

BREAKING BAD PATENTS: THE FORMULA FOR QUICK, INEXPENSIVE RESOLUTION OF PATENT VALIDITY

Jonathan Tamimi[†]

The Leahy-Smith America Invents Act of 2011 (“AIA”) created new procedures to challenge patent validity at the U.S. Patent and Trademark Office (“PTO”).¹ By offering a faster and less expensive alternative to judicial determinations of patent validity, these procedures will improve patent quality and help remedy the innovation-stifling effects of low-quality patents.² The AIA replaced *inter partes* reexamination with *inter partes* review (“IPR”) and created two additional procedures to challenge patent validity: post-grant review (“PGR”) and the transitional program for covered business method review (“CBMR”).³ Moreover, to better reflect its new responsibility of adjudicating patent validity disputes in the trial-like IPR, PGR, and CBMR proceedings,⁴ the AIA renamed the Board of Patent Appeals and Interferences (“BPAI”) the Patent Trial and Appeal Board (“PTAB”).

The AIA was not Congress’s first attempt to create a low-cost alternative to judicial determinations of patent validity. *Ex parte* reexamination was created in 1981 and allows a patent owner or third party to put a patent back into examination in light of new prior art.⁵ In 1999, Congress created the now-defunct *inter partes* reexamination to allow third-party challengers to comment on each of the patent owner’s responses to the PTO during

© 2014 Jonathan Tamimi.

[†] J.D. Candidate, 2015, University of California, Berkeley, School of Law.

1. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

2. See OBLON SPIVAK, POST GRANT PROCEEDINGS BEFORE THE PATENT TRIAL AND APPEAL BOARD 2–3 (Greg Gardella et al. eds., 1st ed. 2013).

3. See Leahy-Smith America Invents Act §§ 6, 18 (2011).

4. See *id.* § 7. This Note will refer to IPR, PGR, and CBMR collectively as “AIA reviews.”

5. 35 U.S.C. §§ 301–302 (2012). A patent owner can use reexamination to reaffirm patent validity in light of new prior art, while a third party can attempt to invalidate the patent. J. Steven Baughman, *Reexamination Reexaminations: A Fresh Look at the Ex Parte and Inter Partes Mechanisms For Reviewing Issued Patents*, 89 J. PAT & TRADEMARK OFF. SOC’Y 349, 351 (2007).

reexamination—an option not available in *ex parte* reexamination.⁶ These programs, however, were never embraced as true alternatives to litigation.⁷

This Note provides the most recent analysis of key issues petitioners and patent owners face in AIA reviews. It serves as both a useful reference guide for understanding the AIA review provisions, as well as a preliminary analysis of their usage and limitations. Each section is self-contained and, where applicable, provides the most recent PTAB decisions and analyses on how those decisions will affect petitioners and patent holders.

Part I discusses the historical background of the AIA. Part II navigates the AIA's updated and expanded procedures for reexamining patent validity at the PTO. The first section of Part II details the advantages of challenging patent validity via AIA reviews relative to district court litigation. The second section presents the limitations and potential drawbacks of using AIA reviews. The third section discusses additional considerations for potential petitioners. Part III concludes with a brief summary of issues surrounding AIA reviews.

I. BACKGROUND

The AIA updates and expands on the post-grant procedures that Congress created in 1981 to allow petitioners to ask the PTO to review the validity of issued patents. This section reviews the *ex parte* and *inter partes* reexamination predecessors to the post-grant review scheme enacted by the AIA, which are critical background to understanding the AIA regime, as well as the transition.

A. *EX PARTE* AND *INTER PARTES* REEXAMINATION

In 1981, the *ex parte* reexamination process was created to allow patent owners or third parties to request the PTO reexamine the patentability of granted patents.⁸ *Ex parte* reexaminations assess patentability based on prior

6. See Baughman, *supra* note 5, at 351.

7. See Sterne et al., *Reexamination Practice With Concurrent District Court Litigation or Section 337 USITC Investigations*, THE SEDONA CONF. J., Sept. 2011, at 16 (“[A] substantial uncertainty and confusion in reexamination pendency” causes “many leading patent litigation jurisdictions [to side] against the grant of stays.”).

8. See 35 U.S.C. § 303(a); PTO *Ex Parte* Reexamination Rules, 37 C.F.R. § 1.515(a) (2013); U.S. PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE (“MPEP”) § 2241 (8th ed. 2001) (Rev. 9, Aug. 2012). For further description of the process, see Baughman, *supra* note 6, at 351.

art consisting only of patents and printed publications.⁹ The *ex parte* reexamination process contains drawbacks, however, that limit its use as an alternative to litigation. In addition to limiting challenges to § 102 or § 103 grounds, third-party challengers are not permitted to participate in *ex parte* reexaminations.¹⁰ Once the PTO commences the process, only the patent owner is allowed to participate in the reexamination, similar to an application for a new patent.¹¹ Further, although patent owners are allowed to appeal unfavorable findings of patentability to the BPAI (now the PTAB) and eventually to the Court of Appeals for the Federal Circuit (Federal Circuit), third-party challengers are not allowed to appeal an unfavorable finding.¹² The patent owner, therefore, can drag the process out for years, especially using the full gamut of appeals.

Congress attempted to address the shortcomings of *ex parte* reexaminations by creating the *inter partes* reexamination procedure in 1999.¹³ Although challenges were still limited to § 102 or § 103 grounds using patents or printed publications as prior art, *inter partes* reexamination allowed a third party to comment on every patent owner response.¹⁴ Despite this improvement, during the first five years of *inter partes* reexaminations, a period in which the PTO issued over 900,000 patents, only fifty-three requests for such reexaminations were filed.¹⁵ Additionally, estoppel provisions that prevented raising any ground that could have been raised during the reexamination during subsequent civil litigation deterred potential

9. See Baughman, *supra* note 6, at 352. *Ex parte* reexaminations generally proceed with only the patent holder in communication with the PTO. The only exception is if the patent owner files an Owner's Statement, to which the challenger may reply. See *id.*

10. See *id.* Patent owners enjoy a procedural advantage from exclusive dialog with the examiner once the reexamination has begun. See *id.* This advantage causes many third parties to forego *ex parte* reexamination, which effectively requires the third-party requester to lay out its entire case at the outset, including anticipatory responses to what the patent owner may argue much later in the reexamination. See *id.*

11. See *id.*

12. See 35 U.S.C. § 306. This provision directs a patent owner to appeal an adverse decision on patentability to the PTAB under 35 U.S.C. § 134, then to the Federal Circuit under 35 U.S.C. § 141.

13. See Baughman, *supra* note 6, at 352; Optional *Inter Partes* Reexamination Procedure Act of 1999, Pub. L. No. 106-113, §§ 4601–08, 113 Stat. 1501A-567 (1999) (codified as amended at 35 U.S.C §§ 311–18).

14. See Baughman, *supra* note 6, at 352.

15. See H.R. REP. NO. 112-98, pt. 1, at 43 (2011) (citing U.S. PATENT & TRADEMARK OFFICE, REPORT TO CONGRESS ON *INTER PARTES* REEXAMINATION 2 (2004), available at http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm [hereinafter 2004 PTO *INTER PARTES* REPORT]).

requesters.¹⁶ Further, *inter partes* reexamination was only available for patents filed after November 29, 1999.¹⁷ Lastly, although a third party could appeal reexamination decisions to the BPAI, it could not appeal further to the Federal Circuit until 2002.¹⁸

In 2005, the PTO formed the Central Reexamination Unit (“CRU”), which allowed reexaminations to proceed more quickly.¹⁹ The creation of the CRU led to a dramatic increase in reexamination filings.²⁰ In 2005, the PTO received just around five hundred reexamination requests.²¹ Six years later, in 2011, the number of reexaminations jumped to over 1,100.²² Although the number of filings for reexaminations increased, they were often conducted parallel to district court cases and reexamination never proved to be a true alternative to litigation.²³

B. *INTER PARTES* REVIEW, POST-GRANT REVIEW, AND THE TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHOD REVIEW

Despite their concurrent enactment, IPR, PGR, and CBMR originated in distinct ways. IPR and PGR were discussed as early as 2004, the beginning of

16. See Baughman, *supra* note 6, at 352–53 (citing MPEP § 2658). Because *inter partes* reexamination introduced an opportunity for a third party to participate in the reexamination, it also created estoppel provisions that prohibited challenges in subsequent civil litigation on “any ground which the third-party requester raised or could have raised during the *inter partes* reexamination proceedings.” 35 U.S.C. § 315(c) (2006). As will be discussed in Section II.B.4, *infra*, the estoppel provisions for *inter partes* review, the successor to *inter partes* reexamination, kept but softened estoppel in this context by making it apply only to grounds raised or grounds that could have *reasonably* been raised. See 35 U.S.C. §§ 315(e)(1), 325(e)(1).

17. See Baughman, *supra* note 6, at 352.

18. See *id.* at 353. Prior to 2002, third parties could not appeal a BPAI decision to the Federal Circuit. See 35 U.S.C. § 315(b)(1).

19. See Baughman, *supra* note 6, at 351. The PTO stopped assigning reexaminations to examiners based on technology area and instead assigned the reexaminations to the newly created CRU, comprised of examiners trained in the reexamination procedures. See *id.*

20. See REMY YUCEL, CENTRAL REEXAMINATION UNIT AND THE AIA 3 (2012), http://www.uspto.gov/aia_implementation/20120221-road-show-ds-cru.pdf.

21. See *id.*

22. See *id.*

23. See Sterne et al., *supra* note 7 (“[A] substantial uncertainty and confusion in reexamination pendency” causes “many leading patent litigation jurisdictions [to side] against the grant of stays.”).

the renewed push for patent reform in Congress.²⁴ On the other hand, CBMR was first proposed only six months prior to the passage of the AIA.²⁵

The quest for a system that provided a true alternative to judicial determinations of patent validity began in the early 2000s. A series of congressional hearings on patent reform were held between 2001 and 2006.²⁶ The American Intellectual Property Law Association (“AIPLA”) testified during a 2004 hearing that it was too expensive and took too long to effectively challenge patents through litigation.²⁷ The uncertain validity of many patents, combined with the long periods of time to adjudicate validity—often seven to ten years from the grant of the patent—was causing major disruptions to industries affected by those patents.²⁸ In fact, in 2004 the AIPLA introduced a bill for a post-grant review system that was remarkably similar to the one that was eventually enacted by the AIA, but, as explained below, the post-grant review bill took a circuitous route from 2004 to 2011.²⁹

Early congressional bills proposed a broader post-grant review system than what was proposed by the AIPLA in 2004 and what eventually passed in the AIA. The original bills introduced in Congress would have allowed post-grant review of any patent during its lifetime, provided the petitioner was accused of infringement.³⁰ Both the PTO and the high-tech industry backed the broad post-grant review proposal.³¹ At the time, the PTO noted

24. See, e.g., *Patent Quality Improvement: Post-Grant Opposition: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 108th Cong. 8–13 (2004) [hereinafter *2004 House Hearing*].

25. See Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 628–32 (2012).

26. See *id.* at 600. See generally *Perspectives on Patents: Post-Grant Review Procedures and other Litigation Reforms: Hearing Before the Subcomm. on Intellectual Prop. of the S. Comm. on the Judiciary*, 109th Cong. (2006); *Perspective on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the S. Comm. on the Judiciary*, 109th Cong. (2005); *Patent Quality Improvement: Post-Grant Opposition: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 108th Cong. (2004); *Patent Reexamination and Small Business Innovation: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 107th Cong. (2002); *Patents: Improving Quality and Curing Defects: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 107th Cong. (2001).

27. See Matal, *supra* note 25, at 601 (citing *2004 House Hearing*, *supra* note 24, at 29–30 (statement of Michael Kirk, Executive Director, AIPLA)).

28. See *id.* at 601 (citing *2004 House Hearing*, *supra* note 24, at 29 (statement of Michael Kirk, Executive Director, AIPLA)).

29. See *id.* at 601–02.

30. See *id.*

31. See *id.* at 602. High-tech companies generally produce products covered by many patents, even hundreds or thousands of them. Therefore, these companies worried that

that the *inter partes* reexamination procedure was not being heavily utilized, and it favored changes that would make it more advantageous for petitioners to challenge patents at the PTO.³²

The broad post-grant review system was widely criticized, however. Concern about “serial post-grant challenges” and the loss of incentive to challenge supposedly bad patents early in their life helped to derail the early plans.³³ The PTO also reversed course and no longer supported broad post-grant review after implementing the CRU, which resulted in greater use of existing reexamination procedures.³⁴ Eventually, Congress conceded in 2007 by amending the House bill to provide a small post-issuance window to file for post-grant review and limited IPR challenges to § 102 and § 103 based on patents and printed publications.³⁵

In contrast to IPR and PGR, CBMR sprang onto the scene four years later in 2011, six months before the AIA was enacted.³⁶ Congress proposed Section 18 of the AIA, the CBMR provision, to address concerns about the validity of business method patents following the Supreme Court’s *Bilski* decision.³⁷ The 1998 Federal Circuit decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*³⁸ created a flood of business method patent filings at the PTO, many of which were granted and are now believed to be invalid in light of *Bilski*.³⁹

limiting the review of a patent to a small window (one year) after patent issuance would not allow them to identify the patents they would later allegedly infringe. *See id.*

32. *See id.* The PTO stated “none of [the existing] procedures have fully utilized the Office’s ability to review issued patents.” 2004 House Hearing, *supra* note 24, at 5 (statement of James Toupin, General Counsel, USPTO); *see also* 2004 PTO INTER PARTES REPORT, *supra* note 15, at 3–4.

33. *See id.* at 603 (quoting *Patent Reform Act of 2007: Hearing on H.R. 1908 Before the Subcomm. on Courts, the Internet, and Intellectual Prop.*, 110th Cong. 55 (2007) (statement of Gary Griswold, President and Chief IP Counsel, 3M Innovative Properties Co., on behalf of the Coalition for 21st Century Patent Reform)). Without limitations on when a patent could be challenged, patent owners could be subjected to multiple challenges at the PTO throughout the lifetime of the patent. Also, without the incentive to challenge bad patents early, the same problems of uncertainty that sparked the reform would remain. The public and industry would have to live with those bad patents until an entity was accused of infringement and chose to challenge the validity of the patent. *See id.*

34. *See id.*; *see also supra* Section 1.A, discussing the CRU.

35. *See id.* at 604.

36. *See id.* at 628.

37. *See id.* at 627–29. Although *Bilski* rejected a call to ban business method patents, it held that that the business method patent in question was an unpatentable abstract idea, calling into question the validity of many existing business method patents. *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

38. 149 F.3d 1368 (Fed. Cir. 1998).

39. *See Matal*, *supra* note 25, at 634 n. 609.

CBMR quickly became a contentious portion of the AIA. More members of Congress participated in the debate over Section 18 than any other part of the bill.⁴⁰ Some in Congress labeled Section 18 as a bank bailout.⁴¹ Others noted some of the seemingly ridiculous business method patents that had been issued, including a patent disclosing a method to receive charitable donations over the Internet that had been asserted against the Red Cross.⁴² Despite patent assertion entities (“PAEs”) battling to limit the scope of Section 18,⁴³ Congress refused to shorten the program’s eight-year window and allowed validity challenges on any grounds throughout the lifetime of the patent, provided the petitioner was charged with infringing the patent.⁴⁴

II. AIA REVIEWS

Part II of this Note discusses the specifics of AIA reviews. Section A details the advantages of AIA reviews relative to district court litigation, while Section B discusses their limitations and drawbacks. Section C provides additional information for practitioners considering AIA reviews. As mentioned in the Introduction, each section in Part II is self-contained and provides analyses of the most recent PTAB decisions where applicable.

A. ADVANTAGES RELATIVE TO DISTRICT COURT LITIGATION

Congress intended AIA reviews to provide inexpensive, quick, and effective challenges to patent validity. Thus, the AIA dictates that reviews must be completed within eighteen months from initial filing, significantly restricts discovery relative to district court litigation, and encourages courts to stay proceedings pending AIA reviews. Moreover, many challenger-favorable provisions accompany AIA reviews. These provisions include no presumption of patent validity at the PTO and the broadest reasonable

40. *See id.* at 629.

41. *See id.* at 630. “Representative Waters argued that section 18 would allow banks ‘to steal legally issued and valid patents,’ and asserted that ‘[f]inancial services-related business method patents have saved financial services companies billions of dollars.’” *Id.*

42. *See id.* at 631 (discussing *Ziarno v. Am. Nat’l Red Cross*, 55 F. App’x 553 (Fed. Cir. 2003)). In 1999, Wiltold Ziarno sued the American Red Cross for patent infringement. *Ziarno*, 55 F. App’x at 554. Ziarno alleged that by accepting donations over the Internet, the Red Cross infringed his patent directed at a “method and system for interactive contributions solicitation and donation.” *Id.* A jury found the patent infringed but invalid, and the Federal Circuit upheld the jury’s finding of invalidity on appeal. *Id.*

43. *See Matal*, *supra* note 25, at 629. “Business-method trolls fought a scorched-earth, office-by-office lobbying war with banks and retailers over [Section 18]. Opponents of Section 18 also launched a sophisticated public-relations campaign that included the use of proxies and efforts to create the appearance of ‘grass roots’ opposition to the provision.” *Id.*

44. *See id.* at 627, 631–32.

interpretation claim construction standard. Although the fees to petition and institute an AIA review are in the tens of thousands of dollars, limited discovery and quick resolution make AIA reviews an order of magnitude less expensive than district court determinations of patent validity. And, most importantly, AIA reviews are effective tools to challenge patent validity.

