

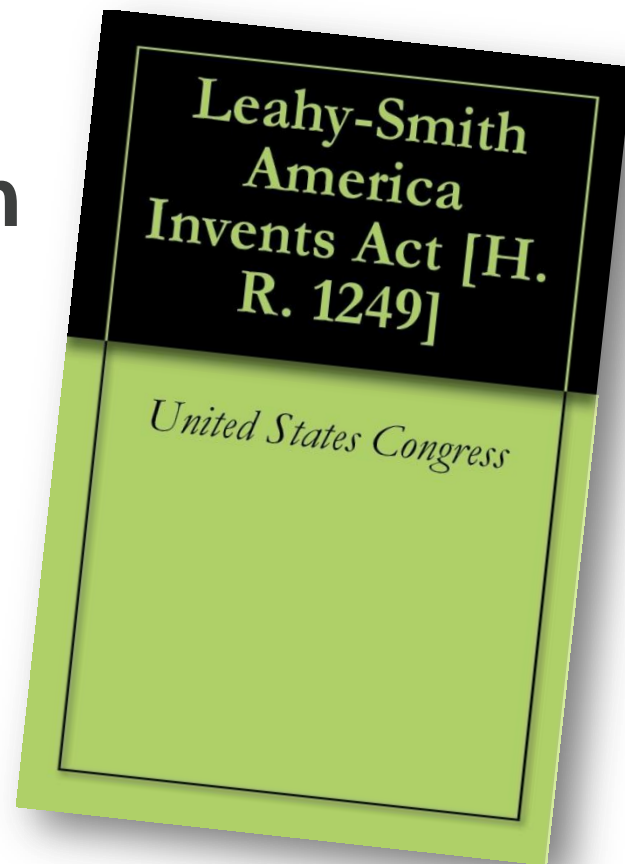


Patents and Litigation – Brazil, Europe, and United States – Big Changes on the Way

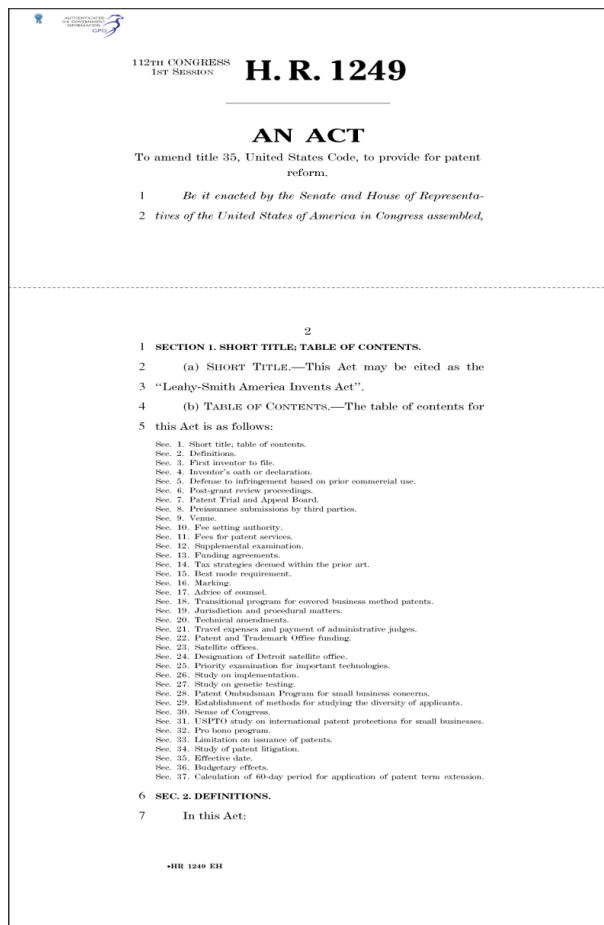
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U.S. Patent Strategies with Implementation of the America Invents Act (AIA)



