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5 Times NOT To File An AIA Petition

By **Erin Coe**

Law360, San Diego (November 17, 2015, 4:39 PM ET) -- America Invents Act reviews have emerged as an effective tool for attacking patents, but they may not always be the best response when a company is targeted in an infringement suit.

Inter partes reviews, which challenge patents as anticipated or obvious by the prior art, have become the most popular type of AIA review, and their success rate for petitioners has been nothing short of encouraging. According to a Perkins Coie LLP **study** of more than 400 final written decisions on instituted IPRs between September 2012 and August of this year, 88 percent of petitions with final written decisions resulted in at least one claim being invalidated, and 21 percent of all final written decisions led to the invalidation of the entire patent.

While AIA petitions can be a good strategy to put a patent holder on the defensive and increase accused infringers' leverage in settlement negotiations, they may not be the best solution for every defendant, according to experts.

"Before filing a petition, accused infringers should consider their chances of success and their ability to develop evidentiary proof within the confines of what the proceeding will allow," said Ruben Munoz, counsel at Akin Gump Strauss Hauer & Feld LLP.

Accused infringers also must be mindful of the estoppel effects of a petition on their defense in district court — not just for the prior art they cite but for references they could have raised.

"Courts have not yet explained exactly how extensive the estoppel is," said John Murphy, a partner at BakerHostetler. "If an IPR petition is granted and leads to a final decision, at that point, the estoppel provision is triggered. In district court, defendants might not be able to raise invalidity arguments based on written prior art ... and that risk should make them think before filing a petition."

Here, attorneys point to five instances when accused infringers should think twice before filing a petition at the Patent Trial and Appeal Board.

When a Petition Makes Little Financial Sense

Taking a patent through an AIA review can cost between \$100,000 and several hundreds of thousands of dollars depending on the complexity of a case, and accused infringers need to make sure that filing a petition is worth the time and expense.

"There are complaints [by nonpracticing entities] that I see where the value of the case is so low, I can't recommend to my client to spend hundreds of thousands of dollars to engage in the IPR

process,” Murphy said. “My client won’t likely see that return on its investment when the plaintiff is going to go away for a very small settlement value.”

One of the main advantages of initiating an AIA review is to secure a stay in a district court suit in order to put settlement pressure on the plaintiff and postpone the exposure of litigation risks, but some cases may already be too far along to give accused infringers much bang for their buck, according to Murphy.

“If the facts surrounding the case are not favorable to a stay or the parties are headed for trial in a couple months, a defendant might not want to file an IPR because the petition won’t give them enough value,” he said.

Defendants also should consider whether the patents-in-suit have already been targeted in AIA reviews by other parties and whether the patents are part of a broader family, according to Murphy.

“With well-known active plaintiffs, a defendant might never be able to invalidate all of the patents; it would take a staggering amount of resources,” he said. “In those situations, a defendant might be better off seeking a global settlement in district court. Most judges provide a balanced approach forcing the sides to narrow their cases, and the plaintiff can only make so much of its patent war chest. But if the defendant goes after a portfolio at the patent office, in theory it must go after the claims — one claim at a time, one patent at a time — until they are all gone, or at least until significant enough gains are made that the patent owner’s case is too weak to proceed.”

When the PTAB Isn’t the Superior Forum

The PTAB is typically considered a favorable forum for petitioners because validity decisions are made by a panel of three administrative law judges who often are experts in patent law and technical subject areas and because of the board’s advantageous standard of review. For defendants, this setting may have benefits over a jury trial or a court like the Eastern District of Texas, where defendants’ summary judgment motions are often denied, but not necessarily over a bench trial, according to Murphy.

“If a bench trial has been assigned in a pharmaceutical case in New Jersey, and the judge has done numerous bench trials in the pharmaceutical space, a defendant may not be better off in the patent office,” he said.

When the prior art and the patent claims are close to each other, defendants may have an easier time before a judge or jury than before administrative law judges at the PTAB who are usually long-time patent examiners with technical backgrounds, according to Jordan Sigale, a director at Dunlap Codding.

“The administrative law judges are more accustomed to distinguishing between close prior art and patent claims than nontechnical judges and jurors,” he said. “Moreover, jurors tend to have a ‘lightbulb bias’ — i.e., patented inventions are revolutionary things like lightbulbs — so they are more open to the idea that a patent shouldn’t have issued based on very narrow distinctions.”

Defendants also should think hard before filing an AIA review when they are facing an infringement investigation at the U.S. International Trade Commission, where getting a stay is a long shot and completing an investigation takes about 18 months, according to Bryan Kohm of Fenwick & West LLP.