1. *Final Written Decision Within Eighteen Months*

The PTAB must issue a final written decision in AIA reviews within eighteen months of the original filing date, with an available six-month extension for good cause. Once a petition is filed, the patent owner has three months to file its preliminary response.⁴⁵ Next, the PTAB must make an institution decision—whether to grant the review—within three months of receiving the preliminary response.⁴⁶ If the patent owner foregoes a preliminary response, the PTAB must make an institution decision within three months after the preliminary response's filing deadline.⁴⁷ Thus, a maximum of six months can pass from petition filing to an institution decision. Once a review is instituted, the PTAB has twelve months under normal circumstances, and eighteen for a showing of good cause, to reach a final decision.⁴⁸ See Figure 1 for a visual representation.

As of February 13, 2014, the PTAB has reached a final written decision in eight IPR and seven CBMR proceedings, conforming to the prescribed timeline in each. Table 1 shows that the PTAB generally takes the full twelve months allowed by statute to issue a final decision in AIA reviews (eleven of its fifteen final decisions have taken 363 days or more from the date the PTAB instituted the review). Additionally, no review has taken longer than eighteen months from filing.

45. PTO Trial Practice Before the Patent Trial and Appeal Board, 37 C.F.R. § 42.107(b), 42.207(b) (2013).

46. Leahy-Smith America Invents Act §§ 6(a)(314)(b)(1), 6(a)(324)(b)(1).

47. *Id.* §§ 6(a)(314)(c)(1), 6(a)(324)(c)(1).

48. *Id.* §§ 6(a)(316)(a)(11), 6(a)(326)(a)(11).

Table 1: PTAB Length in Time From Filing and Institution Decision to Final Written Decision

Proceeding	Filing Date	Institution Date	Date of Final Decision	Institution to Final Decision Days (Months)	Filing to Final Decision Days (Months)
IPR2012-00001 ⁴⁹	16-Sep-12	9-Jan-13	13-Nov-13	308 (10)	423 (14)
IPR2012-00005 ⁵⁰	16-Sep-12	12-Feb-13	11-Feb-14	364 (12)	513 (17)
IPR2012-00018 ⁵¹	17-Sep-12	12-Feb-13	10-Feb-14	363 (12)	511 (17)
IPR2012-00019 ⁵²	17-Sep-12	12-Feb-13	10-Feb-14	363 (12)	511 (17)
IPR2012-00020 ⁵³	17-Sep-12	12-Feb-13	11-Feb-14	364 (12)	512 (17)
IPR2012-00023 ⁵⁴	17-Sep-12	12-Feb-13	11-Feb-14	364 (12)	512 (17)
IPR2012-00027 ⁵⁵	18-Sep-12	31-Jan-13	7-Jan-14	341 (11)	476 (16)
IPR2013-00010 ⁵⁶	3-Oct-12	12-Feb-13	11-Feb-14	364 (12)	496 (16)
CBM2012-00001 ⁵⁷	16-Sep-12	9-Jan-13	11-Jun-13	153 (5)	268 (9)
CBM2012-00002 ⁵⁸	16-Sep-12	25-Jan-13	23-Jan-14	363 (12)	494 (16)

49. Garmin Int'l Inc. v. Cuozzo Speed Techs. LLC, IPR2012-00001, Paper No. 59 (P.T.A.B. Nov. 13, 2013).

50. Nichia Corp. v. Emcore Corp., IPR2012-00005, Paper No. 68 (P.T.A.B. Feb. 11, 2014).

51. Intellectual Ventures Mgmt., LLC v. Xilinx, Inc., IPR2012-00018, Paper No. 35 (P.T.A.B. Feb 10, 2014).

52. Intellectual Ventures Mgmt., LLC v. Xilinx, Inc., IPR2012-00019, Paper No. 33 (P.T.A.B. Feb 10, 2014).

53. Intellectual Ventures Mgmt., LLC v. Xilinx, Inc., IPR2012-00020, Paper No. 34 (P.T.A.B. Feb 11, 2014).

54. Intellectual Ventures Mgmt., LLC v. Xilinx, Inc., IPR2012-00023, Paper No. 35 (P.T.A.B. Feb 11, 2014).

55. Idle Free Sys., Inc. v. Bergstrom, Inc., IPR2012-00027, Paper No. 66 (P.T.A.B. Jan. 7, 2014).

56. Motorola Mobility LLC v. Arnouse Digital Devices Corp., IPR2013-00010, Paper No. 45 (P.T.A.B. Feb. 11, 2014).

57. SAP Am., Inc. v. Versata Dev. Group, Inc., CBM2012-00001, Paper No. 70 (P.T.A.B. June 11, 2013).

58. Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2012-00002, Paper No. 66 (P.T.A.B. Jan. 23, 2014).

Proceeding	Filing Date	Institution Date	Date of Final Decision	Institution to Final Decision Days (Months)	Filing to Final Decision Days (Months)
CBM2012-00003 ⁵⁹	16-Sep-12	12-Feb-13	11-Feb-14	364 (12)	513 (17)
CBM2012-00004 ⁶⁰	16-Sep-12	25-Jan-13	23-Jan-14	363 (12)	494 (16)
CBM2012-00005 ⁶¹	21-Sep-12	23-Jan-13	21-Jan-14	363 (12)	487 (16)
CBM2012-00007 ⁶²	19-Sep-12	31-Jan-13	30-Jan-14	364 (12)	498 (16)
CBM2013-00009 ⁶³	20-Nov-12	28-Mar-13	11-Feb-14	320 (11)	448 (15)

59. Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2012-00003, Paper No. 78 (P.T.A.B. Feb. 11, 2014).

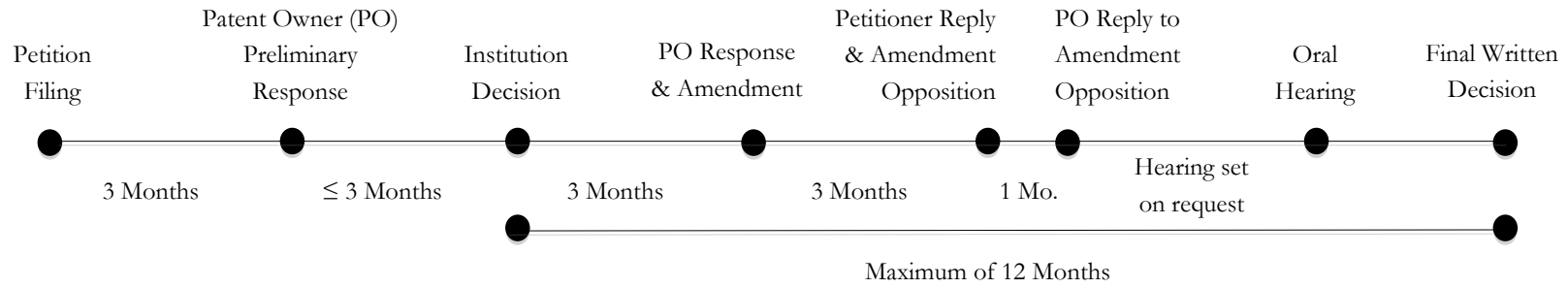
60. Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2012-00004, Paper No. 60 (P.T.A.B. Jan. 23, 2014).

61. CRS Advanced Techs., Inc. v. Frontline Techs., Inc., CBM2012-00005, Paper No. 66 (P.T.A.B. Jan. 21, 2014).

62. Interthinx, Inc. v. CoreLogic Solutions, LLC, CBM2012-00007, Paper No. 58 (P.T.A.B. Jan. 30, 2014).

63. Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2013-00009, Paper No. 68 (P.T.A.B. Feb. 11, 2014).

Figure 1: IPR/PGR/CBMR Timeline



2. *Limited Discovery*

Discovery in AIA reviews is restrained relative to district court litigation.⁶⁴ Limited discovery lowers costs, minimizes complexity, and shortens dispute resolution. The PTAB considers the one-year statutory deadline for completion of AIA reviews when determining what constitutes permissible discovery.⁶⁵ In particular, the IPR “interest of justice” standard for additional discovery is much narrower than the “reasonably calculated to lead to the discovery of admissible evidence” standard employed in civil litigation.⁶⁶

The differences in IPR, PGR, and CBMR resulted in different standards for additional discovery. The AIA limits discovery in IPR to the deposition of witnesses submitting affidavits or declarations, as well as “what is otherwise necessary in the interest of justice.”⁶⁷ Discovery in PGR and CBMR is limited to “evidence directly related to factual assertions advanced by either party in the proceeding.”⁶⁸ The PTO has further promulgated discovery standards that apply to all review proceedings: mandatory initial disclosures, routine discovery, and additional discovery.⁶⁹

Parties can agree to mandatory initial disclosures before the patent owner’s preliminary response is filed.⁷⁰ If the parties agree to mandatory initial disclosures, the Office Patent Trial Practice Guide provides two options. The first option mimics the initial disclosure requirements in civil litigation under the Federal Rules of Civil Procedure (“F.R.C.P.”) Rule 26(a)(1)(A).⁷¹ The second is more extensive, providing directions for

64. See Patrick Doody, *5 Do’s and Don’ts In Post-Grant Proceedings*, LAW360 (Sept. 30, 2013, 12:44 PM), <http://www.law360.com/ip/articles/475346/5-do-s-and-don-ts-in-post-grant-proceedings>.

65. See *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper No. 26, at *5–6 (P.T.A.B. Mar. 5, 2013).

66. See Alan W. Kowalchuk & John Vaubel, *Post-Grant Proceedings: The Limited Scope of Additional Discovery*, BNA IP (Aug. 16, 2013), <http://about.bloomberglaw.com/practitioner-contributions/post-grant-patent-proceedings-the-limited-scope-of-additional-discovery/>.

67. Leahy-Smith America Invents Act § 6(a)(316)(a)(5) (2011). This section notes that the Director of the PTO will prescribe regulations setting forth the standards and procedures of discovery.

68. *Id.* § 6(d)(326)(a)(5).

69. See 37 C.F.R. § 42.51 (2013).

70. 37 C.F.R. § 42.51(a)(1)(i).

71. See U.S. PAT. & TRADEMARK OFF., PTO-P-2011-0094, OFFICE PATENT TRIAL PRACTICE GUIDE § (F)(4) (2011). This option requires disclosing the names and addresses of those likely to have discoverable information in addition to copies or location descriptions of

petitioners alleging obviousness and details for petitioners claiming “the existence of an alleged prior non-published public disclosure.”⁷² The parties take discovery of the agreed upon information when and if the PTAB institutes a trial.⁷³ If the parties do not reach an agreement, each may seek discovery by motion.⁷⁴

Routine discovery requires any exhibit cited in paper or testimony to be served when citing, allows cross-examination of affidavit testimony, and requires “a party [to] serve relevant information that is inconsistent with a position advanced by the party during the proceeding.”⁷⁵

Parties may move for or agree to engage in additional discovery.⁷⁶ The moving party must show why the discovery is “in the interest of justice” for an IPR, or why the discovery is “directly related to factual assertions advanced [in the proceeding]” for a PGR or CBMR.⁷⁷ As such, additional discovery in AIA reviews differs significantly from discovery in district court.⁷⁸

The PTO’s pre-AIA use of the “interest of justice” discovery standard and recent PTAB decisions shed light on the potential scope of additional discovery in IPR.⁷⁹ The BPAI, referring to the standard, noted that “the more speculative the case, the less likely discovery is to be authorized.”⁸⁰ However, “if a party can reasonably establish that its opponent or some third-party can supply a missing link to make out a prima facie case, then discovery . . . may be appropriate.”⁸¹

More recently, the PTAB addressed the IPR “interest of justice” discovery standard in *Garmin International, Inc. v. Cuoꝑꝑo Speed Technologies*

all documents, electronic information, and tangible things a party may use to support its claims or defenses. *Id.*

72. *Id.*

73. 37 C.F.R. § 42.51(a)(1)(ii).

74. 37 C.F.R. § 42.51(a)(2).

75. 37 C.F.R. § 42.51(b)(1)(iii).

76. 37 C.F.R. § 42.51(b)(2).

77. *Id.*

78. See Bryan P. Collins, *USPTO Trials: Understanding the Discovery Rules*, LAW360 (Sept. 5, 2012, 12:14 PM), <http://www.law360.com/articles/375121/uspto-trials-understanding-the-discovery-rules>.

79. See Vic Souto, *How PTAB Applies “Interests of Justice” Discovery Standard*, LAW360 (Sept. 9, 2013, 12:15 PM), <http://www.law360.com/articles/468183/how-ptab-applies-interests-of-justice-discovery-standard>.

80. *Sernyk v. DeBonte*, 72 U.S.P.Q. 2d 1355, 1361 (B.P.A.I. 2004).

81. *Id.* at 1361.

LLC.⁸² The Board considered five factors relevant to the patent owner's request for additional discovery:

1. The request is based on more than a possibility and mere allegation;
2. The request does not seek litigation positions and underlying basis;
3. The information must be not reasonably available through other means;
4. The request is easily understandable; and
5. The request is not overly burdensome to answer.⁸³

The Board specifically addressed the first factor in *Garmin*, noting that “[t]he party requesting discovery should already be in possession of evidence tending to show beyond speculation that in fact something useful will be uncovered.”⁸⁴ In that case, the PTAB denied the patent owner's request for additional discovery because the patent owner failed to provide sufficient evidence or reasoning for why the discovery was useful.⁸⁵

In *Microsoft Corp. v. Proxyconn, Inc.*, the PTAB similarly denied a party's motion for additional discovery, referencing Congress's intent that the “interest of justice” standard for additional discovery in IPR be “limited to minor discovery and special circumstances.”⁸⁶ The request for additional discovery related to secondary considerations of nonobviousness but failed to demonstrate the relevance of the requested discovery to those considerations.⁸⁷

In *Corning Inc. v. DSM IP Assets B.V.*, the PTAB evaluated three separate requests for additional discovery.⁸⁸ The PTAB granted additional discovery

82. *Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper No. 26 (P.T.A.B. Mar. 5, 2013).

83. *Garmin*, IPR2012-00001, Paper No. 26, at *6–7 (P.T.A.B. Mar. 5, 2013).

84. Souto, *supra* note 79.

85. *Garmin*, IPR2012-00001, Paper No. 26 (P.T.A.B. Mar. 5, 2013).

86. *Microsoft Corp. v. Proxyconn, Inc.*, IPR2012-00026 & IPR2013-00109, Paper No. 32, at *4 (P.T.A.B. Mar. 8, 2013).

87. *Id.* The PTAB denied the patent owner's (Proxyconn's) motion for additionally discovery related to the commercial success of its claimed invention. Proxyconn sought to use this information as a secondary consideration of nonobviousness. However, the PTAB noted the case law was well settled and required a nexus between the claimed invention and the commercial success. Without showing the nexus at the time, Proxyconn was not entitled to additional discovery. *Id.* at *5–6.

88. *Corning Inc. v. DSM IP Assets B.V.*, IPR2013-00043, 44, 45, 46, 47, 48, 49, 50, 52, and 53, Paper No. 36 (P.T.A.B. July 16, 2013).

2014]

BREAKING BAD PATENTS

601

of laboratory notebooks containing information relied on in the proceeding, but it denied requests for samples of compositions and “any tests inconsistent” with the petitioner’s positions on the compositions.⁸⁹ As the petitioner’s expert testified to the contents of the notebooks, the PTAB found the information useful under *Garmin*.⁹⁰ However, the remaining discovery requests were denied because it was not clear why the information was needed, and it was speculative whether the additional discovery would be useful.⁹¹

One tactic parties in concurrent litigation can employ is to draw from the knowledge gained from litigation discovery. Parties can use their familiarity with the documents from civil discovery to request specific documents and enhance their chances of obtaining additional discovery.⁹²

Table 2 provides a summary of the discovery limitations in AIA reviews.

89. *Id.* at *4.

90. *Id.* at *4.

91. *Id.* at *5.

92. *See* Doody, *supra* note 64.

Table 2: AIA Review Discovery Limitations

Discovery	<i>Inter Partes</i> Review	Post-Grant Review and Covered Business Method Review
AIA	Discovery limited to “deposition of witnesses submitting affidavits or declarations,” and “what is otherwise necessary in the interest of justice,” ⁹³	Discovery limited to “evidence directly related to factual assertions advanced by either party in the proceeding,” ⁹⁴
PTO	Mandatory Initial Disclosures	
	Parties can agree to mandatory initial disclosures and follow procedures outlined in the Office Patent Trial Practice Guide or, if no agreement is reached, seek discovery by motion ⁹⁵	
	Routine Discovery	
	Requires any exhibit cited in paper or testimony to be served, allows cross-examination of affidavit testimony, and requires “a party [to] serve relevant information that is inconsistent with a position advanced by the party during the proceeding,” ⁹⁶	
	Additional Discovery	
	Party seeking additional discovery must show why it is “in the interest of justice,” ⁹⁷	Discovery must be “directly related to factual assertions advanced . . . in the proceeding,” ⁹⁸
<i>Inter Partes</i> Review “Interests of Justice” Standard		
PTAB	<i>Garmin</i> Factors ⁹⁹	
	<ol style="list-style-type: none"> 1. The request is based on more than a possibility and mere allegation 2. The request does not seek litigation position and underlying basis 3. The information must be not reasonably available through other means 4. The request is easily understandable 5. The request is not overly burdensome to answer 	

93. Leahy-Smith America Invents Act § 6(a)(316)(a)(5) (2011).

94. *Id.* § 6(d)(326)(a)(5).

95. 37 C.F.R. § 42.51(a) (2013).

96. 37 C.F.R. § 42.51(b)(1).