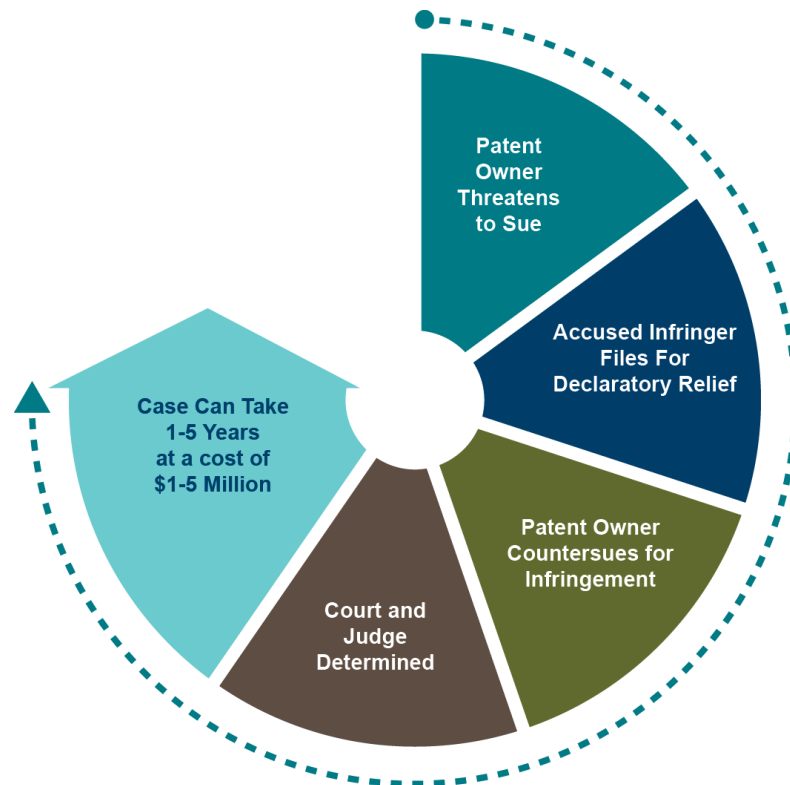
America Invents Act of 2011



- Signed by President Obama on Sept. 16, 2011
 - Most significant change to US Patent Law in over 100 years
- Act covers:
 - 1) Patent Litigation Reform
 - 2) PTO Fees and Funding
 - 3) New Patent Office Proceedings
 - 4) Change to First-to-File System

How Patent Litigation Works in the U.S.

- Patent owner can threaten to sue, or simply sue without giving any notice
 - If threatened, the accused infringer can go to court and file for declaratory relief
 - But the patent owner will countersue for infringement
- Usually an initial fight over which court you are going to be in
- With formalities over, the case can take 1 year to 3-5 years, depending on the court and the judge
 - The defendant can try to have the patent declared invalid in the patent office (using reexamination, IPR or PGR). For reexamination, it is a toss-up as to whether the litigation will be stayed until the reexam is concluded. For IPR and PGR, stays remain at the judge's discretion except for limited circumstances.
- Cost will almost certainly be over \$1 million, and more likely \$3-5 million.



New Patent Review Proceedings under the AIA

- **Post Grant Review**
- **Inter Partes Review**
- **Third Party Submissions of Prior Art**
- **Derivation Proceedings**

New Post Issuance Review Proceedings

- Post-Issuance Review Proceedings Are Contested Proceedings that Replace *Inter Partes* Reexamination
 - Inter Partes Review (IPR)
 - Available For All Issued Patents Regardless of Issue Date
 - Challenges Limited to Lack of Novelty, Inventive Step (Obviousness)
 - Post Grant Review (PGR)
 - Available For Patents Issued after 3/16/2013, Within 9 Months of Grant
 - Expanded Grounds to Challenge Validity

The Three “E”s of The New Review Proceedings

- **Expedited** – USPTO Issues Final Written Decision in 12 Months
- **Estoppel** – Requester Cannot Raise Defense Again in Litigation
- **Expensive** – Being Called “Patent Office Litigation”
 - USPTO Fees At Least \$23,000/\$30,000
 - Attorney Costs ~\$300K to \$1M (Avg ~\$800K)

Reexamination and Review

Ex Parte Reexamination

- > Patents/printed publications
- > Substantial new question
- > No discovery , oral hearing
- > No estoppel
- > No settlement effect
- > Patent owner may request

Inter Partes Review

- > Patents/printed publications
- > Reasonable likelihood requester prevails
- > Discovery , oral hearing
- > Estoppel (PTO, D/C and ITC)
- > Settlement terminates , no estoppel
- > Available 9/16/12, if no PGR
- > Within 12 months of litigation

