

Contested Case Proceedings Before the New Patent Trial and Appeal Board (PTAB)



Michael Tierney
Lead Administrative Patent Judge
Board of Patent Appeals and Interferences
United States Patent and Trademark Office



Overview

- I. Overview of Board AIA Proceeding Structure
- II. Discussion of Proceeding-Specific Rules
 - *Inter Partes* Review (IPR)
 - Post-Grant Review (PGR)
 - Transitional Program for Covered Business Method Patents (CBM)
 - Derivation
- III. Discussion of Umbrella Rules and Practice Guide

2



Board AIA Proceeding Structure

- AIA provides for same basic structure for all the AIA Board proceedings.
- Proceedings begin with petition.
- The Board may institute a trial on Director's behalf where a petition satisfies statutory thresholds.
- Trial is conducted on the merits. An amendment and response to petition may be filed during trial.
- Trial concludes in a final written decision unless otherwise terminated, e.g., settlement.

3



Basic AIA Proceeding Terminology

- **Proceeding:** The statutory term "proceeding" is used in the AIA to describe both the four new review processes at the Board and the activities that occur during a review. For example, 35 U.S.C. 325(d) refers to derivations, post-grant reviews and *inter partes* reviews as "proceedings."
- **Petition:** The statutory term "petition" means the request to institute one of the new proceedings. See, e.g., 35 U.S.C. 311.
- **Trial:** The term "trial" refers to the portion of a proceeding after the Board has determined that a petition meets the threshold requirements for instituting the review. The term comes from the new statutory title of the Board: the Patent Trial and Appeal Board. 35 U.S.C. 6.
- **Motion:** The statutory term "motion" means the mechanism for a party to seek relief. For example, 35 U.S.C. 326(a)(1) permits a motion to seal a document and 35 U.S.C. 326(d) permits a motion to amend.

4



Inter Partes Review

- IPR statutes effective 9/16/2012. § 6(c) of AIA.
- All patents are eligible for an IPR – both first to invent and first inventor to file. § 6(c)(2)(A) of AIA.
- A person who is not the patent owner and has not previously filed a civil action challenging the validity of a claim of the patent may file an IPR. 35 U.S.C. 315(a)(1); [42.101].

5



Inter Partes Review

- A petitioner in an IPR may request to cancel, as unpatentable, 1 or more claims of a patent only on a ground that could be raised under 35 U.S.C. 102 or 103 and only on the basis of prior art consisting of patents or printed publications. 35 U.S.C. 311(b); [42.104(b)(2)].
- An IPR petition cannot be filed until after the later of:
 - 1) 9 months after the grant of a patent or issuance of a reissue of a patent; or
 - 2) the date of termination of any post grant review of the patent. 35 U.S.C. 311(c); [42.102(a)].

6



Inter Partes Review

- Petition must:
 - Be accompanied by a fee. 35 U.S.C. 312(a)(1); [42.15; 42.103].
 - Identify all real parties in interest. 35 U.S.C. 312(a)(2); [42.8].
 - Identify all claims challenged and grounds on which the challenge to each claim is based. 35 U.S.C. 312(a)(3); [42.104(b)].
 - Provide a claim construction and show how the construed claim is unpatentable based on the grounds alleged. [42.104(b)]. Many comments received on this issue as to pros and cons of requiring a construction with the filing of the petition.
 - Provide copies of evidence relied upon. 35 U.S.C. 312(a)(5); [42.6(c)].


7



Inter Partes Review

- A patent owner may file a preliminary response to the petition to provide reasons why no IPR should be instituted. 35 U.S.C. 313; [42.107(a)].
- Preliminary response is due 2 months from petition docketing date. [42.107(b)]. Some commentators desire 3 months.
- General rule is that preliminary response may present evidence other than testimonial evidence. [42.107(c)]. Testimonial evidence and discovery may be provided where necessary (case-by-case basis). Some commentators desire full range of evidence for preliminary response while others suggest should be limited to only arguments.


8



Inter Partes Review

- An IPR Petition must demonstrate a reasonable likelihood that petitioner would prevail as to at least one of the claims challenged. 35 U.S.C. 314(a); [42.108(c)].
- Where IPR standards are met, the Board will institute the trial on: 1) claim-by-claim basis; and 2) ground-by-ground basis. [42.108(a) and (b)].
- An IPR trial will be completed within one year from institution, except the time may be extended up to six months for good cause. 35 U.S.C. 316(a)(11); [42.100(c)].