97. 37 C.F.R. § 42.51(b)(2).

98. *Id.*

99. *See* *Garmin Int’l Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper No. 26 (P.T.A.B. Mar. 5, 2013).

3. *Stay of Litigation*

Courts are generally encouraged to stay infringement proceedings pending an AIA review, and, in some cases, they are required to do so. The AIA provides specific guidance to courts considering a stay when the patent is in CBMR. Further, a petitioner's judicial challenge of validity, in a declaratory judgment action, may bar an AIA review or result in an automatic stay depending on when the case was filed in relation to the AIA review petition.

Case management issues arise when courts have to decide whether to stay an infringement proceeding in light of a pending AIA review institution or final decision.¹⁰⁰ Courts have full discretion to stay a proceeding and thus far have analyzed stay requests pending AIA reviews similar to stay requests pending reexaminations.¹⁰¹ The three-part test considers the following factors:

1. Whether discovery is complete and whether a trial date has been set;
2. Whether a stay will simplify the issues in question and trial of the case; and
3. Whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party.¹⁰²

Additionally, the AIA specifically requires district courts to consider a fourth factor when deciding whether to stay a case pending CBMR:

4. Whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.¹⁰³

100. See John R. Kenny & Scott I. Forman, *An Update on Stays Pending PTAB Trial Proceedings*, LAW360 (Aug. 15, 2013, 12:02 PM), <http://www.law360.com/articles/460557/an-update-on-stays-pending-ptab-trial-proceedings>.

101. See, e.g., *Regents of the Univ. of Mich. v. St. Jude Med., Inc.*, No. 12-12908, 2013 WL 2393340, at *4 (E.D. Mich. May 31, 2013).

102. See *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SACV 12-00329 AG (JPRx), slip op. at *4 (C.D. Cal. May 2, 2013) (quoting *Aten Int'l Co., Ltd. v. Emine Tech. Co., Ltd.*, No. SACV 09-0843 AG (MLGx), 2010 WL 1462110, at *6 (C.D. Cal. Apr. 12, 2010) (quoting *Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006))).

103. *Leahy-Smith America Invents Act* § 18(b)(1)(D). The AIA allows a party to make an immediate interlocutory appeal of a district court's CBMR stay decision, which the Federal Circuit reviews de novo to ensure consistency. *Id.* § 18(b)(1).

In *Semiconductor Energy Laboratory Co. v. Chimei Innolux Corp.*, the court characterized the first factor, whether discovery is complete and whether a trial date has been set, as whether there is “more work ahead of the parties and the Court than behind.”¹⁰⁴ This definition seems to generally weigh toward a stay, considering that IPR petitions must be filed within one year of being served with a complaint alleging infringement and that the median length of a patent infringement action is two and a half years.¹⁰⁵ However, the *Universal Electronics, Inc. v. Universal Remote Control, Inc.* court found that an early *Markman* hearing weighed against staying a proceeding.¹⁰⁶

In evaluating the second factor, whether a stay will simplify the issues and trial of the case, courts have found multiple reasons for and against a stay. The *Semiconductor Energy Laboratory* court noted that the standard for granting IPR weighs in favor of a stay because it creates a higher likelihood that the issues will be simplified relative to reexaminations.¹⁰⁷ In *Pi-Net International, Inc. v. Focus Business Bank*, the court similarly found that a stay would likely simplify issues because all of the asserted claims were challenged in an instituted IPR, providing a reasonable likelihood that at least one claim was invalid.¹⁰⁸ Additionally, the *Semiconductor Energy Laboratory* court found that the lack of non-patent claims in the case also favored a stay.¹⁰⁹ The *Regents of University of Michigan v. St. Jude Medical, Inc.* court, however, stayed a patent infringement action pending IPR even though the plaintiff asserted non-patent claims because the claims were inseparable.¹¹⁰ Moreover, in *Clouding IP LLC v. Oracle Corp.*, the court noted that an agreement forfeiting the right to amend claims during IPR may weigh against a stay because infringement contentions would not have to be redone.¹¹¹ Additionally, the *Automatic Manufacturing Systems, Inc. v. Primera Technology, Inc.* court denied the

104. *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *3 (C.D. Cal. Dec. 19, 2012) (quoting *Tierravision, Inc. v. Google, Inc.*, No. 11cv2170 DMS(BGS), 2012 WL 559993, at *2 (S.D. Cal. Feb. 21, 2012)).

105. See Kenny & Forman, *supra* note 100.

106. *Universal Elecs.*, No. SACV 12-00329 AG (JPRx), slip op. at *4, *10–11. Although discovery was not complete, the court had set discovery to occur after claim construction and the case was not in as early of a stage as may be suggested by solely looking at the stage of discovery. Further, the defendant waited almost a year to file for IPR and could have done so before the court construed the claims. *Id.*

107. *Semiconductor Energy Lab.*, 2012 WL 7170593, at *3.

108. *Pi-Net Int'l, Inc. v. Focus Bus. Bank*, No. C-12-4958-PSG, 2013 WL 4475940, at *5 (N.D. Cal. Aug. 16, 2013).

109. *Semiconductor Energy Lab.*, 2012 WL 7170593, at *3–4.

110. *Regents of the Univ. of Mich. v. St. Jude Med., Inc.*, No. 12-12908, 2013 WL 2393340, at *5–6 (E.D. Mich. May 31, 2013).

111. See Transcript of Oral Argument at 82, *Clouding IP, LLC v. Oracle Corp.*, No. 12-642-LPS (D. Del. Jan. 25, 2013) (No. 50).

defendant's stay request before the PTAB had instituted a review, but it stated that a renewed motion could be filed when and if the PTAB instituted a review.¹¹²

Additionally, courts consider the effects of estoppel on defendants. If not all defendants are petitioners in a review, only some will be subject to estoppel provisions. To ease concerns about estoppel effects applying only to petitioners, some non-petitioner defendants have agreed to be bound by the estoppel effects of IPR in order to obtain a stay.¹¹³ Further, some defendants seeking a stay have agreed to be bound by limited estoppel provisions arising out of a petitioner's review, even though the petitioner was not a defendant in that action.¹¹⁴ The *Pi-Net* defendants agreed to be estopped from asserting only the arguments petitioner actually raised during the review, instead of all grounds the petitioner could have raised.¹¹⁵ However, the estoppel extended to the grounds and references actually presented by the petitioner in its request and included grounds for which the PTO declined to institute review.¹¹⁶

Some courts, and the District of Delaware in particular, use a three-part test to assess whether a stay would prejudice or unduly advantage one of the parties. Courts analyze the relationship between the parties, the status of the

112. *See* Automatic Mfg. Sys., Inc. v. Primera Tech. Inc., No. 6:12-cv-1727-Orl-37DAB, 2013 WL 1969247, at *4–6 (M.D. Fla. May 13, 2013). The court stated:

[I]t seems clear that a stay of a patent infringement action is not warranted when based on nothing more than the fact that a petition for *inter partes* review was filed in the USPTO. . . . Th[e] six months [that the petition can wait before the USPTO institutes a review] is a kind of limbo that requires the court and the parties to wait . . . [and] if the [USPTO] chooses not to proceed, then this action will have been left languishing on the Court's docket with no discovery, no positioning of the parties on claim construction, and no dispositive motions.

Id. at *4–5 (citing PETER S. MENELL ET AL., PATENT CASE MANAGEMENT JUDICIAL GUIDE 2–20 (2d ed. 2012)). The Court cannot know if IPR will simplify the issues until the IPR is instituted and the court knows the scope of the review. *Id.*

113. *See, e.g., Semiconductor Energy Lab.*, 2012 WL 7170593, at *4; *AutoAlert, Inc. v. Dominion Dealer Solutions, LLC*, No. SACV 12-1661-JST (JPRx), slip op. at 3–4 (C.D. Cal. May 22, 2013).

114. *See* Abhay A. Watwe, *Litigation Stay with Limited Estoppel Imposed on Non-IPR-Requester Defendants*, AIABLOG.COM (Oct. 17, 2013), <http://www.aiablog.com/post-grant-proceedings/litigation-stay-with-limited-estoppel-imposed-on-non-ipr-requester-defendants/> (discussing limited estoppel granted in *Pi-Net Int'l, Inc. v. Focus Bus. Bank*, No. C-12-4958-PSG, 2013 WL 5513333, at *4 (N.D. Cal. Oct. 3, 2013)).

115. *Pi-Net*, 2013 WL 5513333 at *4.

116. *Id.*

review petition, and the timing of the request for the review and the stay.¹¹⁷ In *TruePosition, Inc. v. Polaris Wireless, Inc.*, the court noted that it is more reluctant to grant a stay if the parties are direct competitors, but the plaintiff's failure to seek an injunction weighed in favor of staying the proceedings.¹¹⁸ Further, although some courts are willing to grant stays after an IPR has been filed in light of the PTO's high rate of instituting reviews, the *TruePosition* court found the motion premature because the PTAB had not made an institution decision.¹¹⁹ With respect to the timing of the petition for IPR and motion to stay the proceedings, the court noted that "[t]he more diligent a party is in seeking *inter partes* [sic] review, the less likely its petition is prejudicial to the non-movant."¹²⁰ Consequently, even though the petitioner filed its IPR request within the one-year statutory window,¹²¹ the court found this factor weighed slightly against staying the proceeding because the petitioner waited to file its petition.¹²²

Other courts have found that the third factor, whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party, generally favors a stay for the more quickly adjudicated AIA reviews relative to reexaminations.¹²³ The average pendency for an *ex parte* reexamination is over twenty-five months, and *inter partes* reexaminations average over thirty-nine months.¹²⁴ IPR, PGR, or CBMR must be completed within eighteen months from filing, providing certainty and a short time frame.¹²⁵ Additionally, the AIA reviews involve one less step in the appeals process relative to reexaminations.¹²⁶ Reexamination appeals proceed first to the PTAB and then to the Federal Circuit, and estoppel attaches only after the Federal Circuit's decision. On the other hand, AIA reviews start at the PTAB, appeals go straight to the Federal Circuit, and estoppel attaches after the PTAB's final decision.¹²⁷ One court has also held that prejudice only

117. *See Trueposition, Inc. v. Polaris Wireless, Inc.*, C. A. No. 12-646-RGA/MPT, 2013 WL 5701529, at *3–4 (D. Del. Oct. 21, 2013), *report and recommendation adopted*, C. A. No. 12-646-RGA, 2013 WL 6020798 (D. Del. Nov. 12, 2013).

118. *Id.* at *14.

119. *See id.*

120. *Id.* at *13.

121. *See supra* Section II.B.3 discussing the one-year bar for IPR petitions.

122. *Trueposition*, 2013 WL 5701529, at *13–14.

123. *See Kenny & Forman, supra* note 100.

124. *See id.*

125. *See id.*

126. *See id.*

127. *See id.*

concerns parties to the litigation and declined to consider whether nonparties (e.g., licensees) would be affected.¹²⁸

The fourth factor, whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court, reflects the AIA's encouragement for courts to stay proceedings involving patents undergoing a CBMR. The court's decision to stay the proceeding can be appealed immediately.¹²⁹ The Federal Circuit will review CBMR stay decisions *de novo* to ensure consistency and establish precedent.¹³⁰

In general, courts have found this factor to favor a stay.¹³¹ However, the court in *Benefit Funding Systems LLC v. Advance America Cash Advance Centers* declined to stay the proceedings, concluding that it was unsure CBMR would substantially reduce the burden of litigation. The court also noted that it took the defendant over ten months to file for CBMR.¹³²

As in other circumstances, courts have explained that a variety of factors have to be considered when deciding to stay a proceeding.¹³³ The *Universal Electronics* court took into consideration its ability to control its docket "to secure the just, speedy, and inexpensive determination of every action."¹³⁴ The idiosyncratic tendencies of each courtroom, along with the traditional factors, will undoubtedly play a large role in future stay determinations. Table 3 summarizes the key factors and situations courts consider when deciding whether to stay an action pending an AIA review.

128. See *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *9 (C.D. Cal. Dec. 19, 2012).

129. Leahy-Smith America Invents Act § 18(b)(2) (2011).

130. *Id.*

131. See Kenny & Forman, *supra* note 100; see also *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 WL 94371 (E.D. Tex. Jan. 8, 2014).

132. See *id.* (discussing *Benefit Funding Sys. LLC v. Advance Am., Cash Advance Ctrs., Inc.*, No. 12-801-LPS, slip op. at 4 (D. Del. June 28, 2013), and noting that "while staying the litigation would somewhat reduce the burden of litigation on the parties and the Court, in the present posture the Court is not confident the reduction would be substantial").

133. See Robert A. Pollock, *To Stay or Not to Stay During Inter Partes Review*, AIABLOG.COM (Jun. 26, 2013), <http://www.aiablog.com/post-grant-proceedings/to-stay-or-not-to-stay-during-inter-partes-review/>.

134. *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SACV 12-00329 AG (JPRx), at *4 (C.D. Cal. May 2, 2013) (quoting FED. R. CIV. P. 1).

Table 3: What Courts Consider When Deciding to Whether to Stay Litigation Pending an AIA Review

Factor	In Favor of Stay	Weighs Against Stay
1. Whether discovery is complete and a trial date has been set	More work ahead of the parties and court than behind ¹³⁵	Early or imminent <i>Markman</i> hearing ¹³⁶
		Discovery well advanced ¹³⁷
2. Whether a stay will simplify the issues in question and trial of the case	All asserted claims challenged ¹³⁸	Non-patent claims in suit ¹³⁹
	Review instituted ¹⁴⁰	
	Estoppel from PTAB final decision ¹⁴¹	Agreement to not amend claims ¹⁴²
	All defendants subject to estoppel ¹⁴³	
3. Whether a stay would unduly prejudice or advantage either party	AIA reviews conducted more quickly relative to reexaminations ¹⁴⁴	
	AIA review appeal process less lengthy compared to reexaminations ¹⁴⁵	
District of Delaware Factors ¹⁴⁶	3a. Parties' Relationship Plaintiff fails to seek injunction ¹⁴⁷	Direct competitors ¹⁴⁸
	3b. Status of petition Review instituted ¹⁴⁹	Institution decision pending ¹⁵⁰
	3c. Timing of stay request and petition for review Diligently filing petition for review and requesting stay ¹⁵¹	Waiting until end of statutory period to petition for review and request stay ¹⁵²
Covered Business Method Review Only		
4. Whether a stay will reduce the burden of litigation ¹⁵³	Strong presumption CBMR will reduce litigation ¹⁵⁴	Untimely delay in filing CBMR petition ¹⁵⁵

135. See *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *2 (C.D. Cal. Dec. 19, 2012).

136. See *Universal Elecs. Inc. v. Universal Remote Control Inc.*, No. SACV 12-00329 AG (JPRx), slip op. at 4, 10 (C.D. Cal. May 2, 2013); *Order Denying Motions to Stay, Nat'l Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.*, A-12-CA-773-SS (W.D. Tex. June 10, 2013), ECF No. 42.

137. See *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, No. 3:11-cv-06391-SI (N.D. Cal. June 11, 2013), ECF No. 198.

138. See *Pi-Net Int'l, Inc. v. Focus Bus. Bank*, No. C-12-4958-PSG, 2013 WL 4475940 (N.D. Cal. Aug. 16, 2013), *aff'd in part*, C-12-4958 PSG, 2013 WL 5513333 (N.D. Cal. Oct. 3, 2013).

139. See *Semiconductor Energy Lab.*, 2012 WL 7170593, at *2.

140. See *Automatic Mfg. Sys. Inc. v. Primera Tech. Inc.*, No. 6:12-cv-1727-Orl-37DAB, 2013 U.S. Dist. LEXIS 67790, at *8–9 (M.D. Fla. May 13, 2013).

141. See *Semiconductor Energy Lab.*, 2012 WL 7170593, at *2.

142. See *Transcript of Oral Argument at 82, Clouding IP LLC v. Oracle Corp.*, No. 12-642-LPS (D. Del. Jan. 25, 2013).

143. See *Pi-Net*, 2013 WL 4475940, at *10.

144. See *Semiconductor Energy Lab.*, 2012 U.S. Dist. LEXIS 186322, at *5.

145. See 35 U.S.C. §§ 319, 329 (2012).

146. See *id.*

147. See *TruePosition, Inc. v. Polaris Wireless, Inc.*, No. CV 12-646-RGA/MPT, 2013 WL 5701529 (D. Del. Oct. 21, 2013), *report and recommendation adopted*, No. CV 12-646-RGA, 2013 WL 6020798 (D. Del. Nov. 12, 2013).

148. See *id.*

149. See *id.*

150. See *id.*

151. See *id.*

152. See *id.*

153. Leahy-Smith America Invents Act § 18(b)(1) (2011).

154. See 157 CONG. REC. S1363–65 (daily ed. Mar. 8, 2011) (statement of Sen. Charles Schumer). According to Senator Charles Schumer (D–NY), the fourth factor “places a very heavy thumb on the scale in favor of a stay,” making it “nearly impossible to imagine a scenario in which a district court would not issue a stay.” See Jonathan R.K. Stroud, *District Courts Grant Post-Institution CBM Stays 100% of Time*, AIABLOG.COM (Nov. 18, 2013), <http://www.aiablog.com/post-grant-proceedings/district-courts-grant-post-institution-cbm-stays-100-of-time/>.

155. See *Benefit Funding Sys. LLC v. Advance Am., Cash Advance Ctrs., Inc.*, No. 12-801-LPS, slip op. at 3–4 (D. Del. June 28, 2013).

