within 12 months from the time the IPR is instituted.⁸ This deadline is extendable to 18 months upon a showing of good cause.

MOTIONS

Motions are not a part of *ex parte* reexamination. Once a third party files a request for reexamination, that party may have no opportunity to participate in or influence

⁴ 37 C.F.R. § 42.121(a)(2)(ii).

⁵ 37 C.F.R. § 42.121(a)(2)(i).

⁶ See *Idle Free Sys., Inc. v. Bergstrom, Inc.*, CBM2012-00027, Paper 27 (June 18, 2013).

⁷ *Ex Parte* Reexamination Filing Data – Sept. 30, 2012 (www.uspto.gov).

⁸ 37 C.F.R. § 42.100(c).

the outcome of the reexamination proceedings. The third party requestor is limited to a single reply if the patent owner responds to the request for reexamination. In practice, many patent owners do not respond to requests for reexaminations so that they can deprive third party requestors of that reply. Moreover, the third party is prohibited from communicating with the reexamination examiner, whereas patent holders are allowed to participate in interviews with the examiner.

Litigation generally stands at the other extreme in this area, as well. A wide variety of motions may be filed in district court litigation. Individual courts have their own local rules governing motion practice. Such local rules may dictate page limits, content requirements, deadlines for filing and responding, and how motions are to be filed (e.g., whether motions need to be electronically filed). Often local counsel is employed to ensure that the local rules are being met.

Although motion practice is also a component of IPRs, it is much more tightly controlled relative to district court litigation. For example, 37 C.F.R. § 42.20(b) requires prior PTAB authorization before filing a motion. Filing a motion without PTAB approval could result in expungement of the motion with prejudice.⁹ This aspect can impact costs and expediency of IPRs. Although it is too early to reach conclusions, this pre-authorization requirement can be expected to cut down on the number of motions filed and keep motions narrowly tailored to specific issues. When authorizing motions, for example, the PTAB often provides guidance on the issues to be addressed in the motion.

SETTLEMENT

Once a request for *ex parte* reexamination is granted and a reexamination is ordered, neither the patent owner nor a third party requestor can stop the reexamination.¹⁰ The USPTO will reexamine the patent and allow and/or reject

claims regardless of any subsequent settlement or other agreement between the patent owner and the third party. It may thus be difficult for a third party to negotiate a favorable license while a patent is under reexamination, as the patent owner will have to continue fighting for patent validity regardless of whether a dispute with the third party requestor is resolved.

In contrast, the time, money and resources associated with district court litigation often motivate parties to settle. Indeed, most patent suits terminate as a result of settlement. When patent suits do settle, the settlement terminates the trial and the terms of settlement can often be kept confidential. The assurance that the terms of settlement will be kept confidential can be an influential factor in the willingness of a patent owner or patent challenger to settle.

Settlement considerations may play into whether a party chooses to institute an IPR. Unlike *ex parte* reexamination, the PTAB may terminate an IPR without reaching a decision.¹¹ However, 37 C.F.R. § 42.74 makes clear that the PTAB does not have to terminate the trial if the parties settle. The PTAB's decision to terminate the IPR proceedings will likely hinge on the timing of the settlement and how close the PTAB is to making a decision. As for the terms of settlement, 37 C.F.R. § 42.74(c) provides for keeping settlement details secret and separate from the file of the IPR. However, the same rule also provides for making such details available to government agencies on written request and to other persons upon a showing of good cause.

CONCLUSION

As evidenced by the five areas discussed herein, all three options for challenging patent validity have benefits and drawbacks. The best option will depend on the particular circumstances at hand. The above aims to provide some guidance in light of the new IPR process when preparing a strategy for invalidating an issued patent. ■

An IPR is likely to be more expedient than *ex parte* reexamination or litigation.

⁹ See *Bloomberg Inc. v. Markets-Alert Pty. Ltd.*, CBM2013-00005, Paper 15 (Dec. 3, 2012).

¹⁰ An *ex parte* reexamination proceeding concludes with the issuance of a reexamination certificate (whether claims are allowed, canceled or amended). See 37 C.F.R. § 1.570.

¹¹ 37 C.F.R. § 42.72.