

MEMORANDUM

TO: IP Inn of Court Membership
FROM: February 2017 Pupilage Group¹
DATE: February 8, 2017
RE: **Topics Related to *Inter Partes* Review**

Inter partes review (IPR) is a procedure made available as part of the America Invents Act (AIA) that “allows a third party to ask the U.S. Patent & Trademark Office to reexamine the claims in an already-issued patent and to cancel any claim that the agency finds to be unpatentable in light of prior art.”² Once the Patent Trial and Appeal Board (PTAB) issues a final written decision in the IPR, estoppel bars the petitioner, “or the real party-in-interest or privy of the petitioner,” from later “assert[ing] that [a] claim is invalid on any ground that the petitioner raised or reasonably could have raised during” IPR.³ Two topics related to IPRs are discussed herein. The first part examines the potential estoppel effects from the PTAB’s finding of redundancy. The second part discusses identifying the real parties-in-interest in an IPR.

I. IPR Estoppel and Redundancy Issues

Under 35 U.S.C. § 315(e), IPR estoppel applies to (1) a petitioner “or the real party-in-interest or privy of the petitioner” (2) on the basis of any ground that the petitioner “raised or reasonably could have raised” (3) during a previous IPR proceeding that “results in a final written

¹ The Atlanta IP Inn of Court and the February 2017 Pupilage group wish to express their thanks to Alexis Simpson (Associate at Troutman Sanders), Nora Xu (3L, Emory) & Christopher Mann (3L, UGA) for their terrific work in putting together these CLE materials.

² *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2133 (2016).

³ 35 U.S.C. § 315(e) (2012).

decision” on the patent claim.⁴ The IPR petitioner may not challenge that patent claim on the basis of those grounds in a subsequent proceeding before the U.S. Patent and Trademark Office (PTO), in a civil action or in an International Trade Commission action.⁵ This statutory language suggests that the scope of estoppel is broad. Previously, many assumed that the risk of broad estoppel would deter would-be petitioners from pursuing IPR. However, the Federal Circuit’s recent decision in *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.* indicates that estoppel is narrower than previously assumed.⁶

A. *Shaw* Established that Estoppel Does Not Apply to Invalidity Grounds Raised in the IPR Petition but Denied on the Basis of Redundancy

Shaw distinguished between the invalidity grounds upon which the PTAB institutes an IPR proceeding that results in a final written decision (“instituted grounds”) and the invalidity grounds raised by the petitioner but rejected by the PTAB as instituted grounds (“noninstituted grounds”).⁷ Estoppel applies to the instituted grounds, but not to the noninstituted grounds found to be redundant.⁸

⁴ *Id.* What a petitioner “reasonably could have raised” was described in the AIA’s legislative history to include “prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.” *Apotex Inc. v. Wyeth LLC*, IPR2015-00873, Paper 8 at 6 (P.T.A.B. Sept. 16, 2015) (citing 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Grassley)).

⁵ 35 U.S.C. § 315(e) (2012).

⁶ *See Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016).

⁷ *See id.* at 1300; *Intellectual Ventures I LLC v. Toshiba Corp.*, Civ. No. 13-453-SLR, 2017 WL 107980, at *1 (D. Del. Jan. 11, 2017) [hereinafter *Intellectual Ventures I*].

⁸ *Shaw*, 817 F.3d at 1297, 1300. The court reiterated its holding in *HP Inc. v. MPHJ Technology Investments, LLC*, 817 F.3d 1399, 1347 (Fed. Cir. 2016) (explaining that “noninstituted grounds do not become a part of the IPR” and “could not be raised in the IPR; therefore “the estoppel provisions of § 315(e)(1) do not apply”).

There, Shaw asserted three invalidity grounds against a set of claims in its IPR petition.⁹ The PTAB instituted IPR on two of the three grounds, denying the third ground as redundant.¹⁰ On appeal, Shaw sought a writ of mandamus instructing the PTO to reevaluate its redundancy decision and to institute IPR on the third ground.¹¹ Shaw argued that mandamus was justified, in part, because it would otherwise be estopped from arguing the third ground in future proceedings.¹² The Federal Circuit concluded that Shaw would not be estopped from bringing its third ground in future proceedings because the third ground never became part of the IPR.¹³ Section 315(e) creates estoppel for arguments “on any ground that the petitioner raised or reasonably could have raised *during* that inter partes review.”¹⁴ Because the IPR does not begin until it is instituted, and the PTAB had denied the petition as to the third ground, no IPR was instituted on that ground.¹⁵ Thus, Shaw did not raise, nor could it have reasonably raised, the third ground *during* the IPR.¹⁶

Shaw suggests that petitioners hoping to preserve any invalidity grounds for future proceedings should raise them in the IPR petition. Where the PTAB denies any grounds as

⁹ *Shaw*, 817 F.3d at 1296.

¹⁰ *Id.* at 1296–97. In the interest of expediency, the “PTAB will often institute an IPR on certain proposed grounds for invalidity, but not others, declaring certain references redundant or cumulative to those already considered by the PTO.” Bob High, *Redundant Prior Art References and Their Prejudicial Effects on Post-Issuance Review Petitioners*, 65 EMORY L.J. 581, 597 (2015).

¹¹ *Shaw*, 817 F.3d at 1299.

¹² *Id.*

¹³ *Id.* at 1300. *But see id.* at 1305 (Reyna, J., concurring) (stating that the question of “[w]hether estoppel applies . . . is [not] for us to decide in the first instance, despite the invitation from Shaw [], because the issue is not properly before us”).

¹⁴ *Id.* at 1300 (citing 35 U.S.C. § 315(e) (emphasis added)).

¹⁵ *Id.* (“IPRs proceed in two phases. In the first phase, the PTO determines whether to institute IPR. In the second phase, the Board conducts the IPR proceeding and issues a final decision.” (citing *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1272 (Fed. Cir. 2015))).

¹⁶ *Shaw*, 817 F.3d at 1300.

redundant, petitioners will be free to raise those noninstituted grounds in future proceedings. However, petitioners should avoid overloading an IPR petition with redundant references, because the PTAB may deny the petition altogether for reasons of administrative efficiency.¹⁷

It bears mentioning that estoppel still applies if the noninstituted, redundant ground is a subset of an instituted ground. For example, in *Verinata Health*, the petitioner, Ariosa, asserted three grounds of invalidity in an IPR petition, and the PTAB instituted review on only the third ground (i.e., obviousness over the combination of Shoemaker, Dhallan, and Binladen), ultimately rejecting it in a final written decision.¹⁸ The PTAB found the first ground (i.e., obviousness over the combination of Dhallan and Binladen) redundant in light of the third, instituted ground.¹⁹ In the civil action, Ariosa sought to challenge validity on the first ground, among others. The N.D. Cal. found that Ariosa “raised, or could have raised, [the first ground] in the IPR proceedings” because “the combination of Dhallan and Binladen is simply a subset of the instituted grounds” . . . “[a]ccordingly, [the petitioner] is estopped from raising invalidity grounds based on obviousness combinations of the Shoemaker, Dhallan, and Binladen art presented to the PTAB.”²⁰

B. Two Unanswered Questions after *Shaw*

The Federal Circuit’s *Shaw* decision leaves important questions unanswered about the scope of IPR estoppel. *Shaw* limits estoppel to invalidity grounds on which review was instituted and the final written decision issued. It is unclear whether that logic extends to noninstituted

¹⁷ See, e.g., *Zetec, Inc. v. Westinghouse Elec. Co., LLC*, IPR2014-00384, Paper 10 at 16 (P.T.A.B. July 23, 2014) (exercising discretion to deny petition because, among other things, the petitioner presented an overwhelming number of grounds).