Thus far, district courts have granted a majority of defendants' stay requests.¹⁵⁶ Of the 537 IPR and fifty-six CBMR petitions filed by October 8, 2013, eighty-seven percent involve patents in concurrent litigation.¹⁵⁷ In almost half of all IPR-related litigation, the petitioners have requested a stay, and courts have stayed forty-eight of seventy cases.¹⁵⁸ Additionally, as of November 18, 2013, courts have granted fourteen of sixteen requests for CBMR-related stays.¹⁵⁹ The two unsuccessful motions were decided before the PTAB had decided whether to institute a review, but the courts granted the petitioners leave to refile.¹⁶⁰ However, in a situation that seemed unimaginable to lawmakers,¹⁶¹ an Eastern District of Texas court recently refused to stay an infringement proceeding even after the PTAB instituted a CBMR of the patent.¹⁶²

The court in *VirtualAgility, Inc. v. Salesforce.com, Inc.* assessed the four factors specified by the AIA and determined that a stay was not warranted.¹⁶³ The court determined that CBMR would not simplify the case because the defendant was challenging patent validity on broader grounds in district court compared to the CBMR.¹⁶⁴ And, although the case was in an early stage and the CBMR was likely to reduce the burden of litigation, the court found that prejudice to the non-moving party weighed heavily against a stay.¹⁶⁵ The plaintiff, a small, direct competitor of the defendant, faced a potential loss of market share and consumer goodwill and risked loss of its witnesses if the court stayed the case.¹⁶⁶ In response to the court's decision, the *VirtualAgility*

156. See Jonathan R.K. Stroud, *District Courts Continue to Grant Majority of Post-Grant-Related Motions to Stay*, AIABLOG.COM (Oct. 11, 2013), <http://www.aiablog.com/post-grant-proceedings/district-courts-continue-to-grant-majority-of-post-grant-related-motions-to-stay/>.

157. See *id.*

158. See *id.*

159. See Jonathan R.K. Stroud, *District Courts Grant Post-Institution CBM Stays 100% of Time*, AIABLOG.COM (Nov. 18, 2013), <http://www.aiablog.com/post-grant-proceedings/district-courts-grant-post-institution-cbm-stays-100-of-time/>.

160. See *id.*

161. See Elizabeth A. Loughton, *Eastern District of Texas Issues First-Ever CBM-Related Denial of Stay Without Leave to Refile*, AIABLOG.COM (Feb. 3, 2014), <http://www.aiablog.com/post-grant-proceedings/eastern-district-of-texas-issues-first-ever-cbm-related-denial-of-stay-without-leave-to-refile/> (referencing Sen. Charles Schumer's statement that "it is nearly impossible to imagine a scenario in which a district court would not issue a stay" in CBMR-related litigation (citing 157 CONG. REC. S1053 (daily ed. Mar. 1, 2011))).

162. See *id.* (citing *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 WL 94371 (E.D. Tex. Jan. 8, 2014)).

163. *VirtualAgility*, No 2:13-cv-00011-JRG, 2014 WL 94371 at *16–17.

164. *Id.* at *7.

165. *Id.* at *10–16.

166. *Id.* at *12–14.

defendants have filed the first immediate interlocutory appeal of a CBMR-related stay decision to the Federal Circuit.¹⁶⁷

If a petitioner has filed a civil challenge of patent validity, that district court litigation may automatically be stayed, or the challenge may prevent a petition for AIA review. If the petitioner files a civil challenge to a patent's validity on the same day as or after an AIA review petition is filed, that civil challenge will be automatically stayed until the PTAB declines to institute a review or reaches a final decision.¹⁶⁸ The stay will be lifted only if the patent owner moves to lift the stay, the patent owner brings an infringement counterclaim or suit against the petitioner, or the petitioner moves to dismiss the civil action.¹⁶⁹ A petitioner's civil challenge filed prior to a petition for an AIA review will bar the review.¹⁷⁰ However, a counterclaim challenging patent validity is not treated as a civil action filed to challenge patent validity under this provision.¹⁷¹

Additionally, PGR has its own, unique statutory stay provision. If a patent owner alleges infringement within three months of the grant of its patent, a preliminary injunction motion cannot be stayed because of a petition for or institution of PGR.¹⁷²

4. *Potential Relief from a Final Judgment*

A PTAB invalidity holding may allow a petitioner relief from a final judgment of infringement and patent validity, even after that judgment has been affirmed by the Federal Circuit. Although the AIA encourages or incentivizes district courts to stay litigation in favor of AIA reviews, the AIA is silent on the effect of a PTO finding of invalidity on litigation that is nearly complete in the district court or has been affirmed on appeal at the Federal Circuit. The case *Versata Software, Inc. v. SAP America, Inc.*¹⁷³ may provide an opportunity to address this issue.

167. See Laughton, *supra* note 161.

168. Leahy-Smith America Invents Act §§ 6(a)(315)(a)(2), 6(d)(325)(a)(2) (2011). However, a counterclaim challenging patent validity does not count as a civil action filed to challenge validity. *Id.* § 6(a)(315)(a)(3).

169. *Id.* §§ 6(a)(315)(a)(2), 6(d)(325)(a)(2).

170. *Id.* §§ 6(a)(315)(a)(1), 6(d)(325)(a)(1).

171. *Id.* §§ 6(a)(315)(a)(3), 6(d)(325)(a)(3).

172. *Id.* § 6(d)(325)(b).

173. *Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255 (Fed. Cir. 2013); *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, CBM2012-00001 (MPT), Paper No. 70 (P.T.A.B. June 11, 2013). For a summary of the feud between Versata and SAP, see Dennis Crouch, *Working Out the Kinks in Post-Issuance Reviews: Versata v. SAP*, PATENTLY-O (Aug. 9, 2013), <http://www.patentlyo.com/patent/2013/08/working-out-the-kinks-in-post-issuance-reviews-versata-v-sap.html>.

District courts have tools to address the effect of PTO findings of invalidity on patent infringement awards. In *Flexiteek Americas, Inc. v. PlasTEAK, Inc.*, the court granted the defendant's motion for relief from judgment under F.R.C.P. Rules 60(b)(5) and (6), after the PTO's reexamination invalidated a patent that was the basis for an unexecuted judgment and permanent injunction.¹⁷⁴ The court held that it would be "unequitable and unjust to . . . enforce [] an injunction and an unexecuted money judgment predicated on a patent claim found to be invalid and cancelled."¹⁷⁵

Additionally, the Federal Circuit has created a framework in the reexamination context to address conflicting findings of validity in district court and invalidity by the PTO. In *In re Swanson*, the Federal Circuit held that judicial determinations of patent validity do not bar later PTO findings of invalidity because the lower evidentiary standard at the PTO makes the two decisions reconcilable.¹⁷⁶ The Federal Circuit again showed deference to the PTO in the *Translogic Tech* cases, which involved simultaneous appeals to the Federal Circuit from a PTO invalidity finding and a district court holding that the same patent was valid and infringed.¹⁷⁷ The Federal Circuit affirmed the PTO's invalidity finding and, that same day in a non-precedential opinion, avoided conflicting appellate decisions by vacating the district court's judgment and remanding for dismissal.¹⁷⁸ Additionally, in *Standard Havens Products v. Gencor Industries, Inc.*, the Federal Circuit held that an accused patent infringer's motion to stay a permanent injunction and damages

174. *Flexiteek Ams., Inc. v. PlasTEAK, Inc.*, No. 08-60996-CIV-COHN/SELTZER, 2012 WL 5364247, at *3 (S.D. Fla. Oct. 31, 2012).

175. *Id.* (internal citations omitted).

176. *In re Swanson*, 540 F.3d 1368, 1370–71 (Fed. Cir. 2008). Two issues were presented to the Federal Circuit: (1) whether a district court finding of validity precludes a substantial new question of patentability and, therefore, review in an *ex parte* reexamination, and (2) whether the Constitution prevents the PTO from overturning a district court finding of patent validity. The Federal Circuit noted that "[n]ot once in the legislative history [of the reexamination statute] did Congress refer to references or issues addressed in prior civil litigation." *Id.* at 1377. The Federal Circuit concluded that a jury trial finding a patent valid by clear and convincing evidence does not preclude the PTO from finding the same patent invalid under a lower, preponderance of evidence standard. *Id.* Similarly, the ruling created no constitutional separation of powers issues because district courts do not find that patents are valid, but can only find that the challenger did not meet the burden of proof to show the patent invalid. *Id.* at 1378–79. As such, a later finding of invalidity by the PTO does not upset the court's decision because the two decisions are reconcilable. *Id.* at 1379.

177. *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007); *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 F. App'x 988 (Fed. Cir. 2007).

178. *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007); *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 F. App'x 988 (Fed. Cir. 2007).

proceeding pending the outcome of an *ex parte* reexamination should have been granted.¹⁷⁹ As a finding of invalidity at the PTO affirmed on appeal would end the injunction, and because the damage award was unresolved, the Federal Circuit concluded that the injunction and damages proceedings should have been stayed.¹⁸⁰ However, the Federal Circuit has noted that “an attempt to reopen a final federal court judgment of infringement on the basis of a reexamination finding of invalidity might raise constitutional problems.”¹⁸¹

In *Fresenius USA, Inc. v. Baxter International, Inc.*, the counterpart to *Versata* in the reexamination context, the Federal Circuit vacated a judgment of infringement and validity it had affirmed on appeal after the PTO found the patent invalid in reexamination.¹⁸² The Federal Circuit found that Congress intended reexaminations to take place concurrently with litigation and that a PTO finding of invalidity was binding in concurrent litigation, as long as the case had not been finally decided.¹⁸³ The court concluded that the district court judgment was only final as to appeal because the Federal Circuit could set it aside; in such a case, it would not be considered final and binding.¹⁸⁴ Similarly, the remand after the first appeal did not conclusively end the litigation between the parties and could not be considered final, even though it affirmed the validity finding and damages award.¹⁸⁵ Thus, neither the district court nor the Federal Circuit decision was final, and neither could preclude the PTO’s finding of invalidity from controlling the civil litigation.¹⁸⁶

179. *Standard Havens Prods. v. Gencor Indus. Inc.*, 996 F.2d 1236 (Fed. Cir. 1991) (unpublished opinion).

180. *Id.*

181. *In re Swanson*, 540 F.3d at 1380 n.5.

182. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1332 (Fed. Cir. 2013).

183. *Id.* at 1339–40.

184. *Id.* at 1341–45.

185. *Id.* at 1341.

186. *Id.* at 1342. To provide support for its assertions, the court cited *Simmons Co. v. Grier Bros. Co.*, in which the Supreme Court invalidated a patent after the Third Circuit had upheld its validity. See *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922). Similarly, the court cited its *Mendenhall* decision for the proposition that “a decision finding a patent not invalid but remanding for further damages proceedings is not a final judgment.” *Fresenius*, 721 F.3d at 1343 (citing *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1574 (Fed. Cir. 1994)). It then followed that the *Fresenius* decision was not final and did not preclude the PTO’s finding of invalidity from controlling the civil litigation. *Id.* at 1342–43. SAP petitioned the Federal Circuit to rehear the case en banc, but that petition was denied 6-4. See Ryan Davis, *USPTO’s Power to Nix Verdicts Ripe for Supreme Court*, LAW360 (Nov. 6, 2013, 8:53 PM), http://www.law360.com/ip/articles/486812?nl_pk=52e024ee-ea1f-4a7d-99f1-812452e3a32b&utm_source=newsletter&utm_medium=email&utm_campaign=ip.

Judge Newman criticized the majority in her dissent, stating that by giving effect to the PTO's subsequent determination of invalidity, the decision violated the constitutional plan that other government departments cannot overturn court judgments.¹⁸⁷ Further, Judge Newman attacked the majority's view of finality, noting that under the majority's rule, patent owners can be subjected to protracted litigation and consecutive reexaminations until the patent is finally deemed invalid.¹⁸⁸ Additionally, Judge Newman argued that the majority's finality rule was at odds with every other appellate court in the country.¹⁸⁹

The *Fresenius* decision is significant, as the AIA procedures will create situations where the patent is upheld in court but invalidated at the PTO. It is unlikely that IPR and PGR will have this effect because both require a challenge to be filed relatively early in litigation. However, CBMR does not require defendants to file within one year of being served with a complaint alleging infringement, as is the case in IPR. Savvy patent infringement defendants may wait to test their luck in the district court before filing for CBMR, essentially getting another chance at invalidating a patent.

As previously mentioned, *Versata* will provide an opportunity for the Federal Circuit to determine what weight AIA review invalidity decisions will be given to a finding of validity and infringement affirmed by the Federal Circuit.¹⁹⁰ *Versata* and SAP sold competing software products in the mid-1990s.¹⁹¹ *Versata*'s software enjoyed substantial sales between 1995 and 1998 because it used a patented hierarchical pricing method to help salespeople more quickly quote product prices.¹⁹² SAP incorporated a similar method into its enterprise software package and subsequently destroyed the market for *Versata*'s product.¹⁹³ *Versata* sued SAP for patent infringement in 2007 and was eventually awarded \$345 million in damages and royalties.¹⁹⁴ While SAP's appeal from the jury verdict was pending, SAP petitioned for, and was

The four judges voting to rehear the case en banc stated that the decision "goes a long way toward rendering district courts meaningless in the resolution of patent infringement disputes" and attacked the "inapplicable and antiquated view of finality" underpinning the decision. *Id.*

187. *Fresenius*, 721 F.3d at 1347 (Newman, J., dissenting).

188. *Id.* at 1354.

189. *Id.* at 1355–58.

190. *Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255 (Fed. Cir. 2013); *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, CBM2012-00001, Paper No. 70 (P.T.A.B. June 11, 2013).

191. *Versata*, 717 F.3d at 1259.

192. *Id.* at 1258–59.

193. *Id.*

194. *Id.* at 1259–60.

granted, a covered business method review of Versata's patent.¹⁹⁵ The Federal Circuit affirmed the jury's award of \$345 million in May of 2013.¹⁹⁶ The very next month, in June 2013, the PTAB issued its first final CBMR decision, holding the claims asserted against SAP—the bases for the \$345 million jury award—unpatentable under 35 U.S.C. § 101.¹⁹⁷

Now, the Federal Circuit will have to address whether a PTAB decision invalidating claims that were the basis of an affirmed infringement judgment can provide the infringer with an affirmative defense and allow relief from that judgment. The Federal Circuit can essentially go in three directions: (1) reverse the PTAB's determination of invalidity and not reach the issue of whether the PTAB's determination can affect the concurrent litigation, (2) affirm the PTAB's determination of invalidity and give it preclusive effect in the concurrent litigation—eliminating a \$345 million award affirmed on appeal, or (3) affirm the PTAB's determination of invalidity and not afford it preclusive effect in the ongoing litigation.

If the Federal Circuit were to opt for the first option, reversing the PTAB's decision and not addressing the interplay that decision could have had with the pending litigation, it will not have to throw away an affirmed \$345 million judgment. The issue would probably come up in another situation, however, as it is unlikely that all of patent infringement litigation will be stayed pending CBMR in the future and that all CBMR will be finalized on appeal before infringement judgments.

If the Federal Circuit decides to affirm the PTAB's invalidity determination and give it effect in the litigation, it could support its decision in at least two ways. The Federal Circuit could follow its approach in *Fresenius* and decide that the district court's judgment was not sufficiently final, nor was the decision to affirm the judgment final because the case was remanded to vacate overly broad language from the permanent injunction.¹⁹⁸ The pitfalls to this approach were articulated in Judge Newman's dissent in *Fresenius*. First, it risks a constitutional challenge, as it allows an agency determination to overrule a decision of the courts. Second, a decision based on the finality of the litigation could be attacked. Overturning an award of \$345 million because the district court granted an overly broad injunction does not seem equitable. What would have happened had the district court issued an injunction the Federal Circuit thought was proper? Or what if

195. *Id.* at 1260.

196. *Id.* at 1255, 1269.

197. *SAP Am.*, CBM2012-00001, Paper No. 70, at *2 (P.T.A.B. June 11, 2013).

198. *See* *Fresenius USA, Inc. v. Baxter Intern., Inc.*, 721 F.3d 1330, 1339 (Fed. Cir. 2013).

Versata had simply not asked for a permanent injunction? Would that have made the judgment sufficiently final to escape a redetermination of liability? The Federal Circuit could also follow the approach in *Flexiteek* and order the district court to consider granting relief from judgment under F.R.C.P. Rules 60(b)(5) and (6).¹⁹⁹ This approach is favorable because it avoids the issue of finality, but it is still susceptible to the attack that it violates constitutional principles.

Finally, the Federal Circuit may affirm the PTAB decision without giving it effect in the concurrent litigation. At first glance, this may appear to be directly contrary to Congress's intent in enacting PGR procedures and CBMR in particular. However, statements from the Congressional Record show that Congress may not have intended a PTAB decision to overturn a final court judgment.

The interplay between CBMR and concurrent litigation was discussed multiple times during the passage of the AIA. On March 8, 2011, Senator Leahy was asked what effect Section 18 (CBMR) would have on a case where the patent was held valid in district court and that decision was pending on review.²⁰⁰ Senator Leahy responded that “[t]he patent may still be subject to the proceeding, but since the court did not hold the patent invalid or unenforceable, it would not likely have an effect on the pending appeal.”²⁰¹ On September 8, 2011, Senator Leahy again addressed Section 18 review and concurrent litigation.²⁰² Senator Leahy stated “[w]hile a prior district court decision upholding the validity of a patent may not preclude the PTO from considering the same issues resolved in that proceeding, PTO officials must still consider the court's decision and deviate from its findings only to the extent reasonable.”²⁰³ Further, “the PTO would not initiate proceedings where the petition does not raise a substantial new question of patentability than those that had already been considered by the PTO in earlier proceedings.”²⁰⁴ Some commentators have dismissed Senator Leahy's comments, noting that Senator Leahy appears to have confused the standard for instituting an *ex parte* reexamination with that of a CBMR.²⁰⁵ However, Senator Leahy referred to the standard for instituting a CBMR in the very

199. *Flexiteek Ams., Inc. v. PlasTEAK, Inc.*, No. 08-60996-CIV-COHN/SELTZER, 2012 WL 5364247, at *4 (S.D. Fla. Oct. 31, 2012).

