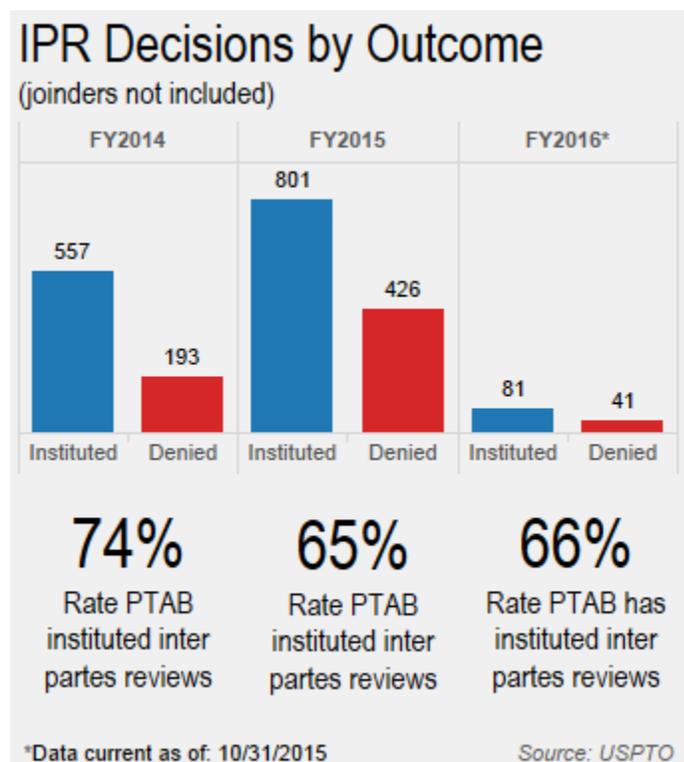


## PTAB Grants Lower Rate Of IPRs As Patent Owners Fight Back

By Erin Coe

*Law360, San Diego (January 26, 2016, 4:35 PM ET)* -- The Patent Trial and Appeal Board is instituting a lower percentage of inter partes reviews, a drop that may have to do with both a surge in lower-quality petitions attacking the validity of patents and greater efforts by patent owners to fight challenges early on, according to attorneys.

The PTAB has granted a shrinking number of IPR petitions per patent over the years — from 86 percent in 2013 to 74 percent in 2014 and 65 percent last year — according to a review of PTAB statistics from 2013 to Oct. 31, 2015, by Nathan Speed, a Wolf Greenfield & Sacks PC litigator. These percentages do not include grants based on motions for joinder.



At the same time, if an inter partes review is instituted, the patent owner faces huge risks. It has an 86 percent chance of seeing the PTAB find some or all of the instituted claims unpatentable, according to the total number of IPR trials that reached final decisions in the review period.

“The big takeaway is that the whole ballgame is at the institution stage for patent owners and petitioners alike,” Speed said. “Petitioners need to put together the best petition that they can because if it gets instituted, their chance of success is very high. Conversely, the best shot patent owners have at knocking out a petition is at the institution stage, where the institution rate is closer to even than at the final written decision stage.”

The PTAB has handed down several high-profile denials over the last year. Earlier this month it **denied two requests** by Amgen Inc. for inter partes reviews of claims of two AbbVie Biotechnology Ltd. patents covering the blockbuster Humira, just months after Amgen asked the U.S. Food and Drug Administration for permission to market a biosimilar version of the autoimmune disease drug. The PTAB said in part that some of Amgen’s arguments relating to whether the patents were invalid as obvious over several prior art patents and literature were “too general to be persuasive.”

And in June, the PTAB **mostly denied bids** by Google Inc. and Apple Inc. for inter partes and covered business method reviews of three digital rights management patents owned by ContentGuard Holdings Inc., and admonished Apple for submitting an overly long, 342-page expert declaration. The board said that AIA reviews must be just and speedy and that “no such proceeding could be secured” with the record Apple presented.

Attorneys say a number of factors have likely contributed to the drop in the IPR institution rate, including a stream of weaker petitions, a greater willingness by patent owners to file preliminary responses and a possible conscious effort by the PTAB to curb criticism that the scales are unfairly tipped toward those accused of infringing.

“One theory is that the PTAB’s initially high institution rate motivated some defendants to file petitions without necessarily putting in the time and effort to take a deep dive into the challenged patent and find the best prior art possible,” Speed said. “If it appears that everyone is getting an inter partes review instituted, some petitioners aren’t going to spend as much time or money on the petitions, leading to weaker petitions and more denials.”

