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Making The Most Of Post-Grant Proceedings

The editor interviews Dorothy Whelan and Karl Renner, Co-Chairs of Fish & Richardson's Post-Grant practice, about emerging trends and issues in post-grant and litigation strategy. Ms. Whelan is based in Fish's Twin Cities office, and Mr. Renner is based in Washington, DC. Together they have handled more than 200 inter partes review (IPR) and covered business method (CBM) matters.

Editor: Fish is one of most active firms involved with post-grant proceedings and has played a pivotal role in shaping this important new field of IP practice. Tell us more about the work you are doing.

Renner: Post-grant proceedings truly are hybrids. In response, we are creating interdisciplinary teams to handle them. Each team includes both experienced patent practitioners and seasoned litigators. Our ability to draw upon Fish's deep expertise in both patent prosecution and litigation differentiates us from other firms that do post-grant work.

Editor: Your practices focus in different areas of technology – Karl more towards electrical and Dorothy more towards chemicals and biotechnology. What trends are you observing across technology areas?

Whelan: The electrical and computer industries are by far the most active filers of post-grant proceedings – at last count, more than 70 percent of all petitions came out of these industries. However, we're starting to see more filings in the biotech, pharmaceutical, and chemical industries, which currently account for around 13 percent of total filings. Companies in the life sciences, pharmaceutical, and chemical industries have been slow to adopt post-grant as a part of their IP strategies, but that is changing. We recently conducted a webinar that discussed challenging and defending biopharma patents at the Patent Trial



Dorothy Whelan



Karl Renner

and Appeal Board (PTAB) and received a huge number of questions from in-house attorneys for companies in these industries. We think that speaks to this emerging trend.

Editor: How are companies using post-grant proceedings to complement their patent litigation strategy?

Renner: We see a growing number of defendants filing petitions due to the relatively high success rate at the PTAB for invalidating claims, coupled with the willingness of many district courts to stay cases. Both also tend to encourage parties to settle disputes.

Editor: You both recently served as expert panelists with administrative patent judges at the PTAB AIA Trial Roundtables that were held across the country. Can you share some observations from these events?

Whelan: We were both thrilled to be invited and have to compliment the PTAB for being open to feedback on the post-grant process. The goal of these roundtables was to solicit input from practitioners about how the proceedings are going, allow practitioners to offer constructive criticism, and enable practitioners to interact with the PTAB judges.

One of the major topics of discussion across the roundtables was the volume of filings. The PTAB is currently the second most active U.S. forum for patent validity challenges. The roundtables took place in

April 2014, which was a record month, with 158 petitions filed. Those filing numbers were even higher in June and August. The high volume of filings puts significant pressure on the PTAB, which has a mandate to complete post-grant proceedings within one year of the decision to institute. As a result, the PTAB is actively recruiting more judges in Washington, DC and across a number of their satellite offices. The PTAB is confident that it can hire enough judges to handle its docket.

The discussion also covered the fact that the overwhelming majority of petitions filed are being instituted, and that almost 50 percent of settlements that occur as a consequence of these proceedings happen before institution. That is within six months of the filing. We found this surprising as we have been involved in a large number of settlements, but our experience hasn't reflected this statistic. We do know that there's a risk that if the parties settle too late in the proceeding, the PTAB might continue the proceeding anyway, but we would still have expected that most settlements would occur after institution, not before. The takeaway here, of course, is that if settlement is your objective, you should solicit that early to avoid putting yourself in a position where settlement occurs but the proceeding continues on, which could be a nightmare for both parties.

The PTAB is also sensitive to being considered a "patent death squad." The clear message was that the PTAB is not out to kill patents, and they emphasized that when the PTAB grants a petition, that grant is only a preliminary decision. It's not necessarily indicative of where they are going to come out on the final merits of the case, and that nothing, including claim construction, is set in stone. The judges recognize that at the time the decision to institute is made, the patent owner has not yet been able to put its full case forward, so the judges are receptive to changing their minds.

Please contact the interviewees at whelan@fr.com or renner@fr.com with questions about this interview.

