

Post-grant Proceedings under the AIA

How Do They Affect My University?

Welcoming remarks will begin at
11:55 a.m. Eastern Time.

The formal presentation will begin at Noon Eastern

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Post-grant Proceedings under the AIA

How Do They Affect My University?

Speakers:

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Robert R. Baron, J.D., Ballard Spahr, LLP

March 4, 2014



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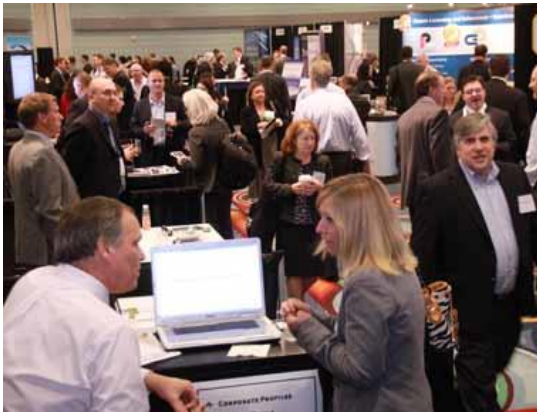
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AUTM Education Library

Seeded content:

- 23 Annual Meeting workshop recordings
- 10 relevant links to the TTP Manual
- 5 educational webinar recordings
- Additional content added annually by committee

Member Benefits

The AUTM Global Technology Portal (GTP)

The screenshot shows the AUTM Global Technology Portal (GTP) website. The header includes navigation links: Home, Organizations, Technologies, Needs, Capabilities, Startups, Success stories, and People. There are also Login and Sign Up buttons. The main content area features the AUTM logo and a search bar with a dropdown menu set to 'All' and a search input field labeled 'Search Here'. Below the search bar is a welcome message: 'Welcome to the AUTM Global Technology Portal, where you can easily find the latest university technologies available for licensing worldwide.' A large image of two hands shaking is displayed, with a 'Read more' button. Below the image is a promotional banner for the AUTM 2012 Annual Meeting. A 'Technologies' section lists two items, both dated Jan 17: 'Low-Temperature, Corrosion-Resistant Integrated Metal Coatings to Improve Efficiency of Coal Plants' and 'Controlling and Predicting the Stability of a Protein Against Degradation by Proteases'. A footer contains a 'patSnap' logo and a row of five small images.

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use * for wildcard, or ? for single character wildcard

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Technologies

Jan 17 • Low-Temperature, Corrosion-Resistant Integrated Metal Coatings to Improve Efficiency of Coal Plants
In 2008, coal-fired power plants generated 49 percent of electricity consumed in the U.S., more than twice that any other energy resource. Coal is an important fossil fuel because world coal reserves are expected to last about 200 years, much longer fuels. However, also a major ...

Jan 17 • Controlling and Predicting the Stability of a Protein Against Degradation by Proteases
The pathogen Mycobacterium tuberculosis causes tuberculosis, one of the world's deadliest diseases. Because desaturase DesA3 is essential for survival M. this enzyme a potential drug target treatment although little known about its function. To study mycobacterial ...

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Robert R. Baron, J.D.
Vice Chair of Intellectual
Property

Ballard Spahr, LLP.

The following presentation reflects the personal views and thoughts of Scott D. Marty, Ph.D. and Robert R. Baron, and is not to be construed as representing in any way the corporate views or advice of the Ballard Spahr LLP, nor the views or advice of the Association of University Technology Managers (AUTM). The content is solely for purposes of discussion and illustration, and is not to be considered legal advice.

Post-Grant Proceedings Under the AIA: How Do They Affect My University?

Presentation to AUTM

March 4, 2014

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Outline

- Basics on Post-Grant Proceedings and some statistics.
- How to structure licenses that address the new procedures.
- Discuss what these new challenges mean to your patent development program.
- Discuss whether the new AIA rules differ for state universities.

The Leahy-Smith America Invents Act

- It Poses New Threats to Patents and Patent Owners, by increasing the opportunities for challenging a patent via a PTO proceeding.
- The Patent Trial and Appeal Board has replaced the PTO Board of Patent Appeals and Interferences, and hear four types of contested cases.
- These contested proceedings are more like litigation, with opportunities for discovery, document requests, depositions and sanctions.
- Most proceedings will allow for settlements by the parties.

