

## Choosing The Best Post-Grant Proceeding For Your Case

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The America Invents Act, which went into effect on Sept. 16, 2012, created three post-grant review proceedings: post-grant review, inter partes review and covered business method review. While much of the focus during the last three years has centered on IPR proceedings, it is important for practitioners to know the differences between all three proceedings and the issues to consider in determining whether it makes sense to incorporate one or more of these proceedings into your patent defense strategy. This article provides an overview of key considerations for determining which type of post-grant proceeding is best suited for your case.



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### 1. Is PGR an Available Option?

We pose this question first because the answer is often “no.” For technologies other than covered business methods, PGRs are only available for patents that were issued under the AIA rules (first inventor to file), which requires a priority date later than March 15, 2013. Moreover, a challenge must be filed within nine months of a patent’s issuance (or reissuance). Taken together, these requirements significantly reduce the number of patents eligible for challenge under PGR. Not surprisingly then, as of Aug. 31, 2015, only 13 PGR petitions total have been filed.[1]

### 2. What Are the Advantages and Disadvantages of PGR?

If you are dealing with a patent that qualifies for PGR review, the next step is to consider whether filing a PGR petition is a good strategic choice. First of all, for the Patent Trial and Appeal Board to institute trial on a given patent, the petitioner need only show that one claim will more likely than not be found unpatentable. Moreover, if a trial is instituted, the petitioner bears the burden of proving invalidity by a preponderance of the evidence. Second, a petitioner can challenge the validity of the claims on any grounds available, except best mode. This means that challenges to a patent’s written description, enabling disclosure, and patent eligible subject matter are all fair game for a PGR petition, as well as invalidity based on public use or public disclosure, among other things. The wide breadth of available invalidity arguments in a PGR may make this proceeding attractive in some situations. PGR allows an interested party to attack a patent’s validity on any number of bases (within the confines of an 80-page petition) in front of a technically qualified panel of administrative judges with a lower burden of proof than that in a district court. These factors may bode in favor of filing a PGR soon after a patent issues rather than waiting to fight in litigation or being limited to the invalidity bases available in an IPR,

discussed below.

However, the wide scope of validity challenges in a PGR proceeding comes with a catch: Estoppel applies for all arguments that were raised or reasonably could have been raised in the petition. And this estoppel applies in any district court litigation, subsequent post-grant review proceedings at the PTAB, and at the U.S. International Trade Commission. Because it covers arguments that “reasonably could have been raised,” estoppel will potentially prevent a petitioner from later arguing invalidity on any basis, except best mode. Although this risk may be too great for many to commit to such a proceeding, in cases where reasonable noninfringement arguments are at play and you believe a technically educated panel would be helpful to your invalidity arguments, PGR may make sense.

### **3. Is CBM an Available Option?**

There are a few key prerequisites for CBM review, including that the petitioner must have been sued or charged with infringement on the patent being challenged and that the patent must, not surprisingly, relate to a “covered business method.” A “covered business method patent” is defined by the regulations as having claims: (1) used in the practice, administration, or management of a financial product or service, and (2) that do not claim a “technological invention.”[2] The PTAB has applied “covered business method” fairly broadly.[3]

CBMs have additional timing requirements as well. CBMs are not available until nine months after the patent issues (or reissues). In addition, CBM proceedings are part of a transitional program and will only be available until September 2020.

### **4. What Are the Advantages and Disadvantages of CBM?**

If the patent of interest is directed to a covered business method, next consider whether it is in your client’s best interest to file a CBM petition. As with PGRs, a petitioner must only show that one claim will more likely than not be found unpatentable. And also as PGRs, a petitioner can challenge the validity of the claims in a CBM on any grounds available, except best mode, for all patents filed under first inventor to file rules.[4]

However, an important distinction from PGR is that estoppel in the district court only applies to arguments that were actually raised in the CBM proceeding. For example, a petitioner may attack the validity of the patent under § 101 in a CBM proceeding without risking estoppel on §§ 102, 103 and 112 defenses in litigation. This limited estoppel provision makes a CBM far less risky than a PGR proceeding but still provides an opportunity to file a petition on a significant number of invalidity grounds. Thus, if the patent you are considering invalidating is arguably a “covered business method,” serious consideration should be given to filing a CBM petition. Note that CBMs are a bit more expensive than IPRs, with filing fees of \$30,000 for up to 15 claims.

### **5. Is IPR an Available Option?**

The final type of proceeding you need to consider is an IPR, which is by far the most commonly utilized post-grant proceeding (while CBM and PGR filings combined total 390, more than 3,400 IPR petitions have been filed to date).[5] Subject to two important exceptions, an IPR petition may be filed at any time regardless of whether there is a threat of litigation.[6] The first exception is that a party accused of patent infringement must file any IPR petitions within one year from the date of service of the complaint. The second exception prevents a party from filing an IPR if it first files a declaratory judgment

action in district court seeking invalidation of the patent.[7] The PTAB has instituted IPR trials in nearly 70 percent of IPR cases so far in 2015, and of the trials that make it to a final written decision, in 68 percent of cases, all instituted claims are found invalid.[8] In an additional 17 percent of cases that go to final written decision, at least a portion of the instituted claims are found invalid. These are rather striking statistics, leaving only 15 percent of patents involved in an IPR proceeding that goes to final written decision with all of its challenged claims intact.

