



Intellectual Property ADVISORY ■

APRIL 16, 2013

Strategic Considerations of the USPTO's New Post-Grant Proceedings

The new post-grant procedures afford patent challengers and accused infringers new weapons against patent holders. While U.S. Patent and Trademark Office ("Patent Office") litigation has its limitations as compared to litigating patent issues in district court or the International Trade Commission (ITC), the advantages of litigating in the Patent Office are not easily dismissed. They include 1) a lower burden of proof (i.e., preponderance of the evidence versus the clear and convincing bar); 2) significantly lower cost; 3) a likely quicker resolution—no more than 18 months from the petition filing (see 37 CFR 42.100(c)), and possibly considerably shorter; 4) less burdensome and more narrowly tailored discovery (37 CFR 42.51); 5) arguably better-informed decision-makers (i.e., the Patent Trial and Appeal Board (PTAB) versus district court judges) with respect to technology and patent law issues; and, importantly, 6) the "broadest reasonable interpretation" standard as the claim construction foundation for assessing validity.

When viewed in the context of a broader dispute involving parallel litigation, however, other salient advantages of Patent Office litigation emerge. These potential advantages include 1) forcing patent holders to take irreversible early claim construction positions before receiving any infringement-related discovery from the challenger; 2) the opportunity to create an additional record of evidence that could support other charges against the patent holder, such as claims of inequitable conduct; and 3) increasing the likelihood of postponing parallel district court or ITC litigation should the challenger promptly seek a stay. We address each of these additional considerations below.

1. Compelling patent holders to take positions on claim construction before seeing infringement-related discovery

The interplay of Patent Office litigation with district court or ITC litigation could put patent holders in the position of having to take claim construction positions before seeing any infringement-related discovery from an accused infringer. Under some circumstances, patent holders could find themselves at a severe tactical disadvantage because the parties' claim construction positions are often informed by the accused products, even if such information should be irrelevant to claim construction. Nevertheless, even when the relevant product information is unavailable, it frequently will be very difficult for patent holders to resist taking claim construction positions in Patent Office litigation.

The Patent Office has expressed that claim construction is and will be a central component of post-grant contested proceedings. Indeed, 37 CFR § 42.104 requires that the petitioner include a construction of the claims on which

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review is sought. While the Code of Federal Regulations (CFR) does not require a patent holder to submit a proposed construction of the claims, with the survival of its potentially valuable patent at stake, the patent holder will be hard-pressed to do so.

The patent holder may be required to take those claim construction positions before it has any opportunity to review infringement-related evidence from the challenger because discovery relating to products accused in district court or ITC litigation is largely unavailable under the Patent Office's narrow discovery rules. The post-grant proceeding affords the parties some discovery, but it is quite limited. The CFR offers no clear avenue to obtaining discovery into infringement issues, including, specifically, discovery about accused products or processes. One avenue to obtaining discovery about the petitioner's products *might be* to characterize such discovery as directed to secondary considerations of non-obviousness, including copying and commercial success. In the March 5, 2013, decision in *Garmin Int'l, Inc. et. al v. Cuozzo Speed Technologies LLC* (IPR 2012-00001), however, the PTAB may have eliminated that possible strategy, while giving practitioners a first glimpse of just how narrow discovery will be in contested Patent Office proceedings.

In *Garmin*, the patent holder, Cuozzo, sought discovery relating to secondary considerations of non-obviousness, which, unlike infringement evidence, is arguably highly relevant to an *inter partes* review. In denying Cuozzo's request, the PTAB confirmed that permissible discovery includes "routine discovery" under 37 CFR § 42.51(b)(1) and "additional discovery" that "is in the interests of justice" under 37 CFR § 42.51(b)(2). But the PTAB denied that Garmin had failed to satisfy the "routine discovery" provision. That provision only required Garmin to 1) serve any information cited in its testimony or submitted documents and 2) provide any information inconsistent with positions it has taken during the proceeding. There was no significant dispute that Garmin had met the first requirement. As to the second requirement, the PTAB determined that the provision does not permit discovery into "any subject area in general within which the requesting party hopes to discover inconsistent information." *Garmin* at 4. Rather, Garmin was only required to represent that it had produced any such information within its knowledge.

As to whether Cuozzo's discovery requests constituted permissible "additional discovery," the PTAB denied the requests largely on the basis that they were merely speculative and not founded on any threshold level of evidence that would show that the requests would yield information useful to Cuozzo. The decision is also replete with statements emphasizing the PTAB's narrow view of the scope of permissible discovery in the Patent Office as compared to district court. The perspective and tone of *Garmin* strongly suggests that the PTAB, absent exceptional circumstances, is all but certain to reject motions seeking infringement discovery relating to a petitioner's products accused in a parallel litigation.

A shrewd challenger can thus increase its chances of forcing the patent holder to disclose its claim construction positions in advance of its receipt of any relevant infringement discovery by filing a Patent Office case early and seeking to stay any parallel district court or ITC case. Even if a motion for a stay is denied, once the PTAB grants the petition for review, the patent holder will generally have only three months for its limited discovery before its response is due. That response normally must be filed no more than nine months after the challenger filed the petition for review. Indeed, the pace of recent proceedings suggests that the period between the challenger's petition filing and the patent owner's response could be as short as six months. In that time, patent holders could easily find themselves without having any relevant proprietary information about the accused products even if a parallel district court or ITC case has not been stayed.

Although information about the accused products is technically irrelevant to claim construction, no patent holder wants to set forth its claim construction positions before it can reliably ascertain that its construction supports its

infringement claim. Most practitioners are acutely aware of the impact that information about accused products or processes can have on a party's proposed construction of the claims at issue. With prior art that overlaps in some relevant respects the accused devices or processes, a challenger may be able to create within the Patent Office a record peppered with statements supporting the challenger's non-infringement positions should the patent survive the review proceeding.

