

MINI-ROUNDTABLE

INTER PARTES REVIEW IN PATENT DISPUTES



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David McCombs is primary counsel for many leading corporations in patent inter partes review, reexamination, and concurrent patent litigation in the federal courts and before the US Patent Office's Patent Trial and Appeal Board. His practice spans 30 years and includes Federal Circuit appellate argument, patent litigation, licensing and technology transfer, patent portfolio development and drafting, and dispute resolution. Mr McCombs is the firm-wide chair of the technology practice of Haynes and Boone. He has a Physics degree and represents clients in diverse technologies that include electronics, semiconductors, software, telecommunications, medical devices and energy equipment.

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Andy Ehmke focuses his practice on intellectual property issues facing companies in the software, computer, and mobile device industries. Prior to joining Haynes and Boone, Mr Ehmke was an information systems manager and consultant, and also worked as a programmer designing object-oriented programs for hand-held computing devices. Mr Ehmke's experience includes: primary counsel for high profile technology companies in inter partes review and covered business method proceedings before the Patent Trial and Appeal Board; representing technology companies in patent portfolio development and intellectual property infringement matters; and protecting and using intellectual property to establish a competitive position in the marketplace.

CD: Could you briefly explain the purpose of inter partes review? Why does this process represent a significant development in US patent litigation?

McCombs: In the wake of concerns over excessive patent litigation, Congress established inter partes review as a new, streamlined procedure for challenging patents before the Patent Office. Under the new law, an inter partes review must be completed within 18 months, and is conducted by administrative patent judges with technical backgrounds. As a result, we see Corporate America embracing this procedure as a faster, less expensive and more predictable alternative to litigating patent validity before a lay jury.

CD: To what extent can inter partes review impact a district court trial or settlement? What benefits does one process offer over the other?

Ehmke: We often have lively discussion with in-house counsel on when and how to use inter partes review. It is not the right procedure in every case, but more often than not, it is proving to be effective. Since enacted in 2012, the success rate

for petitioners has been high. Having handled a large number of these procedures now, we find the track record on costs to be favourable. Concerning specific strategy benefits of inter partes review, there are numerous advantages. For example, many courts will stay the litigation until the inter partes review is completed. If litigation is stayed in favour of inter partes review, the patent owner will not be

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able to foist asymmetric costs onto the defendant through burdensome discovery. And, should the patent be invalidated, the litigation will end, avoiding a good two years of litigation expense. Additionally, inter partes review promotes early settlement. The inter partes review is often a big driver in causing settlement of the underlying litigation. Because the process is akin to summary judgment in litigation, it requires the patent owner to take immediate action to defend the patent. This shifts costs to the patent

owner earlier than in traditional litigation, forcing the patent owner to think twice about the merits of its case.

CD: What primary considerations do parties need to make when evaluating whether to request inter partes review?

McCombs: When in-house counsel asks about inter partes review, the first question is usually about estoppel. If the Patent Office upholds the patent in an inter partes review, the petitioner is estopped from raising a similar invalidity challenge in court. Surprisingly, though, most corporate defendants still pursue inter partes review because of confidence in the Patent Office to better evaluate complex patents as compared to juries. Many large companies that face serial patent litigation prefer resolving them more quickly and reliably through inter partes review. At least for most cases, speed and predictability outweigh the attendant risk of estoppel. Another consideration is the strength of the prior art being applied against the patent. A patent subject to a strong prior art challenge is a good candidate for inter partes review, particularly if the subject matter is technical and difficult for a jury to review. One mistake to avoid, though, is treating development of the best prior art as a cursory task leading toward the filing of the inter

partes review. Instead, development of the best prior art should be treated as the most important task – without the good, strong prior art, the inter partes review has a lower likelihood of success.

CD: Could you outline the timing limitations attached to inter partes review? What strategic implications come into play in this regard?

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Ehmke: Inter partes reviews must be brought within 12 months of being served with a complaint for patent infringement. Strategically, some parties will wait until the 12-month deadline with the hope of using a patentee’s broad claim construction proposals in litigation against them at the Patent Office. Other parties, though, will request review earlier to maximise their chances of staying the

simultaneous district court litigation. Each strategy will make sense in appropriate cases depending on the patent, the venue and the aggressiveness of the patent owner's infringement positions. Parties must also be mindful of issues relating to actions taken in parallel district court litigation. Inter partes review is barred if you have already filed a declaratory judgment action challenging invalidity of the same patent claims. However, filing a declaratory judgment action for non-infringement would not bar you from later pursuing an inter partes review.

CD: What criteria should be considered when selecting expert witnesses?

McCombs: First and foremost, the expert should have specific expertise relating to the subject matter of the patent, as opposed to a general knowledge of the technology. This ensures better quality and depth in developing the record and your overall case. Second, experience with depositions is beneficial, because inter partes review is an adversarial process. You have to expect that quotes from your expert's deposition will be presented to the administrative judges in a light most favourable to your opponent.

CD: What scope exists to join another defendant's inter partes review, and what are the potential advantages and pitfalls of doing so?

Ehmke: Upon a showing of good cause, a party may request joinder with an ongoing proceeding. However, joinder must be sought no later than one month after the institution decision in the prior proceeding. In addition to efficiencies and the potential for sharing costs, joinder has the benefit of allowing the second party to continue the inter partes review proceeding in the event the first party withdraws for reasons of settlement, for example. Since so many cases involve multiple defendants and joint defense groups, we are seeing more attempts to join ongoing proceedings as a way to hedge risk should the first party settle.

CD: What issues do parties need to consider when drafting the petition?

McCombs: First, claim construction is often dispositive of both infringement and invalidity when it comes to contested patent cases. Therefore, the claim construction in an inter partes review needs to be carefully considered and supported by the evidence. Second, declarations in an inter partes review differ from expert reports used in litigation, as the focus of the declaration is on its value as evidence. In inter partes review, the expert declarations provide evidence of the level of skill in the art, how and why the references may be combined, and other aspects of interpreting the references. The expert's ultimate conclusions are not the primary focus. Finally, one should consider how

many arguments are to be included. The Patent Office rarely conducts the review on multiple redundant grounds. Thus, it is important to be selective in choosing arguments to present in the petition, as any one of them could be the only ground considered in detail.

CD: What advice would you offer to parties on defending their patents in inter partes review?

Ehmke: Patent owners should be wary and treat the inter partes review process seriously. Congress created inter partes review in an effort to remove invalid patents that were issued improperly. Evaluation of patents before choosing to assert them in the marketplace is therefore well-advised,

since so many defendants are taking advantage of the expedited inter partes review process as a way to resolve disputes. Should a patent owner be faced with defending against an inter partes review, it is important to tell the story of the patent and why it is inventive. Further, the administrative patent judges tend to like brief tutorials that clearly explain the technology behind the patent and present the differences between the patent and the prior art. Likewise, the inter partes review is driven by evidence. Accordingly, as the patent owner, testimony from one skilled in the technology must be thoroughly developed to support the correct meaning of terms in the patent and differences between the patent and the prior art that support its patentability.

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