¹⁸ *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12-cv-05501-SI, 2017 WL 235048, at *4 (N.D. Cal. Jan. 19, 2017).

¹⁹ *Id.*; *Ariosa Diagnostics, Inc. v. Verinata Health, Inc.*, IPR2013-00277, Paper 10 at 20–21 (P.T.A.B. Oct. 25, 2013).

²⁰ *Verinata Health, Inc.*, 2017 WL 235048, at *4.

grounds raised in the IPR petition but denied on the merits (i.e., because the PTAB determined that the petitioner failed to demonstrate a reasonable likelihood that at least one claim would be found unpatentable based upon that ground). Two district court decisions have read *Shaw* broadly to reject the application of estoppel in that circumstance.²¹ Similarly, the Federal Circuit has not clarified whether estoppel applies to invalidity grounds that were never presented to the PTAB at all but were reasonably available to the petitioner.²² Extending *Shaw*'s reasoning to this fact pattern would allow the petitioner to “play games between the PTAB (IPR) and the courts (litigation), asserting some references in connection with the IPR but reserving some for litigation.”²³ On the other hand, applying estoppel would force petitioners to assert every ground they have reason to think might be relevant; that result seems inconsistent with the PTAB's page-limit restrictions.²⁴ Before the *Shaw* decision, the PTAB answered this question in the positive, applying estoppel to

²¹ *Id.*; *Intellectual Ventures I*, 2017 WL 107980, at *1. In *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, Ariosa asserted six invalidity grounds in its IPR petitions to challenge the validity of two patents. *Verinata Health, Inc.*, 2017 WL 235048, at *3–*4. The PTAB instituted IPR on two of the six grounds, ultimately rejecting them in a final written decision. *Id.* As for the other four grounds, the PTAB found that Ariosa failed to demonstrate a reasonable likelihood of prevailing on three of the grounds and found the remaining ground redundant. *Ariosa Diagnostics, Inc. v. Verinata Health, Inc.*, IPR2013-00277, Paper 10 at 12–21; *Ariosa Diagnostics, Inc. v. Verinata Health, Inc.*, IPR2014-01093, Paper 14 at 6–11 (P.T.A.B. Jan. 8, 2015). The district court rejected the patent owner's narrow reading of *Shaw*, concluding that *Shaw* is not limited to circumstances “where the PTAB chooses not to institute on some grounds because they are ‘redundant,’ but offers no explanation or analysis as to the redundancy.” *Verinata Health, Inc.*, 2017 WL 235048, at *3. Because the three grounds were not instituted by the PTAB, Ariosa is not estopped from raising them in the civil action, even though the three grounds had been denied on the merits before institution. *See id.* at *4.

²² *Intellectual Ventures I*, 2017 WL 107980, at *2.

²³ *Intellectual Ventures I LLC v. Toshiba Corp.*, Civ. No. 13-453-SLR, 2016 WL 7341713, at *13 (D. Del. Dec. 19, 2016) [hereinafter *Intellectual Ventures II*]. *See also Intellectual Ventures I*, 2017 WL 107980, at *1.

²⁴ *Intellectual Ventures II*, 2016 WL 7341713, at *13.

grounds that were known but not raised in the IPR petition.²⁵ However, at least one district court has determined that under *Shaw*, estoppel does not attach to this fact pattern.²⁶

II. Real Parties-in-Interest

The patent trial regulations require identifying the real parties-in-interest to ensure repeat petitioners or their related parties do not have the capability of harassing patent owners and to allow estoppel provisions to work as intended.²⁷ Among other requirements, a petition to institute an IPR will only be accepted as proper if the petition “identifies all real parties-in-interest.”²⁸ Furthermore, if any change in identification occurs, a party must notify the Board within twenty-one days.²⁹ Understanding who may qualify as a real party-in-interest is highly fact-dependent, but the Board does often consider whether a “non-party exercised or could have exercised control over a party’s participation in a proceeding.”³⁰ The failure to name all real parties-in-interest upon filing a petition could render the petition defective, which may not be cured after the one-year statutory bar for filing. Therefore, if a petitioner does not name all appropriate parties the flaw could be detrimental to challenging patentability in an IPR proceeding.

A. *Atlanta Gas Light Company: Clarifying the Naming of Real Parties-in-Interest*

Although a party who is not the patent owner may file a petition for *inter partes* review after the later of either (1) nine months after the grant of a patent or (2) termination of an instituted post-grant review,³¹ the petitioner may be barred if a petition is later found to be insufficient.

²⁵ *Apotex Inc.*, IPR2015-00873, Paper 8 at 5–8.

²⁶ *Intellectual Ventures I*, 2017 WL 107980, at *2; *Intellectual Ventures II*, 2016 WL 7341713, at *13.

²⁷ Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012).

²⁸ *Id.*

²⁹ 37 C.F.R. § 42.8.

³⁰ Trial Practice Guide, 77 Fed. Reg. at 48,759 (citing *Taylor v. Sturgell*, 533 U.S. 880 (2008)).

³¹ 35 U.S.C. § 311.

Furthermore, under 35 U.S.C. § 315, a petition may not be granted if the filing date is more than one year after the date a petitioner, real party-in-interest, or privy is served with a patent infringement complaint.

In *Atlanta Gas Light Co. v. Bennett Regulators Guards, Inc.*,³² the Board considered whether to dismiss a petition that may not have sufficiently named all the real parties-in-interest on the filing date. The Board held because the petition did not name all relevant parties and because a new filing date would fall more than a year after service of an infringement complaint, the petition was barred. The Board “generally accepts the petitioner’s identification of real parties-in-interest at the time of filing the petition.”³³ The opinion, however, goes on to explain if a patent owner rebuts the presumption of proper identification the burden remains on the petitioner to prove compliance with naming all of the real parties-in-interest. If a petitioner fails to produce sufficient evidence that all real parties-in-interest were named, correction of such error can require a new filing date.³⁴ Therefore, when petitioning for *inter partes* review the petitioner should ensure all appropriate parties are named. Indeed, in December 2016, the Board found in a related IPR that Atlanta Gas Light’s failure to properly name all real parties-in-interest warranted an award of costs and fees associated with the IPR from the time after issuance of the final written decision until the date of the sanctions order.³⁵

³² IPR2013-00453, Paper 88 at 11 (P.T.A.B. Jan. 6, 2015).

³³ *Id.* at 7 (citing *ZOLL Lifecor Corp. v. Philips Elec. N. Am. Corp.*, Case IPR2013-00606, Paper 13 at 10 (P.T.A.B. Mar. 10, 2014) (citing 77 Fed. Reg. at 48,695)).

³⁴ See 37 C.F.R. § 42.106; *Atlanta Gas Light Co.*, IPR2013-00453 at 7–8 (explaining that the petitioner acknowledges amending real parties-in-interest only has been previously allowed before institution of a trial and amendment after trial institution is not appropriate).

³⁵ *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, IPR2015-00826, Paper 39 at 4–9 (P.T.A.B. Dec. 6, 2016).