Editor: Tell us about a particularly challenging case you've worked on and why it stands out.

Renner: We were asked to assist another law firm with a group of reexaminations relating to patents for which co-pending litigation yielded findings of infringement. Just prior to our involvement, but after a jury verdict of infringement in that co-pending litigation, the U.S. Patent and Trademark Office (USPTO) mailed Final Office Actions rejecting all claims in each patent. Worse yet, the timing of the proceedings caused the USPTO record to close without affording the patentee the ability to cite to trial evidence establishing facts critical to the validity inquiry. For instance, at trial, testimony from the challenger's experts clearly established the novelty of the claims in question.

As a result, the USPTO reexaminations were headed to appeal on an incomplete record, leaving the USPTO decision-makers without insight into critical facts that the jury considered in the litigation. Left unchecked, this incomplete USPTO record promised to unravel results attained based on a complete record that was built over years of litigation.

Our challenge was to bring this late-arising evidence forward because the interests of justice would not be served by leaving the record incomplete. The missing facts showed that even the challenger's evidence demonstrated validity of the patent being challenged. Over the two years that followed, we were able to work with the USPTO to admit the evidence that had been produced at trial into the post-grant proceedings. To the credit of the Central Reexamination Unit, we found the USPTO willing to fully consider the evidence in question, so that the findings in the post-grant case were ultimately consistent with the litigation findings.

This case represented a harbinger of things to come for all forms of post-grant proceedings. It reinforced our belief in the importance of establishing an evidentiary foundation during the post-grant proceeding and any appeal. The bottom line is this: evidence should be carefully harvested and submitted, at the earliest opportunity, in harmony with litigation discovery and with an eye toward the potential of an appeal, either at the USPTO or the Federal Circuit.

Editor: Is there any area of post-grant practice that you think needs reform?

Whelan: The AIA permits third parties to provide prior art to the USPTO for consideration in pending patent applications. The intent of these rules is noble and unambiguous: the USPTO seeks to engage industry in achieving more robust patent prosecution and allowance of fewer patent claims that are clearly anticipated or rendered obvious by prior art. Unfortunately, practical realities make the available tools unlikely to yield the intended effect.

While third parties are obviously motivated to take advantage of these rules, the risks associated with furnishing prior art to the USPTO for consideration are high. Why? The patent applicant thereafter interacts with a handling USPTO examiner *ex parte*, even conducting personal interviews with the examiner, if tactically advantageous to the patent applicant. Thus, the chances of a patent emerging over the third party's prior art is significantly enhanced, relative to other *inter partes* proceedings in/out of the USPTO. Worse, while formal estoppel does not preclude the third party from raising the submitted prior art in later challenges to the patent's validity, any emerging patent is largely galvanized against prior art that has been furnished using these procedures.

The result: third parties will likely continue to withhold their best prior art rather than taking the risks of handing it to the USPTO. Ideally, a more effective mechanism will become available to encourage third parties to expose their best prior art during the examination phase of a patent application to avoid the inefficiencies borne by the system in allowing patents to emerge despite their invalidity when compared to prior art known to exist to parties outside of the USPTO.

Editor: Earlier this year, Fish launched the first-ever "Post-Grant App," www.fishpostgrant.com/app/, which has generated a lot of buzz. Tell us more about this.

Renner: Because we are a leader in post-grant practice, our attorneys have significant insights that we share on our dedicated post-grant website, www.fishpostgrant.com, and through frequent webinars and seminars. We wanted to distribute this material in the most user-friendly way possible. Our clients are extremely busy and constantly on the move, so sharing content to their smartphones through an app seemed like a good solution. Feedback has been hugely positive, so we're continuing to develop our app. At the moment we're pushing important news alerts and commentary regarding PTAB decisions, making our webinars available to stream through the app and hosting content that provides an overview of each proceeding.

We're currently beta testing some exciting new features, which will deliver up-to-the-minute statistical data regarding stays relating to post-grant proceedings, daily summaries that cover PTAB petitions filed, PTAB decisions of note, and important district court decisions that involve post-grant matters. We hope to launch these by the end of the year.