Why do we Care?





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Big Numbers

28,267





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These are your patents!

MICRON TECHNOLOGY, INC.
Petitioner

v.

THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
Patent Owner

GNOSIS S.P.A., GNOSIS BIORESEARCH S.A., and GNOSIS U.S.A., INC.
Petitioners

v.

SOUTH ALABAMA MEDICAL SCIENCE FOUNDATION
Patent Owner

SONY CORPORATION
Petitioner,

v.

YISSUM RESEARCH DEVELOPMENT COMPANY
OF THE HEBREW UNIVERSITY OF JERUSALEM
Patent Owner

CARDIOCOM LLC
Petitioner

v.

UNIVERSITY OF ROCHESTER
Patent Owner

ILLUMINA, INC.
Petitioner,

v.

THE TRUSTEES OF COLUMBIA UNIVERSITY IN THE CITY OF
NEW YORK
Patent Owner.

ST. JUDE MEDICAL, CARDIOLOGY DIVISION, INC.
Petitioner,

v.

THE BOARD OF REGENTS OF THE UNIVERSITY OF MICHIGAN
Patent Owner

EPISTAR, EVERLIGHT, and LITE-ON
Petitioners,

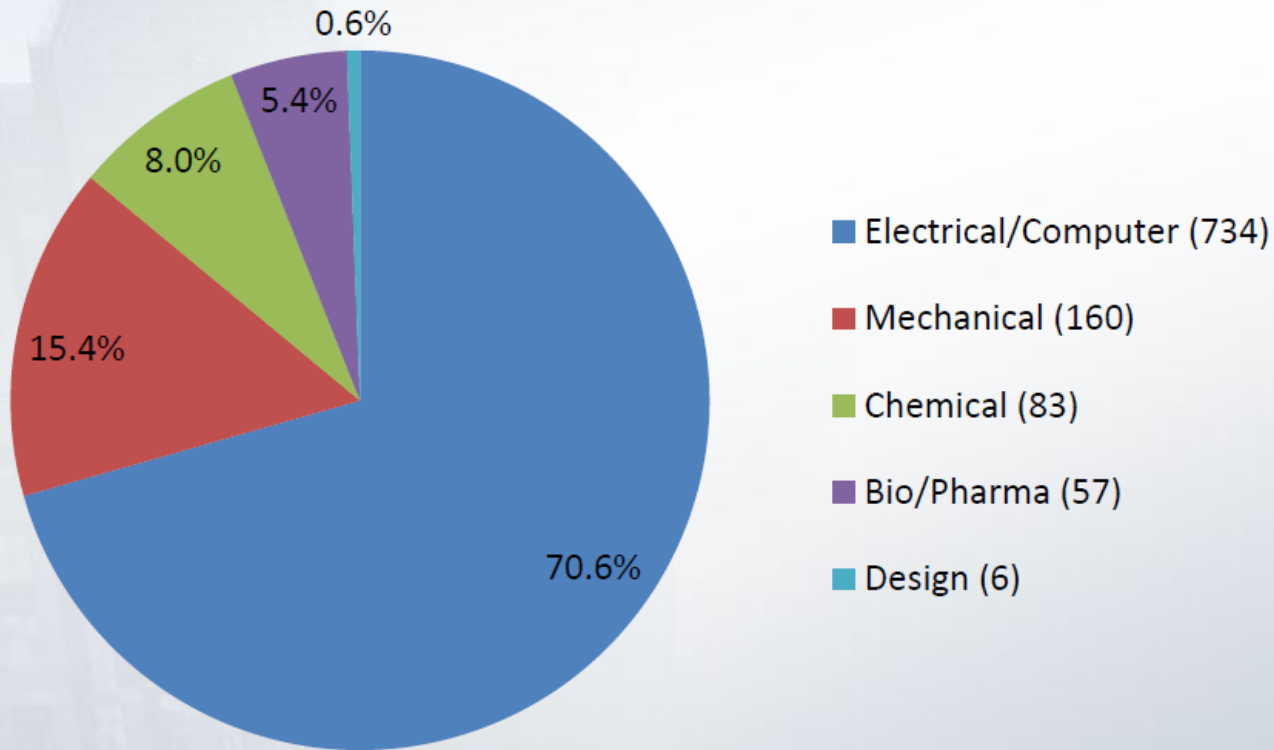
v.