Contrast *Atlanta Gas Light Co.*, however, with *Lumentum Holdings, Inc. v. Capella Photonics, Inc.*,³⁶ where the petitioner filed an updated mandatory notice of a change in real parties-in-interest outside the 21-day requirement under 37 C.F.R. § 42.8(a)(3). The Board held while the real parties-in-interest must be named to give consideration to a petition, “a lapse in compliance . . . does not deprive the Board of jurisdiction . . . or preclude the Board from permitting such lapse to be rectified.”³⁷ Nevertheless, a petitioner should name real parties-in-interest in the original petition as well as update any changes in the parties within 21 days of the change to ensure compliance and not be subject to a potentially adverse ruling by the Board.³⁸

B. Considerations for Naming the Real Parties-in-Interest

The Board in *Atlanta Gas Light Co.* set forth several factors a petitioner should consider when choosing who to name as a real party-in-interest when instituting an IPR.³⁹ Primarily dictated by the Supreme Court case *Taylor v. Sturgell*,⁴⁰ the Board in *Atlanta Gas Light Co.* set forth the following considerations of who may be a real party-in-interest:

- (1) Whether the third party agrees to be bound by the determination of issues in the proceeding;
- (2) Whether a pre-existing substantive legal relationship with the party named in the proceeding justifies binding the third party;

³⁶ *Lumentum Holdings, Inc. v. Capella Photonics, Inc.*, Case IPR2015-00739, Paper 38 at 5–7 (P.T.A.B. Mar. 4, 2016) (Precedential) (holding where an IPR has been instituted and the patent owner failed to update the real parties in interest within 21 days of the change, the Board has discretion to permit late-filing of the mandatory notice and the lapse in compliance does not deprive the Board of jurisdiction).

³⁷ *Id.* at 5.

³⁸ *See also* Trial Practice Guide, 77 Fed. Reg. at 48,759 (stating who must be named as a real party-in-interest is highly fact dependent).

³⁹ *Atlanta Gas Light Co.*, IPR2013-00453 at 9 (citing *Taylor*, 553 U.S. at 893 n.6).

⁴⁰ 553 U.S. 880 (2008).

- (3) “In certain limited circumstances,” whether the third party is adequately represented by someone with the same interests;
- (4) Whether the third party exercised or could have exercised control over the proceeding;
- (5) Whether the third party is bound by a prior decision and is attempting to rehear the matter through a proxy; and
- (6) Whether a statutory scheme forecloses successive hearing by third parties.⁴¹

Again, while there is no bright line test for determining whether a party qualifies as a real party-in-interest, the Board strongly focuses on the degree of participation or control a party had or could have had in an IPR proceeding.⁴² The Board has explained if a later correction is necessary for naming real parties-in-interest, a loss of the original filing date is proper.⁴³ Therefore, when petitioning for the institution of an IPR, especially if faced with a one-year statutory bar, parties should be careful to ensure the proper real parties-in-interest are named.

⁴¹ *Atlanta Gas Light Co.*, IPR2013-00453 at 9 (citing *Taylor*, 553 U.S. at 893 n.6).

⁴² Trial Practice Guide, 77 Fed. Reg. at 48,759.

⁴³ *Corning Optical Commc’n RF, LLC v. PPC Broadband, Inc.*, IPR2014-00440, Paper 68 at 12 (P.T.A.B. Aug. 18, 2015).

ISSUE INTRODUCTION: REAL PARTIES IN INTEREST BEFORE THE PTAB

What are we talking about? [Introduction by Moderator-HOLBROOK]

Patent law increasingly sounds like an alphabet soup of acronyms. IPR, PRG, CBM. Heck, I can now get my favorite diet soda in two versions: PTAB and TTAB (I have Tab cans that I will soup up with a T and P on them).

And if you © and TM people feeling a little sanctimonious, hold your horses and think about it a little bit The Copyright Act reads like the Tax Code, with these works getting these exclusive rights, except for these situations...ick. And trademark...you do all realize the Lanham Act has been codified in the U.S. Code...yet you keep citing to the Act itself - -section 2 exclusions, section 43 infringement....

The America Invents Act (i.e. AIA...more acronyms) has dramatically shifted the patent landscape, particularly as to patent litigation.

Inter Partes Review (IPR) is a procedure made available as part of the America Invents Act (2011)

- Replaces “inter partes reexamination”
- Allows the USPTO to reconsider a previously issued patent in an adversarial setting
- PTAB can cancel the claim, though in IPR only on anticipation (102) and obviousness (103) grounds, and those can only be based on printed publications and patents (no on-sale bar, public use bar, or earlier invention arguments)
- Patent Trial & Appeal Board (PTAB) has discretion whether to institute (not reviewable on appeal)
- If the petition (and any response) shows that there is **a reasonable likelihood** that the petitioner would prevail with respect to at least one of the claims challenged, PTAB may institute IPR proceedings.
- Identifying a real party-in-interest in a petition for an *inter partes* review (IPR) or post-grant review (PGR) is critical because the failure to do so may result in a termination of the proceeding due to an untimely petition.
- While the Board may grant the petitioner one month to cure its petition, the petition *must* be cured within one year of the date on which the real party-in-interest was served a complaint alleging patent infringement. In most circumstances, however, this issue is raised after the one-year time limit has elapsed. Accordingly, the Board terminates the proceeding due to the untimely petition.

Relevant Statutes:

Trial Practice Guide, 77 Fed. Reg. 48,756 – 48,760 (Aug. 14, 2012)

So what is the Issue?

A seemingly simple requirement for filing an IPR petition can quickly become a weapon that the patent owner can use to have the petition dismissed for being insufficient.

QUESTION: HOW SHOULD AN IPR PETITIONER GO ABOUT DETERMINING A REAL PARTY IN INTEREST?

DIALOGUE:

Side 1 – Listen, I’m pretty **deflated** about the **Falcons** losing the big game to **Brady** and **Beli-cheat**.

Side 2 – Yeah, I’m pretty bummed too. I was so sure that the Falcons were going to win that I bet that annoying associate from tax law that I would get a **tattoo** of a **pink unicorn** if the **Patriots** won. What are my clients going to think when they see that?

Side 1 – Well, I hope they like ponies... but I’ve got bigger problems. I was just asked to prepare a new IPR!! And because of that loss this weekend, my head just isn’t in the game. Plus, I keep hearing about how important it is for a Petitioner to make sure that all real parties in interest are listed on the IPR petition, but come on, how important can it be?

Side 2 – It’s pretty important – you can get your entire petition dismissed if you don’t list *ALL* of the real parties in interest on the petition.

Side 1 – Come on, you think I’m from **Mars** or something? You have to be kidding me.

Side 2 – Nope, for instance, the PTAB recently decided in *Atlanta Gas Light*, that the petitioner failed to list its parent holding corporation as a real party in interest and barred the petition.

Side 1 – That seems ridiculous, don’t holding companies by definition conduct all of their operations through their subsidiaries? How can a holding company be a real party in interest?

Side 2 – Well, the PTAB **discussed** that point but found that there were no well-defined corporate boundaries and the different entities were casually referred to by the same umbrella designation. The **fact** that they used the same letterhead, email addresses, websites, and had two overlapping officers, made the PTAB believe that they functioned as one entity.

Side 1 – And they dismissed the entire petition merely because they didn’t list the holding company as a RPII?

Side 2 – Now you are getting it! That doesn’t mean that all holding companies are RPII, but it is something to watch out for.

Side 1 – Wow.....**hashtag flabbergasted**. The petitioner for this IPR that I’m working on has dozens of potentially related entities, how do I know if each one is a RPII? That could cost a fortune and take forever to investigate all these entities...

Side 2 – Well, *Atlanta Gas Light* also set up some guiderails for making a determination about who may be a RPII. There are 6 factors to consider [**put up slide**].