The initial institution success rate prompted more petitions, some done by attorneys with less PTAB experience that didn’t comply with all the technical rules of PTAB practice, such as missing statutory dates or failing to list real parties in interest, according to Kerry Taylor, a partner at Knobbe Martens Olson & Bear LLP.

“A lot of firms are trying to develop their PTAB practices, and some are more experienced than others,” he said. “Some new groups are jumping in with petitions that don’t meet all technical requirements, and maybe it’s also that the budget is too low.”

He added that some defendants may be less interested in getting an inter partes review instituted than in putting pressure on the patent owner in district court litigation, such as filing a review to get a suit stayed or spur settlement discussions.

The decline also likely has to do with patent owners increasingly filing preliminary responses before the PTAB makes its institution decision, according to Matthew Phillips, a partner at Renaissance IP Law Group LLP who mainly represents patent owners.

When inter partes reviews first became available, many patent owners were reluctant to tip their hand

and waited to show their arguments after institution when they could provide expert witness testimony and other supportive evidence, but over the years they have gradually warmed up to filing a preliminary response, recognizing the value of avoiding a trial altogether or at least narrowing the grounds at issue, he said.

“It’s so much cheaper and less risky to have a victory by having a petition denied as opposed to having a victory after going through an expensive trial where there is a significant risk for the patent owner of losing its patent,” he said.

Patent owners also are getting more sophisticated about what the PTAB expects from inter partes review petitions and are exploiting the substantive and procedural weaknesses they find, according to Bob Steinberg, chair of Latham & Watkins LLP’s PTAB practice.

“Some petitioners don’t put forth good combinations of references that lock together seamlessly ... or they try to supplement the petition with evidence that is not really properly developed in the petition,” he said. “It’s not surprising that there are denials because the prior art is not always that good, maybe the advocacy could be better by making the arguments less complicated, and the patent owners are taking advantage of that.”

In addition, the PTAB data shows that settlements of inter partes reviews before an institution decision climbed from 106 in 2014 to 275 in 2015, indicating that patent owners may be settling challenges against weaker patents before institution while letting challenges to stronger patents go to the board for an institution decision, according to Speed.

“The board is left to decide cases that involve arguably stronger patents and for which the patent owners are willing to put up a fight,” he said.

Another factor is PTAB judges applying a stricter filter for petitions as they grow more accustomed to taking inter partes reviews through trial and hearing arguments on both sides. That more rigorous approach also might be influenced by criticism the board received, particularly in the beginning, as a “death squad” that invalidated patents at a high rate.

“After the PTAB drew criticism, it may have taken it to heart and been a little more searching in its decision-making,” said Matthew Kreeger, chair of Morrison & Foerster LLP’s inter partes review and post-grant practice.

A rise in petitions against life sciences patents also might be contributing to an overall institution rate decline because those patents in the unpredictable arts already have a much lower institution rate.

“The obviousness standard is a little more rigorous for life sciences patents, and Federal Circuit decisions have set a reasonably high standard,” Taylor said. “As petitioners file more of these petitions, it will drag the numbers down. The inter partes review institution rate for life sciences patents is between 50 and 55 percent, and it’s been that way for a while.”

The PTAB may be inclined to institute an even lower percentage of inter partes reviews if **rules proposed last year** by the U.S. Patent and Trademark Office take effect, according to Speed. The USPTO proposed allowing patent owners to file a preliminary response that includes expert declarations, evidence that petitioners are already able to submit with a petition.

“If patent owners are able to bring in expert testimony, it would be another arrow in their quiver to fight back against petitions,” Speed said. “And intuitively, it would seem that this additional defensive tactic could make it so that more petitions are denied as it will enable patent owners to provide stronger responses.”

Despite the steady descent of the institution rate so far, accused infringers are expected to continue to bring their validity fights to the patent office, according to Pierre Hubert, a principal at McKool Smith PC.

“The inter partes review process is still petitioner-friendly, and I don’t think the new statistics will deter petitioners from filing petitions,” he said. “Petitions are inexpensive, the inter partes review process is fast, and the risks of filing are few. Even with the PTAB’s reduced institution rate, statistically it is still considerably more likely than not that a petition will result in an institution decision.”

Depending on the jurisdiction, a district court jury can be tougher to convince that a patent is invalid than a panel of patent administrative judges at the PTAB, according to Kreeger.

“The PTAB has gone from being a ridiculously great forum for petitioners to a really good forum,” he said. “It’s still a strong place, and we will see accused infringers continue to rely on inter partes reviews.”

--Editing by Jeremy Barker and Brian Baresch.

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