Once a patent holder takes claim construction positions in Patent Office litigation, it will be difficult to convincingly retreat from them in subsequent district court or ITC proceedings. There is no statute or regulation that prevents a patent holder from taking such a different position. Doing so could nevertheless be devastating to its credibility. The fact that a patent holder may not have possessed certain critical details about the accused products during the Patent Office proceeding will not by itself justify a material change to claim construction positions. A strategically minded challenger could put the patent holder in the position of having to choose between changing its claim construction and risking a charge of inequitable conduct for the inconsistent statements made to the Patent Office, or accepting that it may have fatally compromised its infringement case.

A patent holder caught having taken a compromising claim construction position in the Patent Office might escape having to make such a choice by adopting and arguing for a construction that, rather than being inconsistent with its original construction, is merely more nuanced and/or is based on additional claim construction evidence uncovered for the first time in the course of the district court or ITC proceeding.

Of course, the better course for the patent holder is to avoid the predicament altogether. In that regard, pursuing infringement-related discovery as early as possible is as important as ever. By doing so, the patent holder may achieve three objectives in connection with any concurrent Patent Office litigation. First, the patent holder may obtain the needed infringement discovery to enable the patent holder to confidently take early informed claim construction positions in the Patent Office. Second, it may help counter any impression by the district judge or administrative law judge (ALJ) considering a request for a stay that the patent holder is in no hurry for justice. Third, it may factor into persuading the judge to at least delay a stay until any outstanding infringement discovery has been completed. In any event, patent holders should vigorously oppose any motion for a stay of the district court or ITC case based on a Patent Office petition for review, particularly if the infringement-related discovery produced by the petitioner in the litigation is incomplete.

2. Increased risk to patent holders of charges of inequitable conduct

The relatively extensive and critical nature of a patent holder's interaction with the PTAB will increase the potential for inequitable conduct. Like patent applicants, Patent Office litigants have a duty of candor and good faith in their interactions with the USPTO. *See* 37 CFR § 42.11. For a patent holder defending its patent, however, those interactions are especially fraught with risk. In the context of trying to save its patent, a patent holder will be providing statements and evidence on the record to the PTAB. These statements and evidence will be provided over a relatively short period and may be made in the context of other simultaneous or subsequent proceedings relating to the same patent. The potential for positional inconsistencies between these various proceedings is high and requires careful coordination to avoid them. An astute challenger that fails to cancel a patent at the Patent Office will be keenly aware of the positions the patent holder has taken in Patent Office litigation, looking for subsequent inconsistent statements that can support new defenses against the patent holder.

By the same token, both the petitioner and the patent holder are required to provide any information that is inconsistent with any position they have taken in the proceeding. *See* 37 CFR § 42.51(b)(1)(iii). A failure by the patent

holder in this regard could also expose it to charges of inequitable conduct, a possibility that becomes all the more likely should such information be uncovered through discovery in a subsequent district court or ITC litigation.

For their part, patent holders may be able to reduce some of the risk of such allegations by identifying and producing, if appropriate, any such inconsistent information during the Patent Office litigation, and by promptly filing requests for supplemental examination of any prior art cited in the Patent Office proceeding.

3. Greater likelihood of stays of district court or ITC litigation

There is some significant difference of opinion about whether stays of district court litigation will be routinely granted if requested once a post-grant or *inter partes* review is instituted. Nevertheless, there are several reasons why early-filed motions to stay pending *inter partes* or post-grant review proceedings *should* be granted more frequently than similar motions were granted pending *ex parte* or *inter partes* reexamination.

One of the main policies behind the creation of the new *inter partes* review and post-grant review proceedings is to provide litigants with an *alternative* to costly district court litigation, not merely an additional venue for simultaneous patent litigation. That prevailing policy should resonate with many judges who are considering motions for stay of cases that are procedurally in their early stages.

Second, resolution of the invalidity issue in the Patent Office should be relatively speedy. Unlike for *ex parte* and *inter partes* reexaminations, the America Invents Act codifies an 18-month limit for completing post-grant and *inter partes* reviews. The PTAB's recent decisions instituting trials suggest that petitioners may in many instances receive a final written decision within a year from the petition filing. The PTAB has stated its intention of moving these patentability trials along at a brisk pace (even faster than that required by statute) and the preliminary evidence suggests that they will. The PTAB is well aware that Congress intended to provide an efficient and relatively quick alternative to litigation and, consistent with that directive, the PTAB is presently substantially outpacing the statutory 18-month deadline.

Third, judges are more likely to recognize the potential prejudice to accused infringers should infringement be found and the infringed patent be later invalidated. The Patent Office is not bound in its reexamination by the determinations of a district court. Accused infringers, therefore, would potentially be prejudiced if a stay is not entered. Not only could a court and the Patent Office reach conflicting determinations, but if a court finds that the patent is not invalid and the accused infringer infringes it, and orders the accused infringer to pay damages, then the accused infringer would have no ability to recover those damages if the Patent Office later determined that the patent is invalid. See *Sorensen v. Black & Decker Corp.*, 2007 U.S. Dist. LEXIS 66712 (S.D. Cal. 2007). This concern is particularly acute now because of a generally prevailing perception that the new review proceedings will lead to more patents being found invalid or having their claims amended following all appeals. That perception may well change, but for now it is reasonable to expect that district judges will more frequently grant stay motions pending the outcome of post-grant and *inter partes* reviews than in the past based on similar requests.

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