- (1) Whether the third party agrees to be bound by the determination of issues in the proceeding;
- (2) Whether a pre-existing substantive legal relationship with the party named in the proceeding justifies binding the third party;

- (3) “In certain limited circumstances,” whether the third party is adequately represented by someone with the same interests;
- (4) Whether the third party exercised or could have exercised control over the proceeding;
- (5) Whether the third party is bound by a prior decision and is attempting to rehear the matter through a proxy; and
- (6) Whether a statutory scheme forecloses successive hearing by third parties.

Side 1 – Uh, yeah, so that makes everything crystal clear...can you break this down for me, what else should I watch out for?

Side 2 – Well, there are sister corporations, parent corporations, subsidiary corporations, licensor corporations...

Side 1 – Hold on, hold on, one at a time.

Side 2 – Ok, let’s talk about sister corporations – In *Corning Optical*, the petitioner failed to include a sister corporation on its list of RPII and the PTAB again terminated the proceeding. Because the president, senior vice president, secretary, and others shared similar titles in both corporations, it established “a pre-existing substantive legal relationship,” which justified identifying the sister corporation as a real party-in-interest.

Moreover, instead of “maintaining well-defined corporate boundaries,” the two companies were “so intertwined that it [was] difficult for both insiders and outsiders to determine precisely where one ends and another begins,” despite their geographical differences. As such, the Board found that the sister corporation *could* have exercised control over the proceeding.

Side 1 – It seems like once two companies blur corporate lines, they are probably a RPII.

Side 2 – Again, not always, but definitely something to look out for.

Side 1 – You mentioned parent corporations, I’m guessing that I need to look out for those as well?

Side 2 – Yes, the PTAB expressly reviewed these types of relationships in *Zoll Lifecor*. In *Zoll*, the Board found that the parent was a RPII because the two companies had a “very close parent and wholly-owned subsidiary relationship with aligned interests...” Even though the petitioner argued that the petitioner was paying for and controlling the IPR, the Board determined that the parent ultimately authorized the petitioner’s budget (and thus control).

Side 1 – So I’m guessing the story is the same with subsidiary and licensor corporations? I should just list everyone, right?

Side 2 – Not true. It sounds like the Board is skeptical that subsidiary corporations are RPII without some extraordinary **facts**. For instance, in *Medtronic v. Robert Bosch*, the Board expressed the idea

that just because a parent corporation has the ability to exercise control over a subsidiary, it did not mean that the opposite was true. And, in *Samsung v. Black Hills*, the Board found that neither a licensor nor the licensee is deemed a RPII simply because a license requires a licensor to indemnify a licensee due to patent infringement.

Side 1 – This is all pretty confusing – do you think we could get the president to issue an **Executive Order** that could ban all types of RPII?

Side 2 – I doubt it... You are just going to need to be very careful when you list RPIIs on your petition!

Side 1 - Great, so if I were attending an Intellectual Property Law meeting, say like the Atlanta IP Inn of Court, and there was some team presenting a skit on this subject, how in the world would you summarize these cases into a few bullet points so that all the CLE-hungry lawyers would have what they need to educate them on this fascinating topic?

Side 2 - That's a great question. I would summarize this body of case law on RPIIs to any lawyer, or even a law student, attending an IP Inn of Court meeting, in the following way:

At some point on the continuum, a non-party will be found to be a real party-in-interest because of its ability to exercise control in the IPR proceeding.

While the factors remain quite broad and the inquiry very **fact**-specific, evidence that tends to be persuasive includes an overlap of corporate officers or counsel, a non-party's assistance in the preparation of an IPR petition, a corporation's ability to control a non-party's decisions in the IPR proceeding or otherwise, a non-party's assistance in funding the IPR, and any **act** in which the parties hold themselves out as being a single entity.

One key take-away here for a real party-in-interest factual inquiry is the relationship between the potential unnamed real party-in-interest and the proceeding, and not necessarily the relationship between parties.

Side 1 – So, quick question, why wouldn't I just list everyone that could possibly be a RPII? I mean, isn't that the safest thing to do?

Side 2 – It might be fine for you as the petitioner, but then, estoppel would attach to all the listed parties. That could cause some problems down the road for those folks...

Moderator – additional comments + questions

ISSUE INTRODUCTION: IPR ESTOPPEL & REDUNDANCY BEFORE THE PTAB

What are we talking about? [Introduction by Moderator – Thad Kodish]

Thad Kodish to introduce the topic:

Inter partes review (IPR) is a procedure made available as part of the America Invents Act (AIA) that allows a third party to ask the U.S. Patent & Trademark Office to reexamine the claims in an already-issued patent and to cancel any claim that the agency finds to be unpatentable in light of prior art. Once the Patent Trial and Appeal Board (PTAB) issues a final written decision in the IPR, estoppel bars the petitioner, or the real party-in-interest or privy of the petitioner, from later asserting that a claim is invalid on any ground that the petitioner “**raised or reasonably could have raised during the IPR**” in any subsequent proceeding before the U.S. Patent and Trademark Office (PTO), in a civil action or in an International Trade Commission action. This statutory language suggests that the scope of estoppel is broad. Previously, many assumed that the risk of broad estoppel would deter would-be petitioners from pursuing IPR. However, the Federal Circuit’s recent decision in *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.* indicates that estoppel is narrower than previously assumed.

Explain what Redundancy means in the IPR context, how “redundant” prior art was treated post IPR before *Shaw*.

- The origins in *Liberty Mutual* (2012) (>400 ground petition criticized and ultimately most dispatched as “redundant,” relying on its discretionary power to institute only on some grounds (37 CFR 42.108) in the name of efficiency (the Act’s goal of 18 months from Petition to FWD).
- *Shaw*’s only 102 reference was called “redundant” and its two 103 combos were left to do the work – which they did, knocking out most of the claims, but with a few surviving.
- Employing Admin Law arguments – *Chevron* doctrine casting the PTO action as “arbitrary and capricious” and failing due process requirements, *Shaw* convinced the CAFC to brush aside arguable jurisdictional barriers from *In re Cuozzo* and 35 USC 314 (d) (“the determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable”).

Relevant Statutes:

35 U.S.C. § 315(e) (2012)

Estoppel.—

(1) Proceedings before the office.—

The ***petitioner in an inter partes review of a claim*** in a patent under this chapter that ***results in a final written decision*** under section 318(a), or the real party in interest or privy of the petitioner, ***may not request or maintain a proceeding*** before the Office with respect to that claim ***on any ground that the petitioner raised or reasonably could have raised during that inter partes review.***

(2) Civil actions and other proceedings.—

The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final

written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert *either in a civil action* arising in whole or in part under section 1338 of title 28 or in a proceeding *before the International Trade Commission* under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

So what is the issue?

Before *Shaw*, many predicted that the scope of 315(e) estoppel would be very broad. Basically, that if any patent claims survived the IPR FWD, those claims were completely immune from later invalidity arguments based on printed publication art. In *Shaw*, the Court grabbed onto what we argued was a most unfair example of the 315(e) application of estoppel – barring a petitioner/defendant from ever arguing certain art that the PTAB brushed aside without substantive evaluation – and Judges Reyna and Moore were very receptive (if not completely ticked). And in its ire, the Federal Circuit planted the seeds for arguments that parties are now relying on in broader contexts to avoid estoppel and live to fight invalidity another day. E.g.,

- Included in Petition; Not Instituted FOR ANY REASON (not just Redundancy) [*Illumina* (NDCal. Sept. 2016); *Verinata* (NDCal Jan. 2017)]
- Pub. Art Not included in Petition, combined with Art included in Petition [*Verinata, IV v. Toshiba* (DDel. Dec. 2016)]
- Non-Pub Art Not included in Petition, combined with Art included in Petition [*Toshiba, ClearLamp*]

As to the implications flowing from the clearest part of the *Shaw* decision – that art not instituted due to “redundancy” is fair game in subsequent district court litigation -- Petitioners need to be strategic in drafting their petitions and balancing multiple considerations:

- Ensuring the best art is in the Petition
- Including a number of grounds that portends some amount of “redundancy” handling
- Staging and emphasizing your grounds so that in the event of a redundancy finding, the PTAB institutes on the most suitable grounds for their evaluation; leaving the others undisturbed for future best consideration by a judge/jury (if necessary)
- Dealing with page limits, and not irritating your Panel with arguments that are diluted by being too numerous.