200. 157 CONG. REC. S1360–02 (daily ed. Mar. 8, 2011) (statement of Sen. Patrick Leahy).

201. *Id.*

202. 157 CONG. REC. S5402–02 (daily ed. Sept. 8, 2011), at *66.

203. *Id.*

204. *Id.* at *67.

205. See Matal, *supra* note 25, at 639.

same passage as a safeguard preventing harassment of patent owner's through post-grant proceedings.²⁰⁶

In any case, it is important to recognize that the AIA directly addresses the effect of a CBMR on concurrent district court litigation. Congress expected the balancing test for a district court considering a stay to weigh heavily in favor of a stay because the outcome of a post-grant review would control that district court litigation.

Whichever route the Federal Circuit takes in *Versata* will greatly affect strategy regarding AIA review procedures, specifically CBMR. If a PTAB finding of invalidity has the power to knock out an affirmed district court validity finding and damages award, the AIA reviews will become an even more powerful tool for accused patent infringers. If a PTAB finding of invalidity is held to have no effect on an affirmed award, potential petitioners will have greater incentive to file AIA reviews earlier, and this ruling would seem consistent with congressional goals for AIA reviews.

5. *Favorable Evidentiary and Claim Construction Standards*

The petitioner in an IPR, PGR, or CBMR must prove patent invalidity by a preponderance of the evidence.²⁰⁷ As no presumption of validity accompanies a patent during an AIA review, petitioners do not have to prove invalidity by the higher clear and convincing evidence standard required in district court litigation.²⁰⁸ A somewhat related consideration that helps petitioners is avoiding juries who tend to have a higher degree of respect for patents compared to the administrative patent judges comprising the PTAB.²⁰⁹

Claim construction in an AIA review differs from district court litigation as well. Claims undergoing an IPR, PGR, or CBMR will be given their "broadest reasonable construction in light of the [patent's] specification . . ." ²¹⁰ Although the AIA does not provide guidance on how the PTAB should interpret patent claims, PTO regulations specify the "broadest reasonable construction" standard for claim construction.²¹¹

206. See 157 CONG. REC. S5402-02 (daily ed. Sept. 8, 2011), at *67.

207. Leahy-Smith America Invents Act §§ 6(a)(319), 6(d)(326)(e) (2011).

208. See Wab Kadaba & Mitch Stockwell, *Inter Partes Review: The Good, The Bad And The Ugly*, LAW360 (Apr. 9, 2012, 1:22 PM), <http://www.law360.com/articles/324265/inter-partes-review-the-good-the-bad-and-the-ugly>.

209. See Matthew Cutler, *Why Inter Partes and Post-Grant Reviews Are Game-Changers*, LAW360 (Jan. 8, 2013, 12:14 PM), <http://www.law360.com/articles/402322/why-inter-partes-and-post-grant-review-are-game-changers>.

210. See 37 C.F.R. §§ 42.100(b), 42.200(b) (2013).

211. See *id.*

The “broadest reasonable construction” (“BRC”) standard for claim construction provides procedural advantages for petitioners.²¹² Instead of the traditional *Markman*-based claim construction principles employed by district courts, the BRC standard allows a petitioner to use a wider array of prior art to invalidate the patent.²¹³ Further, although the PTAB’s construction is not binding on the district court, it can provide courts guidance on what should be the broadest interpretation during *Markman* hearings and may lead to early resolution of cases.²¹⁴ This door swings both ways, however, and claim construction from district courts can be used in AIA proceedings.

Additionally, both patent owners and petitioners can submit constructions from the district court to the PTAB. Although “not determinative” of the broadest reasonable construction, the PTAB has allowed a patent owner to submit the district court’s claim construction because it may provide “useful insight and information.”²¹⁵ Petitioners can take advantage of the PTAB’s willingness to allow district court claim constructions as well. 35 U.S.C. § 301(a)(2) provides that anyone may cite to the PTO “statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent.”²¹⁶ Congress adopted this provision to “allow the office to identify inconsistent statements made about claim scope” and to counteract patent owners offering different interpretations of prior art in different proceedings.²¹⁷ This could happen when a patent owner argues for a broad interpretation in a district court to help with infringement contentions but subsequently argues for a narrow interpretation to avoid prior art in front of the PTO.²¹⁸

212. See Andrew J. Lagatta & George C. Lewis, *How Inter Partes Review Became A Valuable Tool So Quickly*, LAW360 (Aug. 16, 2013 12:01 PM), <http://www.law360.com/articles/463372/how-inter-partes-review-became-a-valuable-tool-so-quickly>.

213. See Robert M. Abrahamsen, *A Little-Known Tool to Keep Patent Holders Honest*, LAW360 (Oct. 9, 2013, 5:06 PM), <http://www.law360.com/ip/articles/472305/a-little-known-tool-to-keep-patent-holders-honest>.

214. See Lagatta, *supra* note 212.

215. See Andrew R. Sommer, *PTAB Trial Practice Updates*, WINSTON & STRAWN, at 14 (Oct. 2013), available at http://interact.winston.com/reaction/PTAB/Oct17/PTAB_Decision_Sept30_October7.pdf (quoting *Kyocera Corp. v. Softview LLC*, IPR2013-00004, Paper No. 32 (P.T.A.B. Oct. 8, 2013)).

216. 35 U.S.C. § 301(a)(2) (2011).

217. See Shaton C. Menzie, *Patent Owners Beware: Federal Court Arguments for Broad Claim Construction May Be Used Against You in Post Grant Proceedings*, AIABLOG.COM (Oct. 25, 2013), <http://www.aiablog.com/post-grant-proceedings/patent-owners-beware-federal-court-arguments-for-broad-claim-construction-may-be-used-against-you-in-post-grant-proceedings/> (quoting Matal, *supra* note 25, at 594).

218. See *id.*

6. *Less Expensive*

Although the fees to file an AIA review are not small by any means, as demonstrated in the table below, the effects of limited discovery, possibility of stayed litigation, and twelve-month institution to final decision timeframe make AIA reviews much less expensive than district court litigation. The expected cost of a completed IPR is between \$300,000 and \$800,000, an order of magnitude less expensive than a judicial determination of patent validity.²¹⁹

The AIA delegates fee-setting authority to the PTO.²²⁰ The PTO has structured fees in a two-tiered system.²²¹ An initial fee must be paid for the PTO to review the petition.²²² The initial fee consists of a flat fee and a surcharge for every claim in excess of twenty the petitioner wishes the PTO to review.²²³ The second fee is more expensive and comes after institution.²²⁴ This is also structured as a flat fee for institution, with a surcharge for every claim in excess of fifteen that the PTO decides to review.²²⁵ See Table 4 for a summary of AIA review fees.

219. See Lagatta & Lewis, *supra* note 212.

220. Leahy-Smith America Invents Act §§ 6(a)(311)(a), 6(a)(321)(a) (2011).

221. See 37 C.F.R. § 42.15 (2013).

222. *Id.* § 42.51(a)(1), (b)(1).

223. *Id.* §§ 42.51(a)(1), (a)(3), (b)(1), (b)(3).

224. *Id.* § 42.51(a)(2), (b)(2).

225. *Id.* §42.51(a)(4), (b)(4).

Table 4: PTO Fees for AIA Reviews

PTO Fees ²²⁶	<i>Inter Partes</i> Review	Post-Grant Review and Covered Business Method Review
Request Fee		
Flat Fee	\$9,000	\$12,000
Per Claim in Excess of 20	\$200	\$250
Institution Fee		
Flat Fee	\$14,000	\$18,000
Per Claim in Excess of 15	\$400	\$550

7. Effectiveness

Thus far, AIA reviews have been extremely effective at invalidating patents. As seen in Table 5, the PTAB has invalidated every claim that has gone to a final decision. Note that although it appears CBM2013-00003 left three claims valid, those very same claims were subsequently challenged in CBM2013-00009 and found to be invalid.²²⁷ Additionally, in both IPR2012-00020 and IPR2012-00027, the patent owner conceded that some of the patent claims were invalid while the PTAB invalidated the remaining challenged claims.²²⁸ In general, obviousness dominates the PTAB's invalidity findings while § 101 challenges for "unpatentable abstract ideas" that "do not provide enough significant meaningful limitations to transform these abstract ideas into patent-eligible applications of these abstractions" have been most successful in CBMR.²²⁹

226. *Id.* § 42.15.

227. *See* Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2012-00003, Paper No. 78 (P.T.A.B. Feb. 11, 2014); Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2013-00009, Paper No. 68 (P.T.A.B. Feb. 11, 2014).

228. *See* Intellectual Ventures Mgmt., LLC v. Xilinx, Inc., IPR2012-00020, Paper No. 34 (P.T.A.B. Feb. 11, 2014); Idle Free Sys., Inc. v. Bergstrom, Inc., IPR2012-00027, Paper No. 66 (P.T.A.B. Jan. 7, 2014).

229. *See* SAP Am., Inc. v. Versata Dev. Group, Inc., CBM2012-00001, Paper No. 70, at *34 (P.T.A.B. June 11, 2013).

Table 5: PTAB Final Decisions as of February 13, 2014

Proceeding	Patent No.	Petitioner	Patent Owner	Claims Reviewed	Claims Cancelled	Grounds
IPR2012-00001 ²⁰⁹	6,778,074	Garmin Int'l	Cuozzo Speed Techs.	3	3	§ 103
IPR2012-00005 ²¹⁰	6,653,215	Nichia Corp.	Emcore Corp.	17	17	§ 103
IPR2012-00018 ²¹¹	7,566,960	Intellectual Ventures	Xilinx, Inc.	13	13	§ 103
IPR2012-00019 ²¹²	8,062,968	Intellectual Ventures	Xilinx, Inc.	15	15	§ 102, 103
IPR2012-00020 ²¹³	8,058,897	Intellectual Ventures	Xilinx, Inc.	12	12	§ 103
IPR2012-00023 ²¹⁴	7,994,609	Intellectual Ventures	Xilinx, Inc.	19	19	§ 103
IPR2012-00027 ²¹⁵	7,591,303	Idle Free Sys.	Bergstrom, Inc.	23	23	§ 102, 103
IPR2013-00010 ²¹⁶	7,516,484	Motorola Mobility	Arnouse Digital Devices	7	7	§ 102
CBM2012-00001 ²¹⁷	6,553,350	SAP Am., Inc.	Versata Software, Inc.	5	5	§ 101
CBM2012-00002 ²¹⁸	6,064,970	Liberty Mut. Ins. Co.	Progressive Cas. Ins. Co.	16	16	§ 103
CBM2012-00003 ²¹⁹	8,140,358	Liberty Mut. Ins. Co.	Progressive Cas. Ins. Co.	20	17	§ 103

209. Garmin Int'l Inc. v. Cuozzo Speed Techs. LLC, IPR2012-00001, Paper No. 59 (P.T.A.B. Nov. 13, 2013).

210. Nichia Corp. v. Emcore Corp., IPR2012-00005, Paper No. 68 (P.T.A.B. Feb. 11, 2014).

211. Intellectual Ventures Mgmt., LLC v. Xilinx, Inc., IPR2012-00018, Paper No. 35 (P.T.A.B. Feb 10, 2014).

212. Intellectual Ventures Mgmt., LLC v. Xilinx, Inc., IPR2012-00019, Paper No. 33 (P.T.A.B. Feb 10, 2014).

213. Intellectual Ventures Mgmt., LLC v. Xilinx, Inc., IPR2012-00020, Paper No. 34 (P.T.A.B. Feb 11, 2014).

214. Intellectual Ventures Mgmt., LLC v. Xilinx, Inc., IPR2012-00023, Paper No. 35 (P.T.A.B. Feb 11, 2014).

215. Idle Free Sys., Inc. v. Bergstrom, Inc., IPR2012-00027, Paper No. 66 (P.T.A.B. Jan. 7, 2014).

216. Motorola Mobility LLC v. Arnouse Digital Devices Corp., IPR2013-00010, Paper No. 45 (P.T.A.B. Feb. 11, 2014).

217. SAP Am., Inc. v. Versata Dev. Group, Inc., CBM2012-00001, Paper No. 70 (P.T.A.B. June 11, 2013).

218. Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2012-00002, Paper No. 66 (P.T.A.B. Jan. 23, 2014).

219. Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2012-00003, Paper No. 78 (P.T.A.B. Feb. 11, 2014).

Proceeding	Patent No.	Petitioner	Patent Owner	Claims Reviewed	Claims Cancelled	Grounds
CBM2012-00004 ²²⁰	6,064,970	Liberty Mut. Ins. Co.	Progressive Cas. Ins. Co.	17	17	§ 103
CBM2012-00005 ²²¹	6,675,151	CRS Advanced Tech.	Frontline Techs., Inc.	6	6	§ 101
CBM2012-00007 ²²²	5,361,201	Interthinx, INC.	CoreLogic Solutions	4	4	§ 101
CBM2013-00009 ²²³	8,140,358	Liberty Mut. Ins. Co.	Progressive Cas. Ins. Co.	20	20	§ 103

220. Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2012-00004, Paper No. 60 (P.T.A.B. Jan. 23, 2014).

221. CRS Advanced Techs., Inc. v. Frontline Techs., Inc., CBM2012-00005, Paper No. 66 (P.T.A.B. Jan. 21, 2014).

222. Interthinx, Inc. v. CoreLogic Solutions, LLC, CBM2012-00007, Paper No. 58 (P.T.A.B. Jan. 30, 2014).

223. Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2013-00009, Paper No. 68 (P.T.A.B. Feb. 11, 2014).

B. LIMITATIONS

Although the AIA review procedures provide an effective method for challenging patent validity, the limitations and drawbacks of IPR, PGR, and CBMR must be considered to determine if the challenge is available and if it would be wise to pursue review. PGR and CBMR are limited to certain classes of patents, while IPR significantly restricts the grounds available to challenge patents. Each has its own unique procedural restrictions on filing petitions, and the estoppel provisions from a final decision can limit available defenses in a later proceeding in front of the PTO, International Trade Commission (“ITC”), or district court. Additionally, petitioners must present sufficient evidence of invalidity in their petitions before the PTAB will decide to institute a review.

1. *Patents Eligible for Review*

IPR, PGR, and CBMR are applicable to distinct, and sometimes overlapping, types of patents. All patents are eligible for IPR.²²⁴ PGR challenges to patent validity are available only for patents issued under the first-to-file system—that is, patents with effective filing dates on or after March 16, 2013.²²⁵ CBMR, as the name implies, is limited solely to covered business method patents.²²⁶

The AIA does not clearly spell out what qualifies as a business method patent, and it tasks the PTO with determining the scope of patents eligible for CBMR.²²⁷ The AIA defines covered business method patents as “a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service,” not including “technological invention[s].”²²⁸ The PTO determines whether a patent is a “technological invention.”²²⁹

The PTO has guidelines to determine if a patent claims a “technological invention” in the context of CBMR.²³⁰ This case-by-case determination will be made by assessing “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious . . . and solves a technical problem using a technical solution.”²³¹

224. Leahy-Smith America Invents Act § 6(a)(319)(c)(2)(A) (2011).

225. *See id.* § 6(d)(329)(f)(2)(A).

226. *See id.* § 18(a)(1)(E).

227. *See id.* § 18(d).

228. *Id.* § 18(d)(1).

229. *Id.* § 18(d)(2).

230. *See* 37 C.F.R. § 42.301(b) (2013).

231. *Id.*

Congress appears to have intended the PTO to take an expansive view of what qualifies as a covered business method patent.²³² The legislative history of the AIA indicates that CBMR should not be limited to PTO Class 705 patents, the patent class most commonly associated with business methods.²³³ Indeed, the PTO has indicated some patents outside Class 705 will be eligible for CBMR, stating “[i]t is anticipated that the number of patents in Class 705 that do not qualify as covered business method patents would approximate the number of patents classified in other classes that do qualify.”²³⁴

The PTAB’s CBMR institution decisions have provided further guidance on which patents qualify for review. In *Versata*, the PTAB’s first CBMR institution decision, the PTAB signaled that it would allow challenges to “patents claiming activities that are financial in nature, incidental to a financial activity, or complementary to a financial activity.”²³⁵ And, although the majority of CBMR challenges thus far involve patents that belong to Class 705,²³⁶ the PTAB has instituted reviews for patents outside of Class 705.²³⁷

Patents claiming an electronic sale or the electronic transfer of money may qualify for CBMR, even if they fall outside Class 705. In a series of challenges by Apple against a number of patents owned by SightSound Technologies, the PTAB instituted reviews on patents examined in Class 369

232. See Jonathan R.K. Stroud & Linda J. Thayer, *Just What is “Covered” Under a Covered Business Method Post-Grant Review*, AIABLOG.COM (May 28, 2013), <http://www.aiablog.com/post-grant-proceedings/just-what-is-covered-under-a-covered-business-method-post-grant-review/> (citing 157 CONG. REC. S1363–65 (daily ed. Mar. 8, 2011) (statement of Sen. Charles Schumer)).