9



Inter Partes Review

- A patent owner may file a response to petition addressing any ground for unpatentability not already denied. In submitting a response, the patent owner must file, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response. 35 U.S.C. 316(a)(8); [42.120].


10



Inter Partes Review

- A patent owner may file one motion to amend a patent subject to the standards and procedures set by the Office. 35 U.S.C.316 (a)(9), (b).
 - Amendments may cancel any challenged claim and/or propose a reasonable number of substitute claims. 35 U.S.C.316 (a)(9), (d).
 - Additional motions may be filed if authorized. 35 U.S.C.316 (d)(2).
 - Some commentators request that substitute claims be automatically entered into patent.

11



Post Grant Review

- Most aspects of PGR and IPR are effectively the same.
 - For example,
 - Petition – the requirements for a petition are essentially the same.
 - Preliminary Patent Owner Response – requirements are essentially the same.
 - Patent Owner Response (after institution) - requirements are essentially the same.
 - Amendments – requirements are essentially the same.

12



Post-Grant Review

- There are some differences between a post-grant review and an *inter partes* review. For example,
 - With limited exceptions, only those patents issuing from applications subject to first-inventor-to-file provisions of the AIA (effective 3/16/2013). § 6(f)(2) of AIA.
 - PGR allows challenges based on §§ 101, 102, 103 and 112, except best mode. 35 U.S.C. 321(b); [42.204(b)(2)].
 - PGR may only be requested on or prior to the date that is 9 months after the grant of a patent or issuance of a reissue patent. 35 U.S.C. 321(c); [42.202(a)].
 - Petition must demonstrate that it is more likely than not (*i.e.*, a higher threshold than IPR) that at least one of the claims challenged in the petition is unpatentable. 35 U.S.C. 324(a); [42.208(c)].

13



Covered Business Methods

- Generally, employs PGR Procedures and Standards.
- Section 18(a)(1) of the AIA provides that CBM reviews will employ the standards and procedures of a PGR subject to certain exceptions.

14



Covered Business Methods

- Differences between a covered business method review and a post grant review include:
 - Cannot file CBM during time a PGR could be filed, *i.e.*, 9 months after issuance of a patent. § 18(a)(2) of AIA.
 - Petitioner must be sued or charged with infringement. § 18(a)(1)(B) of AIA; [42.302(a)]. *Some commentators suggest that “charged” means sufficient basis to file a declaratory judgment.*
 - *Petitioner has burden of establishing that patent is eligible for CBM review.* [42.304(a)].

15



Covered Business Methods

- More differences:
 - Eligible Patents
 - Must be a business method patent. Covered business method patent generally defined in statute as method or corresponding apparatus for performing data processing or other operations for financial product or service. § 18(d)(1) of AIA; [42.301(a)].
 - Business method patent definition excludes patents for technological inventions. § 18(d)(1) of AIA. *Technological invention is defined in separate rule package – [42.301(b)].*
 - Both first to invent and first inventor to file patents are eligible. §§ 6(f)(2)(A) and 18(a)(1) of AIA.
 - Prior Art is limited when challenging a first-to-invention patent. § 18(a)(1)(C) of AIA.

16



Covered Business Methods: Technological Invention

- Proposed rule 42.301(b) provides that solely for purposes of a CBM review the following will be considered on a case-by-case basis to determine if a patent is for a technological invention:
 - whether the claimed subject matter as a whole:
 - (1) recites a technological feature that is novel and unobvious over the prior art; and
 - (2) solves a technical problem using a technical solution.
- Many comments received pro and con on this definition.

17



Derivation

- AIA derivation petition requirements differ from IPR, PGR and CBM.
 - 1) Only an applicant for patent may file a petition to institute a derivation proceeding.
 - 2) The petition must set forth with particularity the basis for finding that an inventor named in an earlier application or patent derived the claimed invention.
 - 3) The petition must be filed within 1 year of the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention. 35 U.S.C. 135(a), as amended.