Shaw has changed the strategy and expectations on the key predicted downside of filing an IPR (i.e., estoppel). How far it will be taken in the hundreds of district court litigations that are now resuming is influencing key strategy in those cases, and in every petition being drafted. So what should be a petitioner’s strategy at this point? Should a petitioner overload its petition in an effort to encourage a finding by the PTAB that one or more references is redundant?

QUESTION: HOW SHOULD AN IPR PETITIONER GO ABOUT DETERMINING HOW MANY GROUNDS TO INCLUDE IN HER PETITION?

DIALOGUE:

Side 1 – Hey partner, where were you all last week?

Side 2 – Don't you remember? I was at that **YUGE** CLE program in Houston. I was learning all about the current state of IPR law.

Side 1 – Sounds really booooring. Listen, that reminds me, I've been meaning to tell you that my client got sued for patent infringement last week.

Side 2 – Wow, I'm sorry to hear that.

Side 1 – You shouldn't be, we are going to make a killing this year in litigation **fees** – for goodness sake, my client is **Google!** The lawsuit has to do with the connected **trailer park** or something like that, apparently that is the new rage among **hipsters** in Atlanta...Regardless, we will finally be able to afford that firm retreat to *Panama City* this year. Wooohooo...

Side 2 – Hey, that sounds great – you think we could get down there for spring break? I love **Jello** shots, Miller Lite, and random college parties!

Side 1 – Think of the pictures we could put up on the firm **Instagram**, sounds like a plan! Well, with you goofing off all week, I've been doing a little digging – and with very little effort ...

Side 2 – (under breath) when do you ever put in serious effort...

Side 1 – I've discovered a treasure trove of relevant prior art that the patent office never reviewed when issuing the patent. So I'm thinking we need to file an IPR petition and knock it out. IPR's still cost a lot of money, right?

Side 2 – Yes, yes, we'll still make tons of money. Good work on finding all that prior art.

Side 1 – I knew you would be proud...

Side 2 – That you have a client, yes, I'm super proud that you finally got one.

Side 1 – Uh huh, well anyway, I think I've discovered about five section **102** references and another 5 **103** combinations that clearly render this patent invalid. However, I'm really struggling to decide what I should do with all these references. I've always heard that it is best to only file a petition with my best one or two references so as to avoid overloading my petition with a bunch of references that the PTAB is just going to find redundant anyway.

Side 2 – Well, I'm not sure that's the way it works anymore... didn't you hear about the *Shaw* case?

Side 1 – Sure didn't...

Side 2 – Some crazy lawyer from Atlanta, I think his name is Thad Fish or something, convinced the federal circuit that a petitioner should be able to maintain **invalidity** grounds in a later proceeding for any reference that was found to be redundant.

Side 1 – What are you talking about? I thought it was clear that once a final **written decision** is issued by the PTAB, the petitioner may not assert in either a **civil** action or in a proceeding before the

International Trade Commission that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that IPR. If I raise a reference and the PTAB denies to hear it on grounds that it is redundant to one or more grounds raised in the petition, isn't that a "ground" that I did raise during the IPR? Aren't I estopped from later asserting it in a later proceeding?

Side 2 – Nope, not according to *Shaw*. You should really catch up on your reading.

Side 1 – So what do you think we should do?

Side 2 – You want to know the truth?

Side 1 – Of course...

Side 2 – (emphatically) “**you can't handle the truth**”...

Side 1 – (Eye roll) Wow, that is really lame...

Side 2 – Ok, ok, I think we should just file all those references. Let the PTAB sort it out.

Side 1 – Isn't that going to be really expensive? And what about page limits? I might have to file 3 or 4 IPR petitions to get all those references in front of the PTAB – I mean, I know you want to go to Panama City – and I like **palm trees** and **Jello** shots too – but come on, this is a little bit ridiculous. I'm not agreeing to waste my client's money.

Side 2 – That's the thing, you aren't wasting your client's money. Besides, don't you want to ride that **roller coaster** at the theme park in PC.....what's it called, the “**Super Bowl**” – cause it should be if it isn't!

Side 1 – You mean the one made for children under 12 – no, I think I'll let you ride that one alone. And the IPR costs \$23,000 in government **fees** alone to file a petition, plus all of our time in writing it up. I may be cheap when it comes to associate bonuses, but my hourly rate isn't cheap. That seems like a waste of money to me. I think we should stick with the game plan and file one petition with our best two **invalidity** grounds.

Side 2 – No way, *Shaw* has made it clear that our petition should include **ALL invalidity** grounds that we want to be sure to preserve for future proceedings if the Board denies them as redundant. It doesn't matter if we have to file more than one petition and, since it is highly probable that the PTAB will find several of these grounds to be redundant, your client's money will be well-spent in making sure that they have additional grounds to argue at the trial level should the IPR ultimately be unsuccessful. It's brilliant strategy.

Side 1 – I know that you just got back from that CLE and you are super excited to finally know a teensy bit more than me about this particular topic, but you clearly haven't thought of everything.

Side 2 – What do you mean? I watch **TED talks** for fun – I always know more than you.

Side 1 – Well, if the PTAB decides that the additional grounds that we provide are “redundant” and our petition is ultimately unsuccessful, then what good are the additional grounds when they are presented to the **Judge** and **Jury**? I mean, won't those references have diminished value since they

were held to be redundant to the grounds that ultimately lost? Again, seems like a waste of time and money to me.

Side 2 – I don't think so. If no estoppel applies, then no estoppel applies! Simple as that. It seems to me that we would should be able to get **jury** instructions that prevents the **jury** from giving the "redundancy" finding by the PTAB any consideration. I mean, when you finally get around to reading the *Shaw* case, check out footnote 2.

Side 1 – You know I'm probably not going to read it, and...since you've already wasted all you're your time learning about it...just tell me what it says.

Side 2 – It talks about the need to firing law partners that are "redundant"...

Side 1 – Really?

Side 2 – No, but we might want to talk about that later... *Shaw* mentioned that redundancy denial amounts to nothing more than a choice by the Board for efficiency purposes...and that the Board's opinion does not decide any substantive issues with regard to the 'redundant' reference. You got it?

Side 1 – Ok, fine, tell me exactly what you are recommending then. I just want to start billing so we can hit the beach soon – I'm thinking that the firm might be able to splurge for the Howard Johnson, well, for the partners anyway.

Side 2 – I'm starting to like the way you think.

Side 1 – ummm...."**Snakes on a Plane**"???

Side 2 – What are you talking about?

Side 1 – I don't know, my script says to say snakes on a plane... so I said it...let's just keep moving.

Side 2 – You are so weird... anyway, here is what I learned this week:

We definitely want to consider filing all, or most, of those **invalidity** grounds that you found. The way I see it, we almost *want* the Board to find some of these grounds redundant. That way, if we lose the IPR, which we won't – but just in case – we could still have several grounds to challenge the validity of the patent if we later still face a trial at the district court level. In the past, we were out of luck if we ultimately lost the IPR.