“If it’s a fight-to-the-death-type situation, filing an IPR could be a good move because it gives a

defendant a second bite of the apple to win on invalidity," he said. "But if the defendant knows it's going to settle, an IPR may not have the same value because it's very difficult to get an IPR completed before an ITC investigation is concluded."

Defendants that have a strong challenge to a business method patent based on Section 101 of the Patent Act may want to skip seeking a decision by the PTAB, according to Neil Smith, a partner at Rimon PC and a former administrative law judge on the PTAB for the U.S. Patent and Trademark Office's Silicon Valley satellite office.

"Some quick kills are available in courts where the patents don't cover statutory subject matter," he said. "Some judges are allowing summary judgment motions early in cases that give defendants a chance to knock out business method patents early."

When a Petition Carries Too Many Risks

Initiating an AIA review has to be weighed with what arguments in district court could be barred by the estoppel provision, according to Kohm. If defendants have limited prior art, they may not want to file an IPR so as to preserve the references during litigation.

"It's a defendant's worst nightmare to be left in litigation without an invalidity defense," he said. "If you burn your prior art at the PTAB, you may not have the opportunity to argue invalidity to a jury."

If an accused infringer has a weak written prior art defense but strong arguments based on nonwritten prior art, such as a prior sale, it may want to keep its focus on the district court case, according to Murphy.

"Why file an IPR and try to advance a written art defense if it's not your strongest defense?" he said. "Defendants may not want to go on the record and expend resources fighting in the IPR when they're better off engaging in discovery and finding a better defense."

Defendants also should keep in mind that once they go to the PTAB, their comments on what the patent claims mean and their expert's testimony of the import of the prior art will all be part of the public record, according to Murphy.

"You're putting your position out there ... and if anything happens in the patent office that the patent owner can turn around and use against you in district court, it will," he said. "For example, if you file an IPR and it's denied, the patent owner may try to tell the jury about that. Some judges may not allow this to be admitted if they think it's prejudicial to the defendant, but it's still a risk that needs to be considered."

In many cases, risks related to the estoppel provision and adverse results at the PTAB being used against the defendant in litigation can be managed and don't necessarily stop accused infringers from filing AIA petitions, according to Murphy.

"None of the risks is a universal deal breaker, but they can be strong depending on the case," he said.

When Significant Discovery Is Needed

Because the PTAB has only 12 months after it institutes a review to resolve the question of a patent's validity, with the possibility of a six-month extension for good cause, parties are limited in how much discovery they can obtain, and so a petitioner that has to do a lot of legwork on the

discovery front may want to steer clear of the PTAB, according to Munoz.

“When you’re trying to use a prior art reference that is nonpatent literature, you may need declarations from a witness that the prior art reference was publicly accessible ... but coming in, you can’t assume you’re going to get further discovery to prove public accessibility,” he said. “In contrast, in district court litigation, you will get a lot of latitude to make the evidentiary showing.”

In the unpredictable arts, like the biopharmaceutical area, petitioners have a tougher time proving obviousness and often need extensive expert discovery, according to Munoz.

“When combining prior art references in the unpredictable arts, it’s not always clear that the result would have been expected by a person of ordinary skill in the art,” he said. “You want to be measured in how much you give the patent office because you can easily overwhelm the board, but at the same time you need to put up front your entire case as a petitioner. You’re not going to have many additional chances to develop it further.”

Biopharmaceutical patents also tend to be harder to subject to an AIA review in general. According to an Akin Gump study of the PTAB, 39 percent of AIA petitions seeking review of biopharmaceutical patents were denied between September 2012 and September 2015, compared to 28 percent of denials involving patents in all technical areas.

When Prior Art Can Lead To Amendments

While the PTAB has been criticized by patent owners for being reluctant to grant motions to amend patents in an AIA review, the agency **has modified its rules** to try to make it easier for them to make amendments.

Even though amendments have been granted in only a handful of instances so far, accused infringers should be careful about filing a petition if it cites prior art references that could provide patent owners with a clear path to amend their claims and bulletproof their patent, according to Munoz.

“These proceedings, in theory, allow for the patent owner to modify the claims,” he said. “If it is successful, it can come out with a patent that is stronger than when the patent went in. It might be able to narrow its claims and make the patent less susceptible to invalidity attacks.”

Going forward, accused infringers are going to have to look more carefully at whether their prior art references could help patent owners bolster their patents, according to Sigale.

“There’s a possibility that they can amend their patent at the PTAB, and that doesn’t exist in court,” he said.

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