18



Derivation

- Under proposed rule 42.405, a derivation petition must:
 - Show that the petitioner has at least one claim that is the same or substantially the same as the respondent's claimed invention.
 - Show that the respondent's claimed invention is not patentably distinct from the invention disclosed (directly or indirectly) to the respondent.
 - Provide substantial evidence, including one affidavit, in support of the petition to show how the invention was communicated to the respondent.

19



Umbrella Rules

- Per statutory requirements, real parties in interest will have to be provided. See, e.g., 35 U.S.C. 312(a)(2), 322(a)(2).
- Practice Guide (Section I. D) provides factors that may be considered in determining whether a party constitutes a real party in interest or privy.
- Additionally, both petitioner and patent owner will be required to provide a certain level of information necessary to conduct the proceeding including related proceedings, lead and backup counsel, and contact information (email addresses and phone numbers). [42.8(b)].

20



Umbrella Rules

- Practice Before the Office in the New Board Proceedings
 - The Board may recognize counsel pro hac vice during a proceeding upon a showing of good cause, subject to such conditions as the Board may impose (42.10(c)), such as agreeing to be bound by the Office's Code of Professional Responsibility.
 - Similarly, the Board may take action to revoke pro hac vice status, taking into account various factors, including incompetence, unwillingness to abide by the Office's Code of Professional Responsibility, and incivility.

21



Umbrella Rules

- For IPR, PGR, and CBM, the Director is required to set the fees to be paid by the third party requesting review "in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review." 35 U.S.C. 311, 321.
 - Consistent with statute, the proposed fees are set at a cost recovery level and are promulgated under the Office's 35 U.S.C. 41(d)(2) cost recovery fee setting authority.
 - New AIA Section 10 fee setting authority will allow for Office-wide fee setting, but is the subject of a separate rule package, which will not be promulgated in time for the 9/16/12 implementation date for IPR, PGR, and CBM.

22



Umbrella Rules

- The proposed fees are as follow:
 - The proposed fees are set based on the number of claims challenged with a base fee set for the first 20 claims and fees escalating for each additional 10 claims. See 77 Fed. Reg. 6879, 97 (February 9, 2012).
 - Proposed base IPR fee is \$27,200 (based on recover cost of ~100 hours of Judge time plus IT costs) with proposed escalating fees such that 51 to 60 claims will be \$68,000.

23



Umbrella Rules

- The proposed fees are as follow (continued):
 - Proposed base PGR/CBM fee is \$35,800 (based on recover cost of ~ 130 hours of Judge time plus IT costs) with proposed escalating fees such that 51 to 60 claims will be \$89,500.
 - Derivation statute does not require a fee for the petition. Office proposes to charge \$400 to cover the costs of initial processing for the petition.
 - Numerous comments pro and con regarding fee structure.

24



Umbrella Rules

- Although proceedings begin with the filing of a petition, a party seeks additional relief by motion.
 - AIA provides that additional relief may be requested by the filing of a motion. See, e.g., 35 U.S.C. 326(a)(9), 326(d); [42.20].
 - A judge will be assigned to each proceeding. Parties seeking additional relief may contact the judge and request relief. A judge may decide the requests during the call, thereby increasing speed and efficiency of the proceeding and reducing costs to the parties.
- A party may rebut an opponent's motion by filing an "opposition." A party seeking to respond to an "opposition" may file a "reply." See, e.g., [42.23, 42.25].

25



Umbrella Rules

- Protection of Confidential Information
 - AIA provides that the file of a proceeding is open to the public, except that a party may seek to have a document sealed by filing a motion to seal. See, e.g., 35 U.S.C. 316(a)(1); [42.14; 42.55].
 - AIA also provides for protective orders to govern the exchange and submission of confidential information. See, e.g., 35 U.S.C. 316(a)(7); [42.55] and Practice Guide.

26



Umbrella Rules

- Time frame for completing a trial
 - A final written determination is to be made no more than 1 year after an IPR, PGR, or CBM trial has been instituted, except that the time may be extended up to six months for good cause. See, e.g., 35 U.S.C. 316(a)(11).
 - The Board expects to enter a Scheduling Order concurrent with a decision to institute the trial and to conduct a conference call about one month from institution. (See Practice Guide).

27



Umbrella Rules

- Time frame for completing a trial (continued)
 - A Scheduling Order would set due dates taking into account the complexity of the proceeding. For example, a Scheduling Order for an IPR may include:
 - 4 months for patent owner response to petition and amendment,
 - 2 months for petitioner reply to response and opposition to amendment,
 - 1 month for patent owner reply to petitioner's opposition to amendment,
 - 2-3 months for motions to exclude evidence and oral hearing, and
 - 2 months for final written decision.