However, I think we may still want to put extra effort into our "lead" or "best" challenge to the patent's validity in the IPR petition. That way, we can make sure we do a bang-up job on those grounds we think we are sure to win. I mean, we really still want to knock-out the patent at the IPR stage if we can and we want to make sure that the PTAB institutes the IPR on at least one of the grounds that we raise.

Side 1 – Won't that diminish the other grounds?

Side 2 – Wow, good question for once, **believe me**, I think that we should be very careful in how we position our back-up grounds. For instance, we certainly shouldn't imply that these grounds are

redundant, or that they are somehow weaker than the grounds that we really focus on. We don't want any statement we make about these back-up grounds to come back and bite us later down the road. I think we should probably position our lead challenge first and make it clear through the vigor and volume of the argument that we believe that is our best **invalidity** position – without explicitly saying it.

I also heard about the recent *Intellectual Ventures* case in Delaware where the Court all but eviscerated IPR estoppel.

Side 1 – What happened in that case?

Side 2 – Well, the **Judge** ruled that in light of *Shaw*, an IPR does not begin until it is instituted, and as a result, estoppel doesn't apply even to references and grounds that the IPR petitioner didn't raise in the petition – even if they knew about it beforehand – because it could not have been raised or reasonable raised *during* that actual proceeding. The **Judge** there acknowledged that the ruling was probably contrary to the intent of the estoppel provisions but decided that this was the only logical conclusion to follow *Shaw*. But that case isn't binding on us, and we want to make a bunch of money anyway, so let's get going and draft up all these grounds for our petitions.

Side 1 – Can't wait to sip on Pina Coladas by the **water**. I'll go ahead and make those hotel reservations...Panama City, here we come.

Moderator – Summary + Any Additional Points

ISSUE INTRODUCTION: CLAIM AMENDMENTS BEFORE THE PTAB DURING AN IPR

What are we talking about?

Moderator: The patent owner in the IPR may file one motion to amend by proposing a reasonable number of substitute claims, but any amendment may not enlarge the scope of the claims of the patent or introduce new matter. However, the PTAB decision on whether to grant the motion to amend is generally not reviewable.

Explain why a patent owner would even want to file a claim amendment during an IPR.

So what is the Issue?

The PTAB has historically only allowed a handful of patent owners to amend their claims and the burden to file a motion to amend is very high.

QUESTION: SHOULD A PATENT OWNER PROPOSE CLAIM AMENDMENTS IN THE IPR CONTEXT?

Side 1 – Thanks for coming down to my office. I need your immediate help in drafting a **motion** to amend for this IPR proceeding.

Side 2 – Well, I need to know why you are on **Snapchat** every time I come in here? We can't always get what we want!

Side 1 – Not funny, now get out a **Sharpie** and some **paper** and start taking notes.

Side 2 – Seriously? You do know that it's 2017 right? I have a computer!

Side 1 – Of course, but we needed a good excuse to slip those words in this presentation...

Side 2 – Got it..... by the way, this is a really good presentation, I'm thinking this is **Oscar** worthy.

Side 1 – Just stick to the issue for now, ok.

Side 2 – Right. I didn't even know that the PTAB allowed claim amendments during an IPR.

Side 1 – Sure they do. In the *Aqua Products* case the Federal Circuit affirmed the PTAB approach to amendment practice in IPRs. Under the rules, a patentee has one opportunity to propose amendments or substitute claims. Plus, filing a **motion** to amend is a great opportunity to refine claims while ensuring the new claims are **patentable** over the cited prior art.

Side 2 – Sounds like a good chance for the patent owner to get another bite at the apple. How does the PTAB **judge** the caliber of the amendment?

Side 1 – Good question. In federal court, the standard for **claim construction** according to their “ordinary meaning as understood by a person of skill in the art” as defined by the *Phillips* case. However, in IPR proceedings, the PTAB uses the “**broadest reasonable interpretation**” (BRI) standard for **claim construction**.

Side 2 – Well that’s just silly. It just doesn’t make sense for the PTAB to use a different standard than the federal court.

Side 1 - The Supreme Court didn’t seem to think so. They recently approved of the USPTO’s application the BRI standard to interpret patent claims rather than the *Phillips* standard in *In re Cuzzo*.

Side 2 – Isn’t the burden on the patent owner incredibly onerous? I mean, if what you said earlier is right, won’t the **motion** to amend only be granted if the patentee demonstrates that the proposed amendments would make the claims **patentable** over the known prior art?

Side 1 – Listen, this is the patent owner’s chance to cancel suspect claims and substitute a reasonable number of new claims. If the patent owner is clever enough, it can justify the need to add additional claims during the amendment.

Side 2 –It seems like a lot of work that will cost the patent owner a lot of money. When amending claims in an IPR, doesn’t a patent owner have to satisfy some sort of duty? A duty of good faith, clean hands, candor, or something like that?

Side 1 – Of course. In the recent *Nike* case, the Federal Circuit held that, when amending claims in an IPR, a patent owner may satisfy the duty of good faith and candor by addressing any material prior art in the record (or that it makes of record) and, if there is no such material art of which it is aware that is not of record, a conclusory statement may suffice.

But...it doesn’t always have to be THAT hard. The *Shinn Fu* case ruled that there is no requirement that a patent owner analyze every individual reference cited during prosecution of the challenged patent. Essentially, so long as the patent owner groups prior art references according to claim features they teach, and examines a representative reference out of each group for each feature, the patent owner would meet its duty of candor and satisfy its burden for the **motion** to amend.

Side 2 – I could really use a boost in my hours, so how long should it take me to draft this **motion**?

Side 1 – Well...the last one I worked on was 25 pages, 75,000 words and took a few weeks to write.

Side 2 – That probably cost the client a pretty penny.

Side 1 – Probably about \$50k.

Side 2 – Wow. Anybody who thinks talk is cheap should get some legal advice. So what happened with the **motion**?

Side 1 – Well...the PTAB denied it, but that’s not the point.

Side 2 – See that’s what I’m saying. All that **tremendous** work and then what happened – total rejection. I mean, how likely is the PTAB to grant these **motions** anyway?

Side 1- I think they have only granted about six or seven -- ever.

Side 2- EVER?!? Sounds like a big time waster.

Side 1 – I understand your concern, but we are here to zealously represent the client to the best of our ability.

Side 2- Also, I would think that when a patent owner files claim amendments, it essentially admits that the current claims are **unpatentable**. I mean, why else would you be filing substitute claims?

Side 1 – You make decent points, and it hasn't been that fruitful in the past, but it seems to me that recent events may force the PTAB to change its tune on all these **motions** to amend.

Side 2 – Really? What events?

Side 1 – In the *Aqua Products* decision, the Federal Circuit upheld the USPTO's tight limits on amendment practice in IPR proceedings. In a new order, the Federal Circuit granted the appellant's *en banc* rehearing request concerning (1) what type of burden can the USPTO require of a patent owner and (2) whether the PTAB raise patentability challenges if they are not raised by the challenger. The **oral arguments** were just held on December 9, 2016 and I'm looking forward to seeing if the ruling changes anything for patent owners.....

START OF REISSUE DISCUSSION

Side 2 - There has to be a way to fight back. I mean, the patent owner should be able to modify its claim scope to address prior art that wasn't located until long after the patent was granted. It's impossible to find all relevant prior art before a patent issues.