TRUSTEES OF BOSTON UNIVERSITY
Patent Owner.

The Leahy-Smith America Invents Act

- The Leahy-Smith America Invents Act established several new trial proceedings to be conducted by the Board including:
 1. *Inter partes review* (IPR);
 2. A transitional program for covered business method patents (CBM);
 3. Derivation proceedings; and
 4. Post-grant review(PGR).

AIA Petition Technology Breakdown



Source: USPTO
http://www.uspto.gov/ip/boards/bpai/statistics/022714_aia_stat_graph.pdf

Popular Forum

Most active courts by number of cases in 2013 ⓘ	Past 30 days	2014 (YTD)	2013
Texas Eastern District (TXED)	137	205	1512
Delaware District (DED)	123	184	1337
Patent Trial and Appeal Board (PTAB)	79	134	792
California Central District (CACD)	26	55	408
California Northern District (CAND)	13	24	248
California Southern District (CASD)	6	10	227

Latest AIA Trends

FY	Total	IPR	CBM	DER
2012	25	17	8	-
2013	563	514	48	1
2014	440	369	68	3
Cumulative	1,028	900	124	4

Source: USPTO
http://www.uspto.gov/ip/boards/bpai/statistics/022714_aia_stat_graph.pdf

Timing Options - Invalidity Challenges

- **IPRs, PGRs, and CBMs:**
 - Decision to initiate - within 6 months of filing.
 - Once initiated, completed within 1 year absent good cause.
 - PGR – File within 9 months of grant or reissue
 - IPR & CBM – Anytime, but within 12 months of service of complaint
- ***Ex parte* reexamination**
 - Average pendency (filing date to certificate issue date): 25.4 months
- **District Court Litigation**
 - Average Pendency (complaint to verdict) 30 months to verdict (PWC 2009)

Inter partes review

- Eligibility:
 - All patents.
- Grounds:
 - A petitioner for *inter partes* review may request to cancel as unpatentable one or more claims of a patent on the grounds that the invention either already existed (§ 102) or would be obvious to one of skill in the art (§ 103), on the basis of prior art consisting of **patents or printed publications**.
- Discovery is limited
- Fee:
 - \$23,000 filing fee

Covered Business Method (CBM) Patents

- Transitional Program.
- What is a CBM?
 - patents that claim a method, apparatus, or operation used in the practice, administration, or management of a financial product or service.
 - do not include patents for “technological inventions”.
- Availability – All CBM Inventions.
- No college or university involvement yet.

Derivation Proceedings

- In the old “first-to-invent” system, interference proceedings existed to determine who was the first to invent when the issue was contested. These proceedings continue to apply to any patent claim filed prior to March 16, 2013.
- This Process has been rendered moot by AIA’s “first-to file” rules.
- Now a party can claim that the First Filer improperly “derived” its invention from it.
- A petition for a derivation proceeding must be filed within 1 year of the first publication of the petitioner's claim to an invention. The petition must be supported by substantial evidence. Like the current interference proceedings, derivation proceedings are contested cases between two parties, with limited discovery available.

Low Standard

“Reasonable likelihood that petitioner would prevail”

		Trials Instituted	Joinders	Percent Instituted	Denials	Total No. of Decisions on Institution
IPR	FY13	167	10 ⁺	87%	26	203
	FY14	172	1 ⁺	79%	46	219
CBM	FY13	14		82%	3	17
	FY14	20		87%	3	23

Source: USPTO
http://www.uspto.gov/ip/boards/bpai/stats/022714_aia_stat_graph.pdf