233. See *id.* The PTO defines Class 705 to include:

[A]pparatus and corresponding methods for performing data processing operations, in which there is a significant change in the data or for performing calculation operations wherein the apparatus or method is uniquely designed for or utilized in the practice, administration, or management of an enterprise, or in the processing of financial data.

USPTO Info. Prod. Div., *Class 705: Data Processing: Financial, Business Practice, Management, or Cost/Price Determination*, MANUAL OF CLASSIFICATION, <http://www.uspto.gov/web/offices/ac/ido/oeip/taf/def/705.htm> (last modified Oct. 6, 2000). Further, the class includes “apparatus and corresponding methods for performing data processing or calculating operations in which a charge for goods or services is determined.” *Id.* Much of this language is included in the AIA to define which patents are eligible for CBMR. See Leahy-Smith America Invents Act § 18(d)(1) (2011).

234. 77 Fed. Reg. 48,739.

235. SAP Am., Inc. v. Versata Dev. Grp., Inc., CBM2012-00001, Paper No. 36 at *21-22 (P.T.A.B. Jan. 9, 2013).

236. See Stroud et al., *supra* note 232.

237. See Sommer, *supra* note 215, at 16.

(dynamic information storage and retrieval).²³⁸ The PTAB held that a patent directed to “the electronic sales and distribution of digital audio or video signals” was financial in nature and eligible for CBMR because “[t]he electronic transfer of money is a financial activity, and allowing such a transfer amounts to providing a financial service.”²³⁹ In a related proceeding, the PTAB similarly held that “[t]he electronic sale of something, including charging a fee to a party’s account, is a financial activity, and allowing such a sale amounts to providing a financial service.”²⁴⁰ The board went on to reject the patent owner’s arguments that “only patents with a ‘clear nexus to the financial business’ are eligible for a covered business method review” and that a “patent need not be used by a financial services company or involve a traditional financial services business to qualify as a covered business method patent.”²⁴¹

Additionally, in *Liberty Mutual Insurance Co., v. Progressive Casualty Insurance Co.*, the PTAB expanded the purview of CBMR even further by holding that if “at least one claim . . . is directed to a covered business method,” the patent is a covered business method patent, and all of its claims are subject to CBMR.²⁴² The Board rejected Progressive’s arguments that only claims directed to covered business methods are eligible for CBMR, by noting that Congress had, in defining covered business method patents, referred multiple times to patents and not individual claims.²⁴³

Table 6 below summarizes the types of patents eligible for CBMR.

238. See *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00019, Paper No. 17 (P.T.A.B. Oct. 8, 2013); *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00020, Paper No. 14 (P.T.A.B. Oct. 8, 2013); *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00021, Paper No. 13 (P.T.A.B. Oct. 8, 2013); *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00023, Paper No. 12 (P.T.A.B. Oct. 8, 2013).

239. *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00019, Paper No. 17, at *3, *10 (P.T.A.B. Oct. 8, 2013); *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00020, Paper No. 14, 3, at *11–12 (P.T.A.B. Oct. 8, 2013).

240. *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00021, Paper No. 13, at *11 (P.T.A.B. Oct. 8, 2013); *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00023, Paper No. 12, at *13 (P.T.A.B. Oct. 8, 2013).

241. *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00019, Paper 17, at *11–12 (P.T.A.B. Oct. 8, 2013); *Apple Inc. v. SightSound Techs., LLC*, CBM2013-00020, Paper 14, 12, at *14 (P.T.A.B. Oct. 8, 2013) (internal citations omitted).

242. *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00002, Paper No. 66, at *4 (P.T.A.B. Jan. 23, 2014).

243. *Id.* at *5–6.

Table 6: Covered Business Method Patent Definitions

AIA	“[A] method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of financial products or services” excluding “technological inventions.” ²⁴⁴
PTO	Technological inventions will be assessed on a case-by-case basis determined by “whether the subject matter as a whole recites a technological feature that is novel and unobvious . . . and solves a technical problem using a technical solution.” ²⁴⁵
PTAB	Allows challenges to “patents claiming activities that are financial in nature, incidental to financial activity, or complementary to financial activity.” ²⁴⁶
	Patents outside of PTO Class 705 eligible for review ²⁴⁷
	“[T]he electronic sale of digital audio” financial in nature and eligible for review. ²⁴⁸
	“The electronic sale of something, including charging a fee to a party’s account, is a financial activity, and allowing such a sale amounts to providing a financial service,” and is eligible for review. ²⁴⁹
	“[A] <i>patent</i> is eligible for a covered business method patent review if the subject matter of at least one claim is directed to a covered business method.” ²⁵⁰

244. Leahy-Smith America Invents Act § 18(d)(1) (2011).

245. 37 C.F.R. § 42.301(b) (2013).

246. Apple Inc. v. SightSound Techs., LLC, CBM2013-00019, Paper No. 17, at *10 (P.T.A.B. Oct. 8, 2013) (quoting Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48734, 48736 (Aug. 14, 2012)).

247. Apple Inc. v. SightSound Techs., LLC, CBM2013-00019, Paper 17 (P.T.A.B. Oct. 8, 2013); Apple Inc. v. SightSound Techs., LLC, CBM2013-00020, Paper 14 (P.T.A.B. Oct. 8, 2013).

248. *Id.*

249. Apple Inc. v. SightSound Techs., LLC, CBM2013-00021, Paper 13 (P.T.A.B. Oct. 8, 2013); Apple Inc. v. SightSound Techs., LLC, CBM2013-00023, Paper 12 (P.T.A.B. Oct. 8, 2013).

250. Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co., CBM2012-00002, Paper No. 66, at *6 (P.T.A.B. Jan. 23, 2014).

2. *Grounds for Review and Prior Art Available for Challenge*

Although IPR challenges are available for any patent, IPR most restricts the grounds that can be used to invalidate patents and the prior art available for review. PGR and CBMR allow more flexible grounds to challenge patents and have few restrictions on prior art. IPR challenges are limited to novelty and obviousness under 35 U.S.C. § 102 and § 103 based solely on prior art consisting of patents and printed publications.²⁵¹ PGR and CBMR, on the other hand, allow challenges “on any ground that could be raised under paragraph (2) or (3) of section 282(b),” which relates to “invalidity of the patent or any claim.”²⁵²

Section 101 is a proper ground to challenge patent validity despite not being explicitly listed in § 282(b).²⁵³ The PTAB addressed this point directly, noting that both the Supreme Court²⁵⁴ and the Federal Circuit²⁵⁵ have held Section 101 to be a condition of patentability that can be raised as an affirmative defense under Section 282(b)(2). Additionally, Congress intended to allow challenges under § 101 in PGR and CBMR. The legislative history indicates that Congress believed many business method patents are no longer patentable under the Supreme Court’s *Bilski* decision,²⁵⁶ as *Bilski* “sharply pulled back on the patenting of business methods, emphasizing that these ‘inventions’ are too abstract to be patentable.”²⁵⁷

Similarly, the prior art that can be used to challenge patents in IPR, PGR, and CBMR differs, partly because of the distinctive grounds that can be used

251. See Leahy-Smith America Invents Act § 6(a)(31)(b) (2011).

252. *Id.* § 6(d)(321)(b).

253. See 35 U.S.C. § 282(b) (2012). See also *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, CBM2012-00001, Paper No. 36, at *32–36 (P.T.A.B. Jan. 9, 2013). However, some scholars have argued that § 101 should not be considered an invalidity defense and therefore not an available ground to invalidate a patent. See, e.g., Dennis Crouch, *Hricik: Why Section 101 is Neither a “Condition of Patentability” nor an Invalidity Defense*, PATENTLY-O (Sept. 16, 2013), <http://www.patentlyo.com/patent/2013/09/hricik-why-section-101-is-neither-a-condition-of-patentability-nor-an-invalidity-defense.html>.

254. See *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, CBM2012-00001, Paper No. 36, at *32–36 (P.T.A.B. Jan. 9, 2013) (explaining that in *Graham v. John Deere Co.*, 383 U.S. 1, 12 (1966), the Supreme Court declared § 101 to be a condition of patentability and addressed § 101 as a defense to infringement under § 282 in *Mayo Collab. Servs. v. Prometheus Labs.*, 132 S. Ct. 1289 (2011)).

255. See *id.* at 33 (citing the Federal Circuit’s ruling in *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1330 n.3 (Fed. Cir. 2012), which rejected the contention that § 101 is not a condition of patentability and that § 101 was not a defense that can be brought under § 282).

256. *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

257. See *Matal*, *supra* note 25, at 627 (quoting 157 CONG. REC. S1367 (daily ed. Mar. 8, 2011) (describing the Senate Republican Policy Committee’s explanation of the need for § 18 of the America Invents Act)).

to challenge patents and partly to rein in discovery costs. An IPR petitioner may only cite patents and printed publications as prior art.²⁵⁸ In contrast, PGR petitioners and CBMR petitioners challenging first-to-file patents have no prior art limitations.²⁵⁹ However, a CBMR petitioner challenging a first-to-invent patent for anticipation or obviousness is limited to: (i) prior art described in Section 102(a), as Section 102(a) was written before the enactment of the AIA;²⁶⁰ and prior art described in Section 102(b), as Section 102(b) also predated the AIA, if that prior art is publicly accessible.²⁶¹

3. Procedural Filing Restrictions

IPR, PGR, and CBMR each have filing restrictions that limit the availability of the review. These are discussed in depth below.

Two timing-based limitations restrict when a petition for IPR may be filed. First, patents that are eligible for PGR or are currently in an instituted PGR cannot be challenged in IPR until nine months after the patent grant (for first-to-file patents)²⁶² or after the conclusion of an instituted PGR.²⁶³ Additionally, a petition must be filed within one year after the petitioner has been served with a complaint alleging infringement of that patent to petition for IPR.²⁶⁴ Although seemingly straightforward, the one-year bar to filing an IPR petition has been challenged in a variety of ways, and it has been subject to differing interpretations.

The PTAB has begun to address some of the outstanding questions surrounding the one-year bar to an IPR challenge through its institution decisions. The effect of a voluntarily dismissed infringement action, infringement counterclaims, successive lawsuits involving the same patent, and joining additional parties to an IPR more than a year after being sued for infringement have been addressed by PTAB. Additional concerns that may affect potential petitioners remain, however.

258. See Leahy-Smith America Invents Act § 6(a)(311)(b) (2011).

259. See *id.* § 6(d).

260. See *id.* § 18(a)(1)(C).

261. See Matal, *supra* note 25, at 632–33. The Republican Policy Committee summary of the Senate floor managers' amendment of subclause II of the Leahy-Smith America Invents Act § 18(a)(1)(C) states that this subclause encompasses "effectively, old 102(b) prior art but limited to old 102(a)'s publicly-available prior-art scope." 157 CONG. REC. S1367 (daily ed. Mar. 8, 2011).

262. 37 C.F.R. § 42.102(a)(1) (2013). The AIA does not specify that parties must wait nine months only for first-to-file patents, but USPTO regulations clarify this. See *id.* This requirement is logical, as there is no reason to wait nine months for a patent that is not eligible for PGR.

263. Leahy-Smith America Invents Act § 6(a)(311)(c)(2) (2011).

264. *Id.* § 6(a)(315)(b).

Two separate PTAB panels have issued conflicting opinions on whether the one-year bar applies after an infringement suit has been filed and voluntarily dismissed. The AIA seems to indicate that the one-year time limitation runs from the initial service of the complaint, even if the plaintiff voluntarily dismisses the suit under F.R.C.P. Rule 41(a)(1),²⁶⁵ despite such a suit being “generally [] treated by the courts as if it had never been filed.”²⁶⁶ In *Macauto U.S.A. v. BOS GmbH & KG*, the first PTAB decision addressing the issue, the PTAB did not share this interpretation of the AIA and instituted a review, even though the complaint for a dismissed suit was served on the petitioner more than one year before the petition for IPR.²⁶⁷ The board concluded that “the dismissal of the earlier action . . . nullifies the effect of the alleged service of the complaint” and that the voluntary dismissal “render[ed] the proceedings a nullity.”²⁶⁸ However, in a later case, a five-member PTAB panel ruled that the petitioner was barred from filing an IPR challenge two and a half years after the petitioner was accused of infringement in a voluntarily dismissed countersuit.²⁶⁹ There were no overlapping judges in these conflicting decisions and neither decision is precedential, leaving open the possibility for additional interpretations by later panels.²⁷⁰

The PTAB also held in *St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.* that a counterclaim of infringement is equivalent to being served with a complaint for application of the one-year bar.²⁷¹ For the purposes of the one-year bar, the court found, “the phrase ‘complaint alleging infringement of the

265. See Jeff B. Vockrodt et al., *Don't Let Your Right to Inter Partes Review Slip Away*, LAW360 (Aug. 29, 2012, 1:43 PM), <http://www.law360.com/articles/369839/don-t-let-your-right-to-inter-partes-review-slip-away>.

266. See *Nelson v. Napolitano*, 657 F.3d 586, 587 (7th Cir. 2011).

267. See Ryan Davis, *Inter Partes Review Not Barred by Tossed Suit, USPTO Says*, LAW360 (Jan. 25, 2013, 8:56 PM), <http://www.law360.com/articles/410128/inter-partes-review-not-barred-by-tossed-suit-uspto-says>; *Macauto U.S.A. v. BOS GmbH & KG*, IPR2012-00004, Paper No. 18, at *15–16 (P.T.A.B. Jan. 24, 2013).

268. See *Macauto U.S.A. v. BOS GmbH & KG*, IPR2012-00004, Paper No. 18, at *15–16 (P.T.A.B. Jan. 24, 2013).

269. *St. Jude Med., Cardiology Div. Inc. v. Volcano Corp.*, IPR2013-00258, Paper No. 29, at *3 (P.T.A.B. Oct. 16, 2013); see also Ryan Davis, *USPTO Explains AIA Review Deadline in Nixing St. Jude Case*, LAW360 (Oct. 22, 2013, 5:31PM), <http://www.law360.com/ip/articles/482112/uspto-explains-aia-review-deadline-in-nixing-st-jude-case>.

270. See Dennis Crouch, *Interpreting the IPR Deadline; Conflicting PTAB Decisions; and Appealing Nonappealable Decisions*, PATENTLY-O (Oct. 22, 2013), <http://www.patentlyo.com/patent/2013/10/interpreting-the-ipr-deadline.html>.

271. See *St. Jude Med., Cardiology Div. Inc. v. Volcano Corp.*, IPR2013-00258, Paper No. 29, at *3 (P.T.A.B. Oct. 16, 2013).

patent' . . . is sufficiently broad to include a counterclaim that alleges infringement."²⁷² In its determination, the PTAB rejected arguments that the Federal Rules of Civil Procedure distinguish complaints from countersuits, that the AIA distinguishes counterclaims in § 315(a), and that Congress used "charged with infringement" in Section 18 to denote more than complaints.²⁷³ None of these arguments, the board determined, provided sufficient support for the petitioner's assertion that counterclaims and complaints should be treated differently.²⁷⁴ The board further noted that it would "frustrate Congressional intent . . . [to] discriminat[e] among otherwise similarly-situated accused infringers."²⁷⁵

Further, in *Accord Healthcare, Inc. v. Eli Lilly & Co.*, the PTAB ruled that the one-year bar applies in situations where a party is charged with infringing a patent in multiple lawsuits, even if that party was most recently served within the past year.²⁷⁶ The board denied a petition to institute IPR on a patent that had been asserted against the petitioner in multiple lawsuits, once within the last year and the other more than a year before filing the petition.²⁷⁷ The board rejected the petitioner's argument "that the one-year period set forth in § 315(b) should not be measured from the date of service of the complaint in the [initial action]."²⁷⁸ The board also cited Congress's intent that IPR not be used as a tool for harassment through repeated administrative attacks, as this would frustrate IPR's purpose as an efficient, cost-effective alternative to litigation.²⁷⁹

Conversely, combining a petition filed outside the one-year window with a previously filed petition or joinder provisions may allow parties to avoid the one-year time bar.²⁸⁰ The PTAB has allowed a party to combine a petition filed outside of the one-year window with an existing petition filed within one year of being served with a complaint for infringement.²⁸¹

272. *See id.* at *7.

273. *St. Jude Med., Cardiology Div. Inc. v. Volcano Corp.*, IPR2013-00258, Paper No. 29, at *4–6 (P.T.A.B. Oct. 16, 2013).

274. *Id.*

275. *Id.* at *3.

276. *Accord Healthcare, Inc. USA v. Eli Lilly & Co.*, IPR2013-00356, Paper No. 13, at *2–3 (P.T.A.B. Oct. 1, 2013).

277. *Id.* at *2.

278. *Id.* at *3.

279. *Id.*

280. *See* Jennifer R. Gupta, *Avoiding the One-Year Time Bar*, AIABLOG.COM (Sept. 10, 2013), <http://www.aiablog.com/post-grant-proceedings/avoiding-the-ipr-one-year-time-bar/>. The AIA joinder provisions are discussed in more detail in Part C *infra* of this Note.

281. *See* *Microsoft Corp. v. Proxyconn Inc.*, IPR2013-00109, Paper No. 15 (P.T.A.B. Feb. 25, 2013).