Side 1 – Since the PTAB has rarely granted **motions** to substitute claims, a patent owner may choose to proceed with a reissue instead of a **motion** to amend in an IPR.

Side 2 – When should a reexam be considered in addition to an IPR?

Side 1 - Where claim amendments are needed to hedge against the risk of **invalidity**, while the patent family is under attack in an IPR proceeding, the patent owner should consider filing a reissue application to achieve the necessary claim amendments. The Federal Circuit recognized in the *Tanaka* case that “adding dependent claims as a hedge against possible **invalidity** of original claims is a proper reason for asking that a reissue be granted.”

Side 2 – That sounds like the smart plan. It seems that reissue should at least be considered when an IPR proceeding is underway?

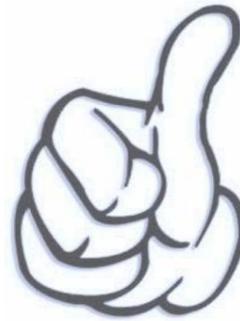
Side 1 – Exactly. In an reexam, unlike in an IPR where a patent owner can file only one **motion** to amend that carries the immediate burden of showing patentability, a reissue applicant has a right to amend claims prior to a final office action. Additionally in a reexam, the patent owner can potentially broaden the issued claims if the reissue application is filed within two years of the issuance date of the original patent. Furthermore, a reissue applicant also has the flexibility of filing a request for continued examination (RCE) or even a continuing or divisional reissue application, if additional claim amendments are desired. For these reason, a patent owner should keep reissue in mind when preparing for anticipated IPR filings.



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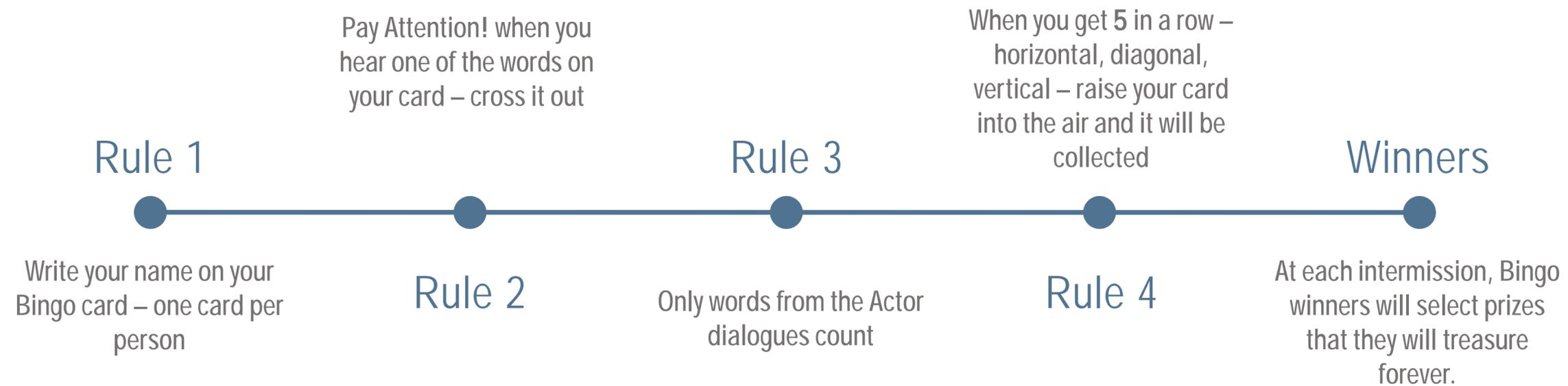
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A Frozen Magic 8 Ball!

Should I sue, or should I.... Let it Go? Let it Go?

A Desktop Zen Garden!

Should I mediate – OR – meditate?



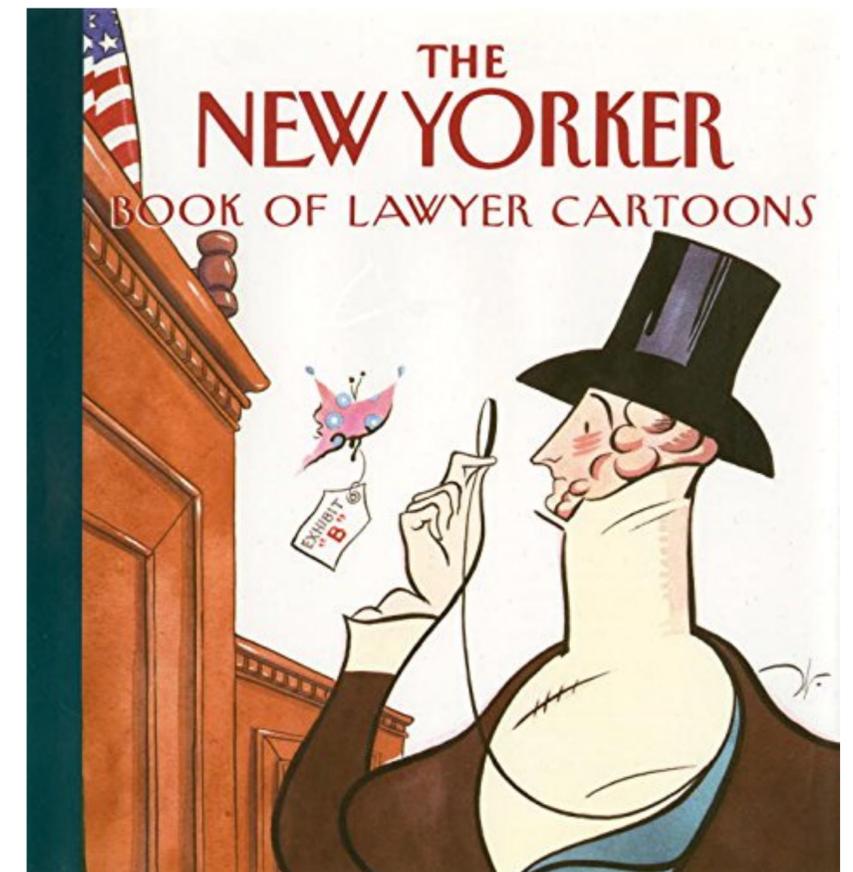
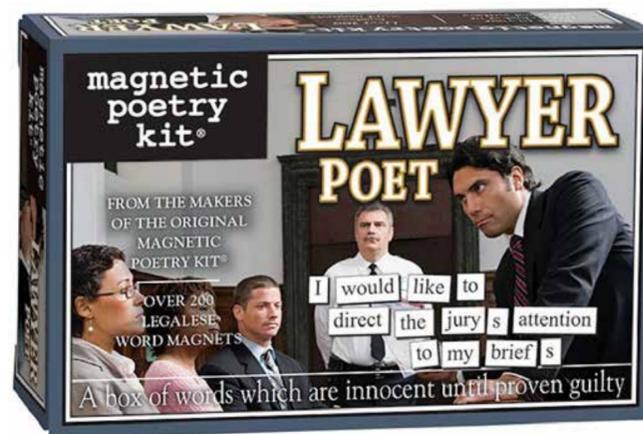
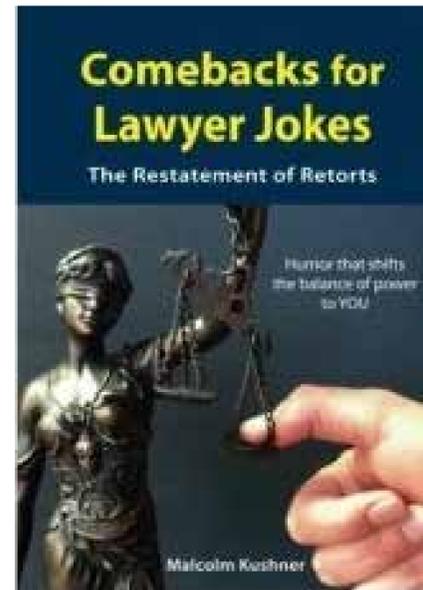
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Stuff To Remind You That You Are A Lawyer!