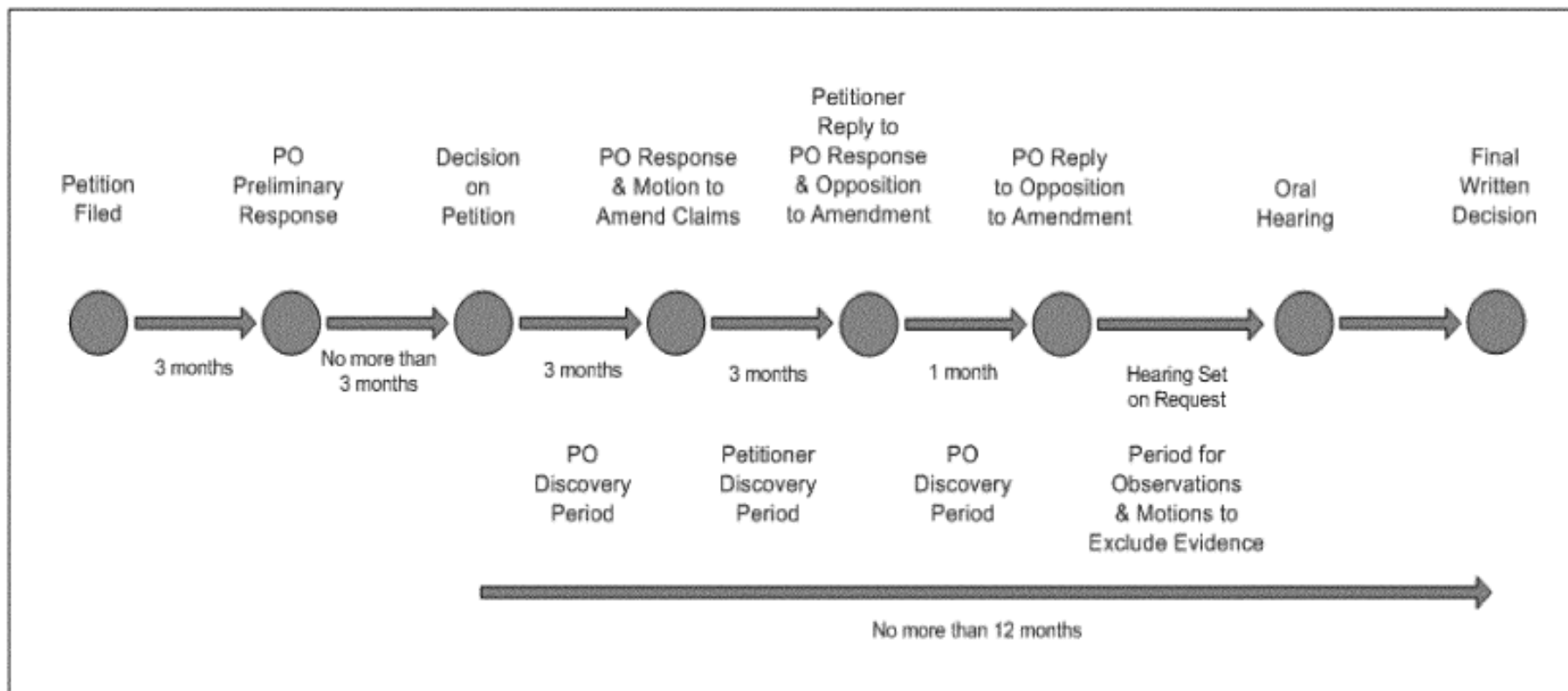
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First Final Decisions are out!

IPR Timeline



Why Challenge at the PTAB?

Likelihood of cancelling claims could be higher with the PTAB trial proceedings than with reexaminations or District Court challenges.

- **District Court:**
 - Clear and convincing evidence to be considered by a jury.
- **AIA:**
 - Preponderance of the evidence to be considered by PTAB.

Gateway Standards

- **IPR:**
 - Reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims.
- **PGR, CBM:**
 - More likely than not that at least 1 of the claims challenged in the petition is unpatentable.
- **Reexaminations:**
 - Substantial new question of patentability.

We Don't Litigate

- If you have a vigorous commercial program, you will be asked for Exclusive Licenses. If you grant Exclusive Licenses, Be Prepared For Litigation.
- IPRs also used by competitors who want to clear blocking patents before launching a Product.
- The 11th Amendment shield—
Applicable?





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Your Licensees: Friend or Foe



New Proceedings Affect Licensing Strategy

- Licenses Should Try to Clearly State Who Pays for and Who Controls Litigation and AIA proceedings.
- Ideally, the party that controls the IPR will also control any infringement actions, because the strategies are intertwined.
- AIA Proceedings can have “prosecution” elements that must be considered.
- Control and Payment also come with estoppel consequences due to “Real Party in Interest” rules in AIA proceedings.
- Clarity upfront will avoid additional litigation and uncertainty.