28



Umbrella Rules

- Testimony and document production is permitted
 - AIA authorizes the Office to set standards and procedures for the taking of discovery. See, e.g., 35 U.S.C. 316(a)(5), 326(a)(5).
 - The proposed rules allow for two types of discovery: routine discovery and additional discovery. [42.51(b), (c)].

29



Umbrella Rules

- Routine discovery – reduces costs to parties by making basic information readily available at the outset of the proceeding. Routine discovery may assist the parties to assess the merits of their respective positions, to avoid harassment in the proceeding, or to reach settlement.
- Routine discovery includes:
 - documents cited,
 - cross-examination for submitted testimony, and
 - information inconsistent with positions advanced during the proceeding.
 - Numerous comments received on inconsistent statement

30



Umbrella Rules

- Additional discovery – a party must request any discovery beyond routine discovery.
- A party seeking additional discovery in IPR and derivation must demonstrate that the additional discovery is in the interests of justice. See, e.g., 35 U.S.C. 316(a)(5) for IPR; [42.51(c)].
- A party seeking additional discovery in PGR and CBM will be subject to the lower good cause standard. See, e.g., 35 U.S.C. 326(a)(5) for PGR; [42.224].
- Live testimony – the Board may authorize, where critical, to assess credibility. For example, a Judge may attend a deposition in appropriate instances.


31



Umbrella Rules

- Sanctions are available for abuse of the proceeding
 - AIA requires the Office to prescribe sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding. 35 U.S.C. 316(a)(6), 326(a)(6); 37 CFR 10 & 11.
- Oral hearings
 - AIA permits a party to request an oral hearing as part of the proceeding. 35 U.S.C. 316(a)(10), 326(a)(10); [42.70].
 - The length of the hearing will be set on a case-by-case basis taking into account the complexity of the case.


32



Umbrella Rules

- **Settlement**
 - AIA encourages settlement in IPR/PGR/CBM/Derivation by allowing the parties to settle.
- **Final decision where the case is not dismissed due to settlement**
 - AIA provides that where an IPR/PGR/CBM trial is instituted, and not dismissed, the Board shall issue a final written decision addressing patentability. 35 U.S.C. 318(a), 328(a); [42.73].
 - For derivation, the Board shall issue a written decision on inventorship. 35 U.S.C. 135(b); [42.73].


33



Umbrella Rules

- **Petitioner Estoppels After Final Written Decision**
 - A petitioner in an IPR/PGR/CBM may not request or maintain a proceeding before the Office with respect to any claim on any ground raised or reasonably could have been raised. 35 U.S.C. 315(e)(1), 325(e)(1); [42.73(d)(1)].
 - A petitioner in an IPR/PGR/CBM may not assert in district court or the ITC that a claim is invalid on any ground petitioner raised, and in IPR/PGR, any ground that reasonably could have been raised. 35 U.S.C. 315(e)(2), 325(e)(2); § 18(a)(1)(D) of AIA.


34



Umbrella Rules

- **Patent Owner Estoppel**
 - A patent owner whose claim is cancelled is precluded from taking action inconsistent with the adverse judgment including obtaining in any patent a claim to substantially the same invention. [42.73(d)(3)].
 - Numerous comments received regarding Patent Owner Estoppel
- **Derivation Specific Estoppel**
 - In a derivation, a losing party who could have moved for relief may not take action inconsistent with that party's failure to move. Estoppel does not attach to the subject matter for which a favorable judgment was obtained. [42.73(d)(2)].

35



Umbrella Rules

- **Rehearing and Appealing Board Decisions**
 - A party dissatisfied with a non-final or final decision may file a request for rehearing with the Board. The request must specifically identify all matters the party believes the Board misapprehended or overlooked. [42.71(c)].
 - A party dissatisfied with the final written decision in an IPR/PGR/CBM may appeal to the Federal Circuit. 35 U.S.C. 319, 329. A party dissatisfied with a final decision in a derivation may appeal to the Federal Circuit, 35 U.S.C. 141(d), or have remedy by a civil action, 35 U.S.C. 146.

36