Similarly, the one-year bar does not apply to parties seeking to join an existing IPR, yet the PTAB has discretion as to whether to allow joinder.²⁸² The PTAB has allowed one party, while denying another, the ability to join an existing IPR over a year after those parties were served with complaints alleging patent infringement.²⁸³ It appears that if the prospective joining party does not raise any new issues or would not complicate the existing IPR, the PTAB will be more willing to allow joinder. On the other hand, if the new petition raises substantive issues not originally addressed and would likely cause delay, the request is more likely to be delayed.²⁸⁴

The effects of stayed litigation, settlement negotiations, real party in interest, or privity of defendant have yet to be addressed by the PTAB. Stayed litigation may present an issue for a potential IPR challenge.²⁸⁵ Staying litigation pending the outcome of the IPR is not an issue, but a court may also stay the litigation pending the outcome of another party's reexamination of the patent or the outcome of concurrent litigation.²⁸⁶ This can force petitioners to file an IPR before they would ideally like to.²⁸⁷ Further, the one-year bar apparently has no provisions allowing parties to toll the litigation while they enter into settlement disputes.²⁸⁸ Finally, as the statute of limitations applies to any "real party in interest or privity" of the petitioner, customers that the petitioner is legally required to indemnify may be served without notifying the petitioner within the one-year time frame.²⁸⁹

Table 7 summarizes the key aspects of the IPR one-year bar.

282. See 35 U.S.C. § 315(b)–(c) (2012).

283. See Gupta, *supra* note 280. See, e.g., Sony Corp. of Am. v. Network-1 Security Solutions, Inc., IPR2013-00386, Paper No. 16 (P.T.A.B. July 29, 2013); Dell Inc. v. Network-1 Security Solutions, Inc., IPR2013-00385, Paper No. 17 (P.T.A.B. July 29, 2013).

284. See Gupta, *supra* note 280.

285. See Vockrodt et al., *supra* note 265.

286. See *id.*

287. See *id.*

288. See *id.*

289. See *id.*

Table 7: *Inter Partes* Review One-Year Bar—35 U.S.C. § 315(b)

AIA	IPR “may not be instituted if the petition . . . is filed more than 1 year after the date on which the petitioner is . . . served with a complaint alleging infringement of that patent.” ²⁹⁰	
	One-year bar does not apply to a party seeking to join an existing IPR ²⁹¹	
PTAB	Voluntarily Dismissed Infringement Action ²⁹²	“[T]he dismissal of the earlier action . . . nullifies the effect of the alleged service of the complaint” and petitioner is not barred from IPR. ²⁹³
		“Service of a complaint alleging infringement triggers applicability of § 315(b), even if that complaint is later dismissed with prejudice.” ²⁹⁴
	Counterclaim of infringement is equivalent to being served with a complaint under § 315(b). ²⁹⁵	
	In situations involving multiple infringement lawsuits arising from the same patent, the one-year period is measured from the date of service of the complaint in the initial action. ²⁹⁶	
	Petitions filed outside the one-year window can be combined with previously filed IPR petitions. ²⁹⁷	
A party seeking to join an existing IPR will have a higher likelihood of success provided the potential joinder does not raise any new issues or would not complicate the existing IPR. ²⁹⁸		

290. 35 U.S.C. § 315(b) (2012).

291. *See* 35 U.S.C. § 315(c).

292. *See supra* Section II.B.3 for a discussion of these conflicting PTAB decisions.

293. *Macauto USA v. BOS GmbH & KG*, IPR2012-00004, Paper No. 18, at *15–*16 (P.T.A.B. Jan. 24, 2013).

294. *St. Jude Med., Cardiology Div. Inc. v. Volcano Corp.*, IPR2013-00258, Paper No. 29 (P.T.A.B. Oct. 16, 2013).

295. *Id.*

296. *Healthcare, Inc. USA v. Eli Lilly & Co.*, IPR2013-00356, Paper No. 13 (P.T.A.B. Oct. 1, 2013).

297. *See Microsoft Corp. v. Proxyconn Inc.*, IPR2013-00109, Paper No. 15 (P.T.A.B. Feb. 25, 2013).

298. *See Dell Inc. v. Network-1 Sec. Solutions, Inc.* IPR2013-00385, Paper No. 17 (P.T.A.B. July 29, 2013); *Sony Corp. of Am. v. Network-1 Sec. Solutions, Inc.* IPR2013-00386, Paper No. 16 (P.T.A.B. July 29, 2013).

Additionally, any petition for PGR must be filed within nine months of the grant of the patent or within nine months of patent reissue.²⁹⁹ However, a patent that has been narrowed and reissued cannot be challenged unless the original patent was still eligible for PGR.³⁰⁰

CBMR has its own filing restrictions as well. A petitioner for CBMR must have been sued for or charged with infringing the challenged patent.³⁰¹ The PTO defines “charged with infringement” as “a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.”³⁰² Further, a party cannot petition for CBMR if the patent is still eligible for PGR.³⁰³ Additionally, CBMR of patents will no longer be available after September 16, 2020.³⁰⁴ The PTAB will consider all petitions for CBMR filed before that date.³⁰⁵

4. Estoppel

IPR or PGR petitioners are estopped from asserting any “claim on any ground that the petitioner raised or reasonably could have raised” during a review proceeding at the PTO in future proceedings at the PTO and in subsequent civil litigation or ITC proceeding.³⁰⁶ CBMR petitioners are estopped only on grounds that the petitioner raised during the review in subsequent civil and ITC litigation. CBMR petitioners cannot, however, raise any ground that they “reasonably could have raised” in the CBMR in later proceedings at the PTO for the same patent.³⁰⁷ Additionally, estoppel does not apply when parties settle prior to a final written decision or if the PTAB declines to review the patent.³⁰⁸

The estoppel provisions take effect immediately upon the PTAB issuing a final written decision.³⁰⁹ This differs from reexamination, where estoppel takes effect after a claim has been “finally determined as valid and

299. Leahy-Smith America Invents Act § 6(d)(321)(c) (2011).

300. *Id.* § 6(d)(325)(f).

301. *Id.* § 18(a)(1)(B).

302. 37 C.F.R. § 42.302(a) (2013).

303. 37 C.F.R. § 42.303.

304. *See* Leahy-Smith America Invents Act § 18(a)(3)(A).

305. *Id.* § 18(a)(3)(B).

306. 35 U.S.C. §§ 315(e)(1), 325(e)(1) (2011).

307. Leahy-Smith America Invents Act § 18(a)(1)(A) (2011). Note that 35 U.S.C. § 325(e)(2) does not apply as per this subsection of the statute.

308. 35 U.S.C. §§ 317(a), 327(a).

309. *See* 35 U.S.C. §§ 315(e)(2), 325(e)(2).

patentable.”³¹⁰ The Federal Circuit interprets “finally determined” as occurring after all appeals have been exhausted.³¹¹ The AIA makes clear that estoppel takes effect upon the PTAB issuing its final written decision, and not after appeal to the Federal Circuit.³¹²

5. *Threshold to Institute Review*

The threshold showing a petitioner must make to the PTO before it will institute a review is higher for PGR and CBMR compared to IPR, and all have a higher threshold than what is required for *ex parte* reexaminations. A PGR or CBMR petitioner must demonstrate that it is “more likely than not that at least 1 of the claims challenged in the petition is unpatentable” or show that there is a “novel or unsettled legal question that is important to other patents or patent applications.”³¹³ For the PTAB to institute an IPR, the petitioner must show “that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”³¹⁴ *Ex parte* reexaminations, as well as the former *inter partes* reexamination, required the petitioner show that “a substantial new question of patentability” (“SNQ”) exists.³¹⁵

The differences between the thresholds are meaningful, and they are not simply semantic variations of the SNQ standard.³¹⁶ The legislative history of the AIA, as well as the AIA itself, indicates that the three standards are supposed to have meaningful differences.³¹⁷ The SNQ standard, according to the PTO, asks whether the examiner would consider prior art important in

310. See Abhay A. Watwe, *IPR: Scope of Estoppel*, AIABLOG.COM (Jun. 7, 2013), <http://www.aiablog.com/post-grant-proceedings/ipr-scope-of-estoppel/>.

311. See *id.*

312. See 35 U.S.C. §§ 315(e)(2), 325(e)(2).

313. 35 U.S.C. § 324(a)–(b).

314. Leahy-Smith America Invents Act § 6(a)(314)(a) (2011).

315. See 35 U.S.C. § 303(a).

316. See MaryAnne Armstrong et al., *Starting an AIA Post-Grant Proceeding*, LAW360 (Aug. 17, 2012, 1:51 PM), <http://www.law360.com/articles/364614/starting-an-aia-post-grant-proceeding>.

317. See *id.* The AIA changes the standard for *inter partes* review by “[s]triking ‘a substantial new question of patentability affecting a claim of the patent is raised’ and inserting ‘it has been shown that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request.’” Leahy-Smith America Invents Act § 6(c)(3)(A)(ii). But, the AIA leaves the substantial new question of patentability standard for the new supplemental examination procedure, *id.* § 12(a)(257)(a), and creates a new standard for post-grant review: “it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” *Id.* § 6(d)(324)(a).

considering the patentability of the claim.³¹⁸ This standard has allowed reexaminations to be instituted in over ninety percent of all cases, and it is widely regarded as an easy burden to meet.³¹⁹ Congress intended the “reasonable likelihood” standard to be a higher burden than the SNQ standard, similar to a showing for a preliminary injunction that “effectively requires the petitioner to present a prima facie case justifying a rejection of the claims in a patent.”³²⁰ The chief judge of the PTAB has further explained that the threshold for PGR and CBMR is different than the threshold for IPR, with the “reasonable likelihood” standard lower than the “more likely than not” standard.³²¹ This is consistent with Congress’s discussions about PGR and CBMR. Some noted that because additional issues may be raised in those proceedings, some requiring more substantial discovery, it would be important to ensure that there is a high likelihood of the claims being rejected.³²²

Data compiled from PTAB institution decisions shows that the PTO instituted IPRs in slightly lower percentages than *ex parte* or *inter partes* reexaminations. The PTAB has made 210 IPR institution decisions as of October 11, 2013.³²³ Of the 210, the PTAB has instituted a review of all the requested claims in 73.3 percent of petitions, another 13.8 percent have had review instituted on a partial number of claims, and 12.9 percent of petitions have been completely rejected.³²⁴ Viewed solely on the basis of the number of claims allowed or denied, the PTAB has instituted review for 80.4 percent of claims and rejected the remaining 19.6 percent.³²⁵ Thus, it does appear that the “reasonable likelihood” standard is higher than the SNQ standard.

The PTAB made decisions in eighteen CBMR petitions within the first year CBMR was available.³²⁶ Twelve have been granted while three have been

318. See Armstrong et al. *supra* note 316 (citing MPEP § 2242 (8th ed. 2001) (Rev. 9, Aug. 2012)).

319. See *id.*

320. See *id.* (quoting 112 CONG. REC. S1375 (daily ed. March 8, 2011) (statement of Sen. Jon Kyl)).

321. Message from Chief Judge James Donald Smith, Board of Patent Appeals and Interferences: USPTO Discusses Key Aspects of New Administrative Patent Trials, U.S. PATENT AND TRADEMARK OFFICE, http://www.uspto.gov/aia_implementation/smith-blog-extravaganza.jsp (last visited Feb. 12, 2014).

322. See *id.*

323. See Sommer, *supra* note 215, at 1.

324. See *id.*

325. See *id.* at 2.

326. See Anthony H. Sheh, *Year One of the Transitional Program For Covered Business Method Patents: Petitions and Promise*, AIABLOG.COM (Sept. 18, 2013), <http://www.aiablog.com/post-grant-proceedings/year-one-of-the-transitional-program-for-covered-business-method-patents-petitions-and-promise/>.

denied.³²⁷ Another three were dismissed without an institution decision.³²⁸ Thus, the board has granted eighty percent of CBM petitions and denied the other twenty percent. This is lower than the success rate under both the SNQ standard for reexaminations and the “reasonable likelihood” standard for IPR, which is to be expected, but the limited number of decisions makes it difficult to draw inferences about a petitioner’s chances in CBMR petitions.

The PTAB’s decision to institute or deny a review cannot be appealed.³²⁹ A party unsatisfied with an institution decision may petition for rehearing, but the panel will review the institution decision for abuse of discretion, making a change in the institution decision unlikely.³³⁰

Lack of the ability to appeal an institution decision may not present difficulties when petitions are rejected on the merits, but problems arise when multiple panels interpret the law inconsistently. As noted above, two PTAB panels have arrived at conflicting interpretations of the implications of the § 315(b) one-year bar for IPR petitioners who were subject to voluntarily dismissed infringement suits.³³¹ One panel held that a petitioner was barred from filing for IPR, while another panel held that the voluntarily dismissed suit should be treated as if it never existed. Neither decision is binding because PTAB decisions are not binding on future panels unless the decision is made precedential under the PTAB’s operating procedure.³³² This means that another panel is free to interpret the one-year bar in another case.³³³

The Federal Circuit has the ability to resolve this uncertainty, but as the decision cannot be directly appealed, petitioners or patent owners would have to use an alternative route to the appeals court. A *mandamus* action or a separate collateral attack on the final judgment, neither ordinarily considered an appeal, might provide a way to challenge an institution decision.³³⁴ Currently a *writ of mandamus* challenging the one-year bar is pending at the Federal Circuit, based on the argument that the writ avoids both the prohibition on appeals and the lack of statutory support authorizing an

327. *See id.*

328. *See id.*

329. *See Leahy-Smith America Invents Act* §§ 6(a)(314)(d), 6(d)(324)(e) (2011); 37 C.F.R. § 42.71(c) (2013).

330. 37 C.F.R. § 42.71(c).

331. *See supra* Section II.B.3 for a review of *inter partes* review one-year bars.

332. *See Crouch, supra* note 270 (citing MICHAEL FLEMING, BOARD OF PATENT APPEALS AND INTERFERENCES, STANDARD OPERATING PROCEDURE 2 (REVISION 7) PUBLICATION OF OPINIONS AND BINDING PRECEDENT (2008), available at <http://www.uspto.gov/ip/boards/bpai/procedures/sop2.pdf>).

333. *See id.*

334. *See id.*

appeal.³³⁵ The patent owner claims that the Board improperly interpreted § 315(b), that the decision involves “important issues of first impression that involve alleged usurpation of power,” and that the institution of an IPR cannot be remedied by a reversal on appeal.³³⁶

6. Claim Amendments

A patent owner may cancel claims or propose a reasonable number of substitute claims during a challenge under IPR, PGR, or CBMR.³³⁷ The PTO has interpreted a “reasonable number of substitute claims” as a presumption that one substitute claim will be required for each challenged claim.³³⁸

The PTAB’s initial IPR claim construction decisions show that patent owners will be limited in their claim amendments.³³⁹ Patent owners are expected to explain and prove why the amended claim is patentable over prior art instead of petitioners having to prove that the amended claims are invalid.³⁴⁰ Further, the patent owner is required to explain why the claim is patentable over art not cited in the IPR, essentially requiring the patent owner to discuss prior art that is closest to the claim.³⁴¹ The patent owner must also explain the significance of the proposed feature to be added from the point of view of a person skilled in the art.³⁴² Compounding the burden on patent owners is the PTAB’s strict adherence to a fifteen-page, double-spaced limit on the patent owner’s motion to amend, making it very difficult for patent owners to fully support their amendments.³⁴³ In general, patent

335. See Dennis Crouch, *Challenging the PTO’s NonAppealable Decisions to Grant or Deny Petitions for Inter Partes Review*, PATENTLY-O (Oct. 25, 2013), <http://www.patentlyo.com/patent/2013/10/challenging-the-ptos-nonappealable-decisions-to-grant-or-deny-petitions-for-inter-partes-review.html> (citing *In re MCM Portfolios LLC*, No. 2014-104 (Fed. Cir. 2014) (pending on petition for writ of mandamus)).

336. See Petition for Writ of Mandamus, *In re MCM Portfolio LLC*, No. 2014-104 at *7 (Fed. Cir. Oct. 21, 2014).

337. See Leahy-Smith America Invents Act §§ 6(a)(316)(d)(1)(A)–(B), 6(a)(326)(d)(1)(A)–(B) (2011).

338. 37 C.F.R. §§ 42.121(a)(3), 42.221(a)(3) (2013).

339. See Don Daybell et al., *Inter Partes Review: A Major Change For Claim Amendments*, LAW360 (Aug. 14, 2013 11:43 AM), <http://www.law360.com/articles/462021/inter-partes-review-a-major-change-for-claim-amendments>.

340. See *id.* (citing *Idle Free Sys. Inc. v. Bergstrom Inc.*, IPR2012-00027, Paper No. 26 (P.T.A.B. June 11, 2013)).

341. See *id.*

342. See *id.* (citing *Avaya Inc. v. Network-1 Sec. Solutions Inc.*, IPR2013-00071, Paper No. 38 (P.T.A.B. July 22, 2013)).

343. See *id.* (citing *Innolux Corp. v. Semiconductor Energy Lab. Co. Ltd.*, IPR2013-00066, Paper No. 23 (P.T.A.B. June 3, 2013); 37 C.F.R. § 42.121(b); see also Sommer, *supra* note 215, at 6 (discussing the PTAB’s decision in *Bloomberg Inc. v. Mkts.-Alert Pty. Ltd.*, CBM2013-00005, Paper No. 53, at *2–4 (P.T.A.B. Oct. 10, 2013), in which the court refused

owners are much more limited in their claim amendments relative to reexamination proceedings.³⁴⁴

C. ADDITIONAL CONSIDERATIONS

This section discusses information pertaining to IPR, PGR, and CBMR petitions, joinder provisions, the PTO's actions when one patent is undergoing multiple PTO procedures, the effect of settlements, and appeals of final written decisions.