University and Licensee May have Different Interests

- Litigation Tolerance
- Different Views as to Counsel, Costs or Settlement
- Different costs/consequences if Patent is Invalidated
- Different Views as to Whether to Amend
- Concern over Confidential Considerations

Hot Topics

- Denial of “Cumulative” Arguments—Expense and Estoppel issues
- Intersection with Litigation
 - Stays
 - Claim Construction
 - Discovery and Use of Evidence in all proceedings
 - Estoppel, including for Real Parties in Interest
 - Protective Orders and prosecution bars
 - Motion to Amend and Intervening Rights
- Settlement

Stays Pending IPRs

- Most Courts Granting Stays of Litigation once PTAB Grants Petition
- Factors Considered:
 1. Status of discovery and time until trial;
 2. Whether Stay pending AIA Proceedings will simplify the case (i.e., Court avoids 102 and 103 issues); and
 3. Will Stay unduly prejudice the non-moving party—issue of competitors.
- Discretionary—Delaware and Texas may Come to Different Conclusions
- Hybrid Stays

Claim Construction

- Broadest reasonable interpretation standard.
- PTAB has put a surprising emphasis on construction.
- Tension with litigation claim construction.

Discovery

- Narrow
- Automatic Discovery
 - Inconsistent Statements
 - Trial Deposition of witnesses submitting affidavits or declarations
- AIA Additional Discovery – (only when otherwise necessary in the interest of justice)
 - Must be More than A Possibility That Useful Evidence Exists and Burden Must be Minimal
- Recent Examples
 - Documents, Data, or Experiments referred to in Petition or Declaration
 - Information about “Real Party in Interest

Inconsistent Statements

“[A] party must serve relevant information that is inconsistent with a position advanced by the party during the proceeding concurrent with the filing of the documents or things that contains the inconsistency”
[privileged information excepted]. 37 C.F.R. § 41.51(b)(1)(iii)

- Scope: Do you have to worry about your licensee’s statements?
 - Depends on whether they are a Real Party in Interest or Otherwise Admissible under Federal Rules of Evidence
 - Privilege
 - Consequences

Confidential Information

- The rules identify confidential information in a manner consistent with Federal Rule of Civil Procedure 26(c)(1)(G), which provides for protective orders for trade secret or other confidential research, development, or commercial information. See § 42.54.
- Interplay with Protective Orders and Motions to Seal
- PTAB has strong interest in public availability

Estoppel

- The AIA provides for an estoppel against petitioners that challenge patents in PTAB contested proceedings.
- This estoppel applies to:
 - *Inter Partes* Review (IPR);
 - Post Grant Review (PGR); and
 - Covered Business Method Review (CBM).

Estoppel

- A final written decision is required.
- The estoppel does not apply to a petitioner that settles before final written decision.
- Applies to:
 - Petitioner
 - Real Party-in-Interest (determined on case by case basis)

Standard for Estoppel

- IPRs and PGRs:
 - Any ground raised by the petitioner or any ground that reasonably could have been raised during that proceeding.
- CBMs:
 - Estoppel only applies to any ground the petitioner raised.

Motions to Amend

- Must Be Supported by Specification
- Must Narrow Claims
- Movant Has Burden of Showing Amended Claims Are Patentable over Known Prior Art
- Can Create “Intervening Rights” Limiting Damages in Related Litigation



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Intervening Rights

- If the Patent Owner narrows their claims, they may limit their ability to collect damages that accrued prior to the amendment.
- Strategies
 - Prosecution
 - PTAB Amendment practice.

Post Grant Review—Will It Take Over?

- Any grounds.
- The process begins with a petition filed within **nine months after a patent grant or reissuance.** The patent owner may file a preliminary response.
- Lower Threshold than IPR: "more likely than not"
- This procedure applies to patents having an effective filing date after March 16, 2013.
- **The future or not?**



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Thank You!

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Baltimore, MD USA



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Global Center for Health Innovation
Cleveland, OH USA

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Date!

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