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REAL PARTIES IN INTEREST

THIS SHOULD BE ENTERTAINING

Six RPII Factors

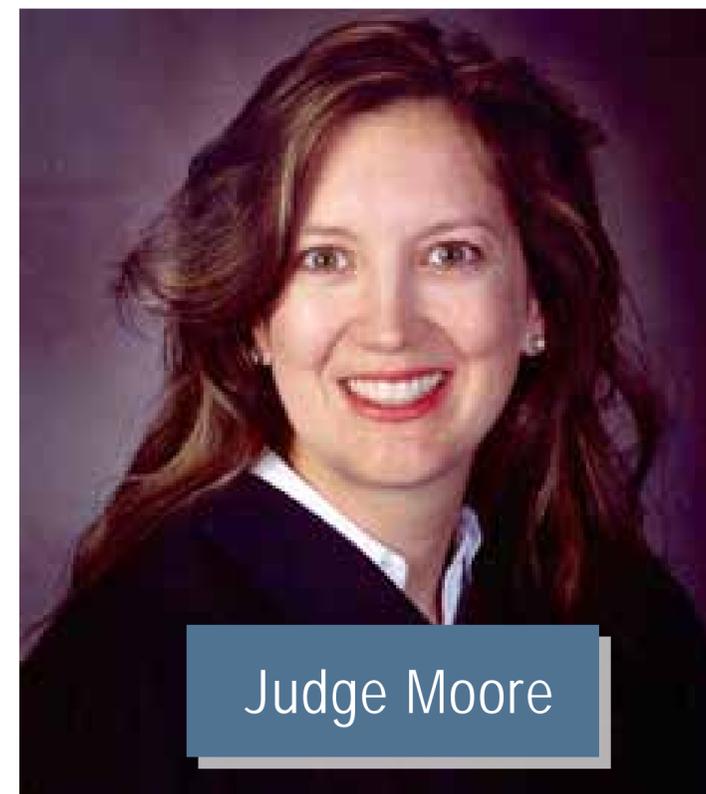
From *ATLANTA GAS LIGHT*

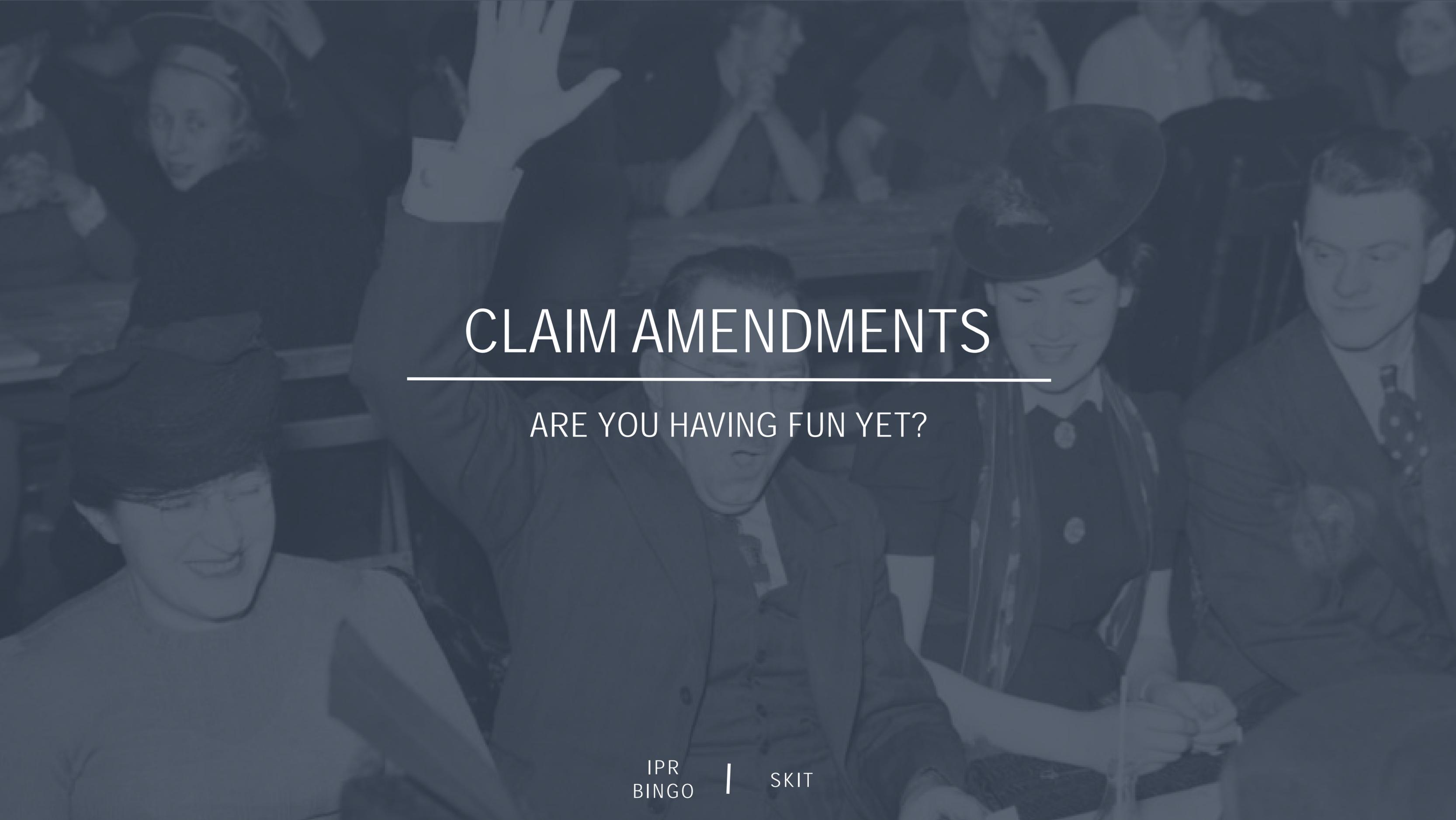
- 1 | Whether the third party agrees to be bound by the determination of issues in the proceeding;
- 2 | Whether a pre-existing substantive legal relationship with the party named in the proceeding justifies binding the third party;
- 3 | “In certain limited circumstances,” whether the third party is adequately represented by someone with the same interests;
- 4 | Whether the third party exercised or could have exercised control over the proceeding;
- 5 | Whether the third party is bound by a prior decision and is attempting to rehear the matter through proxy; and
- 6 | Whether a statutory scheme forecloses successive hearing by third parties.

IPR ESTOPPEL AND REDUNDANCY

TIME TO SEE SOME ACTION

The *SHAW* Decision





CLAIM AMENDMENTS

ARE YOU HAVING FUN YET?

ISSUE BEFORE THE FEDERAL CIRCUIT

FROM *AQUA PRODUCTS*

(a) When the patent owner moves to amend its claims under 35 U.S.C. § 316(d), may the PTO require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them? Which burdens are permitted under 35 U.S.C. § 316(e)?

(b) When the petitioner does not challenge the patentability of a proposed amended claim, or the Board thinks the challenge is inadequate, may the Board sua sponte raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie?



ANY QUESTIONS?