The petition for IPR, PGR, or CBMR may be filed by anyone but the patent owner³⁴⁵ and must follow the requirements set forth in the AIA and by the PTO. It must be filed with the appropriate fees,³⁴⁶ as well as identify "all real parties in interest"³⁴⁷ and the particular claims challenged.³⁴⁸ The grounds for challenging each claim must be stated, and evidence for those grounds—including copies of patents and printed publications, as well as expert affidavits or declarations—must be filed with the petition.³⁴⁹ In addition, copies of the petition and supporting material must be submitted to the patent owner or the patent owner's representative.³⁵⁰ The PTO has also established more specific requirements for petitions.³⁵¹

Following the receipt of a petition, the patent owner has an opportunity to file a preliminary response and argue why a review is unwarranted.³⁵² The preliminary response is optional, but it must be filed within three months of the filing date of the petition for review.³⁵³

The AIA joinder provisions for post-grant proceedings grant the Director discretionary authority to join parties who have properly filed petitions for an IPR, notwithstanding timing limitations,³⁵⁴ or for a PGR or

to grant the patent owner ten additional pages to support amendments to four claims where the petitioner only raised a half-page argument based on additional grounds of unpatentability).

344. Daybell et al., *supra* note 339.

345. Leahy-Smith America Invents Act §§ 6(a)(311)(a), 6(d)(321)(a) (2011).

346. *Id.* § 6(d)(322)(a)(1).

347. *Id.* § 6(d)(322)(a)(2).

348. *Id.* § 6(d)(322)(a)(3).

349. *Id.*

350. *Id.* § 6(d)(322)(a)(5).

351. *See* 37 C.F.R. §§ 42.6, 42.8, 42.22, 42.24, 42.104, 42.204, 42.304 (2013). These provisions relate generally to formatting of documents, proper notice, required information and content, page limits, and other similar information for any materials submitted to the Board.

352. *See* Leahy-Smith America Invents Act §§ 6(a)(313), 6(d)(323) (2011).

353. 37 C.F.R. §§ 42.107(a)–(b), 42.207(a)–(b).

354. Leahy-Smith America Invents Act § 6(a)(315)(c).

CBMR.³⁵⁵ PTO regulations require the patent owner or petitioner to move for joinder within one month of the institution date of review³⁵⁶ and to specify that the one-year bar under 35 U.S.C. § 315(b) does not apply when the request for joinder accompanies a petition for IPR.³⁵⁷

The PTAB has denied a petitioner's request in a CBMR to add additional parties that did not file a petition for the review. The board held that the statutory framework for joinder in a CBMR (or PGR) provides for "the situation where a party might wish to join an additional petition with an already instituted proceeding, and provides a way to do so."³⁵⁸ As a case of first impression, the Board noted that the petitioner had failed to state what authorized the Board to join additional parties to an already filed petition without filing an additional petition.³⁵⁹

Additionally, the PTAB has the authority to stay, transfer, consolidate, or terminate a matter involving a patent concurrently undergoing an AIA review in another PTO proceeding.³⁶⁰ The PTO has favored staying reexaminations involving patents undergoing an IPR. In one case, an *inter partes* reexamination was stayed pending the outcome or termination of an IPR because the PTO felt that conducting the proceedings in parallel would duplicate efforts and might result in inconsistencies.³⁶¹ Even though there was no overlap between the claims undergoing reexamination and IPR, the independent claim underlying those claims would be analyzed in each proceeding.³⁶² Further, any amendments made during reexamination would affect the results of the IPR, and the prior art used in both challenges was also similar.³⁶³ The quick turnaround for IPR led the Board to believe that IPR would simplify reexaminations, and the Board has exercised its discretion to stay reexaminations.³⁶⁴ The board, however, has also stayed *ex*

355. *Id.* § 6(d)(325)(c).

356. *See* 37 C.F.R. §§ 42.122(b), 42.222(b).

357. *See* 37 C.F.R. § 42.122(b).

358. *U.S. Bancorp v. Ret. Capital Access Mgmt. Co. LLC*, CBM2013-00014, Paper No. 8, at *3 (P.T.A.B. June 5, 2013).

359. *Id.* at *3–4.

360. *See Leahy-Smith America Invents Act* §§ 6(a)(315)(d), 6(d)(325)(d); 37 C.F.R. §§ 42.122 (b), 42.222(b).

361. *See Mita Chatterjee, PTAB Stays Concurrent Inter Partes Reexamination In Favor of IPR of Same Patent*, AIABLOG.COM (Apr. 4, 2013), <http://www.aiablog.com/post-grant-proceedings/ptab-stays-concurrent-inter-partes-reexamination-in-favor-of-ipr-of-same-patent/> (discussing *CBS Interactive Inc. v. Helferich Patent Licensing, LLC*, IPR2013-00033, Paper No. 15 (P.T.A.B. Nov. 6, 2012)).

362. *See id.*

363. *See id.*

364. *See id.*

parte reexaminations in favor of IPR.³⁶⁵ In one case, a petition for IPR was filed over a year after a reexamination began, challenging the same claims but raising different grounds of unpatentability based on different prior art.³⁶⁶ Again, the Board feared duplicating efforts and reaching inconsistent results between the two proceedings.³⁶⁷

The PTAB has declined to stay *ex parte* continuation applications, however. Although the Board has exclusive jurisdiction over every involved application or patent during the proceeding, it has explained that an “involved patent” is the patent in the proceeding and the “involved application” is an application subject to a derivation proceeding.³⁶⁸ Thus, the PTAB is unlikely to stay or suspend concurrent proceedings directly related to a challenged patent.³⁶⁹

The parties to an IPR, PGR, or CBMR may settle at any time prior to the final determination by the PTAB.³⁷⁰ If no petitioner remains in an IPR, PGR, or CBMR, the PTO can terminate the review or proceed to a final written decision,³⁷¹ although the Board “expects that a proceeding will terminate after the filing of a settlement agreement.”³⁷² Parties are required to file a written agreement memorializing the settlement with the PTAB.³⁷³ This agreement will be kept confidential at the request of the parties.³⁷⁴

If IPR, PGR, or CBMR is instituted and not dismissed, the PTAB will issue a final written decision with regard to the patents challenged at the institution of the review and any patents proposed or amended during the review.³⁷⁵ The AIA permits an appeal of a PTAB final decision under 35 U.S.C. § 141.³⁷⁶ Section 141 permits any party to an IPR or PGR to appeal directly to the Federal Circuit.³⁷⁷

365. See Timothy P. McNulty, *Ex Parte Reexamination Stayed In Favor of Inter Partes Review*, AIABLOG.COM (Aug. 12, 2013), <http://www.aiablog.com/post-grant-proceedings/ex-parte-reexamination-stayed-in-favor-of-inter-partes-review/>.

366. See *id.* (discussing *Lumondi Inc. v. Lennon Image Techs. LLC*, IPR2013-00432, Paper No. 7 (P.T.A.B. Aug. 6, 2013)).

367. See *id.*

368. See *id.*

369. See *id.*

370. 35 U.S.C. §§ 317, 327 (2012).

371. 35 U.S.C. §§ 317(a), 327(a).

372. Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48, 768 (Aug. 24, 2012).

373. 35 U.S.C. §§ 317(b), 327(b).

374. *Id.*

375. 35 U.S.C. §§ 318(a), 328(a).

376. 35 U.S.C. §§ 319, 329.

377. 35 U.S.C. § 141(c).

2014]

BREAKING BAD PATENTS

641

III. CONCLUSION

IPR, PGR, and CBMR offer accused patent infringers a viable, non-judicial alternative to adjudicate patent validity disputes. The limited discovery, potential litigation stays, and short time to resolution help keep AIA reviews cost-effective. Although drawbacks and limitations exist, including the estoppel attached to a final written decision and limited access to review, Congress appears to have successfully balanced patent holder concerns with the need to more efficiently adjudicate these disputes. The data drawn from over one year of AIA reviews show that these procedures are effective and will continue to gain popularity among accused patent infringers.

APPENDIX

Table A1: Summary

PTO Procedure	<i>Inter Partes</i> Review	Post-Grant Review	Covered Business Method Review
Patent Type	All	First-to-file patents ³⁷⁸	Business method patents ^{379,380,381}
Petitioner	Anyone may petition for review except for the patent owner ³⁸²		
Grounds for Review	§§ 102, 103 ³⁸³	Any defense relating to invalidity, including § 101 ³⁸⁴	
Prior Art Limitations	Patents and printed publications ³⁸⁵	None	First-to-invent patent challenges under § 102 and § 103 limited to (i) pre-AIA § 102(a) prior art (ii) publicly available pre-AIA § 102(b) prior art ³⁸⁶
Procedural Filing Restrictions	If PGR eligible patent, must wait 9 months after issue ³⁸⁷ or until conclusion of instituted PGR ³⁸⁸	Must file within 9 months of patent grant or reissue of patent ³⁸⁹	Must have been sued for, or charged with, infringing the challenged patent ³⁹⁰
	Must file within 1 year after being served with a complaint alleging infringement ³⁹¹	Narrowed, reissued patents cannot be challenged if original could not be challenged ³⁹²	Cannot petition for CBMR if patent is still eligible for PGR ³⁹³
Petition Must Identify	1) All real parties in interest, 2) each claim challenged, 3) grounds for each challenge, and 4) evidence supporting grounds for each challenge ^{394,395}		
Preliminary Response	Patent owner can file response and set forth reasons why review should not be instituted ³⁹⁶		
Threshold to Institute Review	Reasonable likelihood that one or more claims are invalid ³⁹⁷	More likely than not at least one claim is unpatentable, ³⁹⁸ or petition raises a novel legal question of patentability ³⁹⁹	
Fees ⁴⁰⁰	\$9,000 request fee \$200 per claim in excess of 20 \$14,000 post-institution fee \$400 per claim in excess of 15	\$12,000 request fee \$250 per claim in excess of 20 in request \$18,000 post-institution fee \$550 per claim in excess of 15	
Time to Institution	Maximum of 6 months ⁴⁰¹		
Joinder	Director may join a party to an existing review notwithstanding timing limitations ⁴⁰²	If more than 1 petition is filed against the same patent the Director may combine the reviews into a single proceeding ⁴⁰³	

2014]

BREAKING BAD PATENTS

643

PTO Procedure		<i>Inter Partes</i> Review	Post-Grant Review	Covered Business Method Review
Discovery Limited to		Deposition of witnesses submitting affidavits or declaration, and “what is otherwise necessary in the interest of justice” ⁴⁰⁴	“Evidence directly related to factual assertions advanced by either party in the proceeding” ⁴⁰⁵	
Claim Amendments		Patent owner may cancel claims, ⁴⁰⁶ or propose a reasonable number of substitute claims ⁴⁰⁷ Presumption that only one substitute claim will be required for each challenged claim ⁴⁰⁸		
Claim Construction		“Broadest reasonable construction in light of specification” ⁴⁰⁹		
Evidentiary Standard		Petitioner to prove invalidity by the preponderance of the evidence ⁴¹⁰		
Statutory Stay Considerations		None	If patent owner alleges infringement within three months of patent grant, the patent owner’s motion for a preliminary injunction cannot be stayed because of petition for or institution of a PGR ⁴¹¹	1) Simplify issues and streamline trial? 2) Discovery complete and trial date set? 3) Tactically advantage moving party or unduly burden nonmoving party? 4) Reduce burden on the parties and the court? ⁴¹²
Relation to Petitioner’s Civil Challenge of Patent Validity	Filed With or After Petition	Real party in interest’s or petitioner’s civil action challenging patent validity, filed concurrently or after a petition for IPR/PGR/CBMR, will be automatically stayed until: patent owner moves court to lift the stay, or the patent owner brings infringement counterclaim or suit, or petitioner moves to dismiss civil action ^{413,414}		
	Before Petition	Review barred if petitioner or real party in interest has previously filed a civil action challenging validity ^{415,416}		
PTO Proceedings Involving Same Patent		Director has discretion to stay, transfer, consolidate, or terminate any proceeding ^{417,418}		
Time to Decision		Maximum of 12–18 months from institution decision ^{419,420}		
Written Decision Estoppel	Civil /ITC	Any ground raised or reasonably could have been raised ^{421,422}		Any ground <i>actually</i> raised ⁴²³
	PTO Action	Any ground raised or reasonably could have been raised ^{424,425}		
Effect of Settlement		Estoppel provisions do not apply ^{426,427}		
Appeal		Can appeal ruling to Federal Circuit under §§ 141–144 ^{428,429}		
Sunset Provision		None	None	Program ends September 16, 2020 ⁴³⁰

378. Leahy-Smith America Invents Act § 6(d)(329)(f)(1)(A) (2011).
379. *Id.* § 18(a)(1)(e).
380. *Id.* § 18(d)(1). “A covered business method patent” means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service. This does not include patents for technological innovations. The PTO determines the meaning of “technological invention.” *Id.*
381. 37 C.F.R. § 42.301(b) (2013) (Whether patent is for technological invention solely for purposes of CBMR, “the following will be considered on a case-by-case basis: whether the claimed subject matter as a whole recites a technological feature that is novel an unobvious over the prior art; and solves a technical problem using a technical solution.”).
382. Leahy-Smith America Invents Act §§ 6(a)(311)(a), 6(d)(321)(a).
383. *Id.* § 6(a)(311)(b).
384. *Id.* § 6(d)(321)(b). This provision references any ground that could be raised under paragraph (2) or (3) of Section 282(b) (relating to invalidity of the patent or any claim). Although § 101 is not listed in that section, it can be challenged under the AIA post-grant review procedure. *See* SAP Am., Inc. v. Versata Dev. Grp., Inc., CBM2012-00001, Paper No. 36, at *32–*36 (P.T.A.B. Jan. 9, 2013).
385. Leahy-Smith America Invents Act § 6(a)(311)(b).
386. *Id.* § 18(a)(1)(C).
387. 37 C.F.R. § 42.102(a)(2) (2012). The AIA does not specify that you must wait nine months only for first-to-file patents, but PTO regulations clarify this. This makes sense, since there is no reason to wait nine months for a patent that is not eligible for PGR.
388. Leahy-Smith America Invents Act § 6(a)(311)(c).
389. *Id.* § 6(d)(321)(c).
390. *Id.* § 18(a)(1)(B); 37 C.F.R. § 42.302(a) (“Charged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal Court.”).
391. Leahy-Smith America Invents Act § 6(a)(315)(b).
392. *Id.* § 6(d)(325)(f).
393. 37 C.F.R. § 42.302(b).
394. Leahy-Smith America Invents Act § 6(a)(312)(a). Copies of patents and printed publications, as well as affidavits and declarations of expert opinions used as evidence, must be included along with the petition. *Id.*
395. *Id.* § 6(d)(322)(a).
396. *Id.* §§ 6(a)(313), 6(d)(323).
397. *Id.* § 6(a)(314)(a). The PTAB’s decision to institute a review cannot be appealed. *Id.* §§ 6(a)(314)(d), 6(d)(324)(e).
398. *Id.* § 6(d)(324)(a).
399. *Id.* § 6(d)(324)(b).
400. 37 C.F.R. § 42.15.
401. Leahy-Smith America Invents Act § 6(a)(314)(b). The PTAB has three months from the patent owner’s response to determine if it will institute a review. 37 C.F.R. § 42.107(b). The patent owner has three months to respond to petitioner’s request for review. *Id.*
402. Leahy-Smith America Invents Act § 6(a)(315)(c).
403. *Id.* § 6(d)(325)(c).
404. *Id.* § 6(a)(316)(a)(5).
405. *Id.* § 6(d)(326)(a)(5).
406. *Id.* §§ 6(a)(316)(d)(1)(A), 6(d)(326)(d)(1)(a).
407. *Id.* §§ 6(a)(315)(d)(1)(B), 6(d)(326)(d)(1)(b).

-
408. 37 C.F.R. §§ 42.121(a)(3), 42.221(a)(3) (2013).
409. 37 C.F.R. §§ 42.100(b), 42.200(b), 42.300(b).
410. Leahy-Smith America Invents Act §§ 6 (d)(326)(e), 6(a)(316)(e).
411. *Id.* § 6(d)(325)(b).
412. *Id.* §§ 18(b)(1)–(2) (allowing an immediate interlocutory appeal, which the Federal Circuit reviews de novo to ensure consistency).
413. *Id.* § 6(a)(315)(a)(2). However, a counterclaim challenging patent validity does not count as a civil action filed to challenge validity. *Id.*
414. *Id.* § 6(d)(325)(a)(2).
415. *Id.* § 6(a)(315)(a)(1). However, a counterclaim challenging patent validity does not count as a civil action filed to challenge validity. *Id.* § 6(a)(315)(a)(3).
416. *Id.* § 6(d)(325)(a)(1). However, a counterclaim of invalidity does not count as a civil action filed to challenge validity. *Id.* § 6(d)(325)(a)(3).
417. *Id.* § 6(a)(315)(d).
418. *Id.* § 6(d)(325)(d).
419. *Id.* § 6(a)(316)(a)(11). The AIA requires that reviews must be completed within twelve months, although for good cause reviews may be extended to up to eighteen months. This gives a total time of eighteen to twenty-four months from filing to decision.
420. *Id.* § 6(d)(326)(a)(11). The PTAB is required to reach a final written decision within twelve months of institution, although review may be extended to up to eighteen months for good cause. This provides for a total time of eighteen to twenty-four months from petition to decision.
421. *Id.* § 6(a)(315)(e).
422. *Id.* § 6(d)(325)(e).
423. *Id.* § 18(a)(1)(D).
424. *Id.* § 6(a)(315)(e).
425. *Id.* § 6(d)(325)(e).
426. *Id.* § 6(a)(317).
427. *Id.* § 6(d)(327).
428. *Id.* § 6(a)(319).
429. *Id.* § 6(d)(329).
430. *Id.* § 18(a)(3)(a).