## **6. What Are the Advantages and Disadvantages of IPR?**

The statistics discussed above show that a well-prepared IPR petition will increase a defendant's leverage and chances of success in many cases. That said, there are a number of reasons that a party may decide not to file an IPR. The estoppel effect of an IPR petition is one of them. As with PGRs, a petitioner is estopped in district court from raising arguments that it raised or reasonably could have raised in its IPR petition. The advantage of IPR over PGR in this context is that only prior art in the form of a patent or printed publication that forms the basis of a § 102 or § 103 argument can be raised in an IPR. Estoppel therefore only applies to invalidity arguments that were raised or that reasonably could have been raised based on patents and printed publications. For example, courts have found that a petitioner that raised an unsuccessful invalidity argument based on a product manual in an IPR was not subsequently estopped from raising invalidity arguments based on the underlying product in the district court, because a product is not a "printed publication." [9]

## **7. What Are the Advantages of a CBM Over an IPR?**

A party accused of infringing a covered business method may also find itself in the position of deciding whether to file a CBM or IPR petition. There are many factors that favor a CBM rather than an IPR. For example, depending on the district court, it may be difficult to obtain a stay of the litigation pending resolution of the proceeding at the PTAB. But in a CBM proceeding, district courts are required by statute to consider a stay, and the statute allows for immediate interlocutory appeal to the Federal Circuit of any decision denying (or granting) a stay once the CBM proceeding has been instituted.[10] The Federal Circuit has also not hesitated to overturn denials of stay motions pending CBM review.[11]

The difference in the estoppel effect also often favors CBM over IPR review. In CBM proceedings, the estoppel that applies in the district court relates only to arguments actually raised by the petitioner, as opposed to IPRs, where estoppel applies not only to arguments that were raised, but also arguments that reasonably could have been raised. The PTAB has held that this standard includes any "prior art which a skilled searcher conducting a diligent search would reasonably [] have been expected to discover." [12] Thus, serious thought should be given to how this estoppel will impact your subsequent litigation if you lose the IPR.

With these considerations in mind, whether to file a post-grant proceeding will obviously depend on the facts of each particular case. If you decide to pursue a post-grant review, the considerations discussed above will help determine the type of proceeding that is appropriate for your case.

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[1] <http://www.uspto.gov/sites/default/files/documents/2015-08-31%20PTAB.pdf> at 4.

[2] 37 C.F.R. § 42.301(a) (“Covered business method patent means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.”).

[3] E.g., *Groupon Inc. v. Blue Calypso Inc.*, CBM2013-00033, Paper No. 51 (PTAB Dec. 17, 2014); *Liberty Mutual Ins. Co. v. Progressive Casualty Ins. Co.*, CBM2012-00002, Paper No. 10 (PTAB Jan. 23, 2013) (allowing CBM for patent related to method of administering and managing an insurance policy by adjusting premiums based on monitored vehicle data); *CRS Advanced Techs, Inc. v. Frontline Techs, Inc.*, CBM2012-00005, Paper No. 17 (PTAB Jan. 23, 2013) (allowing CBM for patent relating to a human resource management system that used “substitute fulfillment” to assign a replacement worker for a full-time employee during that employee’s absence for use in “a plurality of different organizations”).

[4] For patents filed before March 16, 2013, there are some additional limitations on the availability of prior art arguments under 35 U.S.C. § 102. See AIA § 18(a)(1)(C).

[5] <http://www.uspto.gov/sites/default/files/documents/2015-08-31%20PTAB.pdf> at 2.

[6] For patents filed after March 15, 2013, the filing must be more than nine months after issuance (or reissuance).

[7] This bar also applies to PGRs and CBMs.

[8] <http://www.uspto.gov/sites/default/files/documents/2015-08-31%20PTAB.pdf> at 9.

[9] *Star Envirotech, Inc. v. Redline Detection, LLC*, No. 12-CV-01861, Dkt. No. 5 at 5 (C.D. Cal. Jan. 29, 2015).

[10] AIA § 18(b)(2); see *Intell. Ventures II LLC v. JPMorgan Chase & Co.*, 781 F.3d 1372 (Fed. Cir. 2015).

[11] *Versata Software, Inc. v. Callidus Software, Inc.*, 771 F.3d 1368 (Fed. Cir. 2014); *Virtual Agility Inc. v. Salesforce.com Inc.*, 759 F.3d at 1307, 1310 (Fed. Cir. 2014).

[12] *Dell, Inc. v. Elecs. & Telecommunications Research Institute*, IPR2015-00549, Paper 10 (PTAB Mar. 26, 2015).