Post Grant Review

- > Any invalidity ground
- > More likely than not 1+ claim unpatentable ; and/or novel / unsettled legal question
- > Discovery , oral hearing
- > Estoppel (PTO, D/C and ITC)
- > Settlement terminates , no estoppel
- > Patents filed after 3/16/13
- > Within 9 months of issuance

Post Issuance PTO Proceedings - Summary

Proceeding	Purpose & Timing	Issues & Prior Art	Strategic Considerations
Post Grant Review	3rd Party challenge of patent within 9 months of issuance	Any ground of invalidity (§§ 101, 102, 103, 112, 251) - not limited to patents or printed publications	Estoppel issues; Intervening rights; Limited discovery
<i>Inter Partes</i> Review	3rd Party challenge of patent after PGR window or conclusion of PGR	Any ground of invalidity (§§ 101, 102, 103, 112, 251) - not limited to patents or printed publications	Estoppel issues; Intervening rights; Limited discovery
<i>Ex Parte</i> Reexam	Challenge patent anytime	Limited to novelty, obviousness (102, 103) - limited to patents and printed publications	3rd Party cannot participate; Patent Owner can i/v Examiner; Intervening rights; No estoppel

Comparison of Review With Litigation

	Post Grant Review	Inter Partes Review	Litigation
Reviewing body	PTAB	PTAB	Court/Jury
Eligible patent	Patents and applications with effective filing date after Mar. 15, 2013	All	All
Eligible prior art/invalidity grounds	All	Patents and printed publications	All
Discovery	Yes, limited	Yes, limited	Yes
Burden of proof	Preponderance of evidence	Preponderance of evidence	Clear and convincing evidence
Timeline	12-18 months	12-18 months	24-48 months
Disadvantages	Cannot appeal determination not to review; Broad estoppel on litigation; Patent owner can amend or present new claims	Cannot appeal determination not to review; Broad estoppel on litigation; Patent owner can amend or present new claims	Expensive; no amendment to cure claims

Estimated Fees/Costs (Single Patent)

	PTO Petition Fees (base)	Cost to Prepare Filing	Total Process (Challenger)	Total Process (Patentee)
<i>Ex Parte Reexam</i>	\$12,000	\$15-30K	\$40-60K	\$10-100K
IPR	\$23, 000 (+\$400/claim)	\$30-60K	\$150-350K (+\$50- 200K if discovery)	\$150-400K (+\$50- 200K if discovery)
PGR	\$30,000 (+\$550/claim)	\$30-80K	\$250-400K (+\$50- 200K if discovery)	\$250-450K (+\$50- 200K if discovery)
Litigation	—	—	\$1.5-3.5M	\$1.5-3.5M

- Third Parties Now Have Some Opportunity to Submit Prior Art During A Competitor's Patent Prosecution
- The Prior Art Is Limited to Patent and Printed Publications, But Can Be Art Already of Record
- Prior Art Must Be Accompanied By Concise Statement of Relevance
 - Claim Charts Are Strongly Recommended
 - Some Formalisms Must Be Followed Because of the “*ex parte*” Nature of Patent Prosecution
- Need to file before earlier of:
 - Notice of Allowance, or
 - Later of 6 months after publication or first claim rejection
- Filing Fees *de minimus*
 - Free for First 3 References, \$180 for up to 10 References

Weapons You Had Before and After the AIA

Before AIA

Enforcing

- Patent – Gives you the right to bring a suit for damages and/or an injunction
- Continuation – Can keep continuation applications pending in the patent office to keep the defendant guessing.

Defending

- Design around the patent claims
- Interference
- *Ex Parte* Reexamination
- *Inter Partes* Reexamination



After AIA

Enforcing

- Patent – Same as before
- Continuation – Same as before
- Track 1 Expedited or “Prioritized” Examination

Defending

- Design around
- *Ex Parte*
- Post Grant Review
- *Inter Partes* Review
- Covered Business Method
- Prior Art Submissions

Cost Before and After the AIA

Before AIA

Enforcing

- Patent \$1 million to \$3.5 million
- Continuation \$3,000

Defending

- Design around - Depends
- Interference \$100,000 to \$1 million
- *Ex Parte* Reexamination \$15,000 to \$30,000 (\$2,500 filing fee)
- *Inter Partes* Reexamination \$100,000 to \$400,000



After AIA

Enforcing

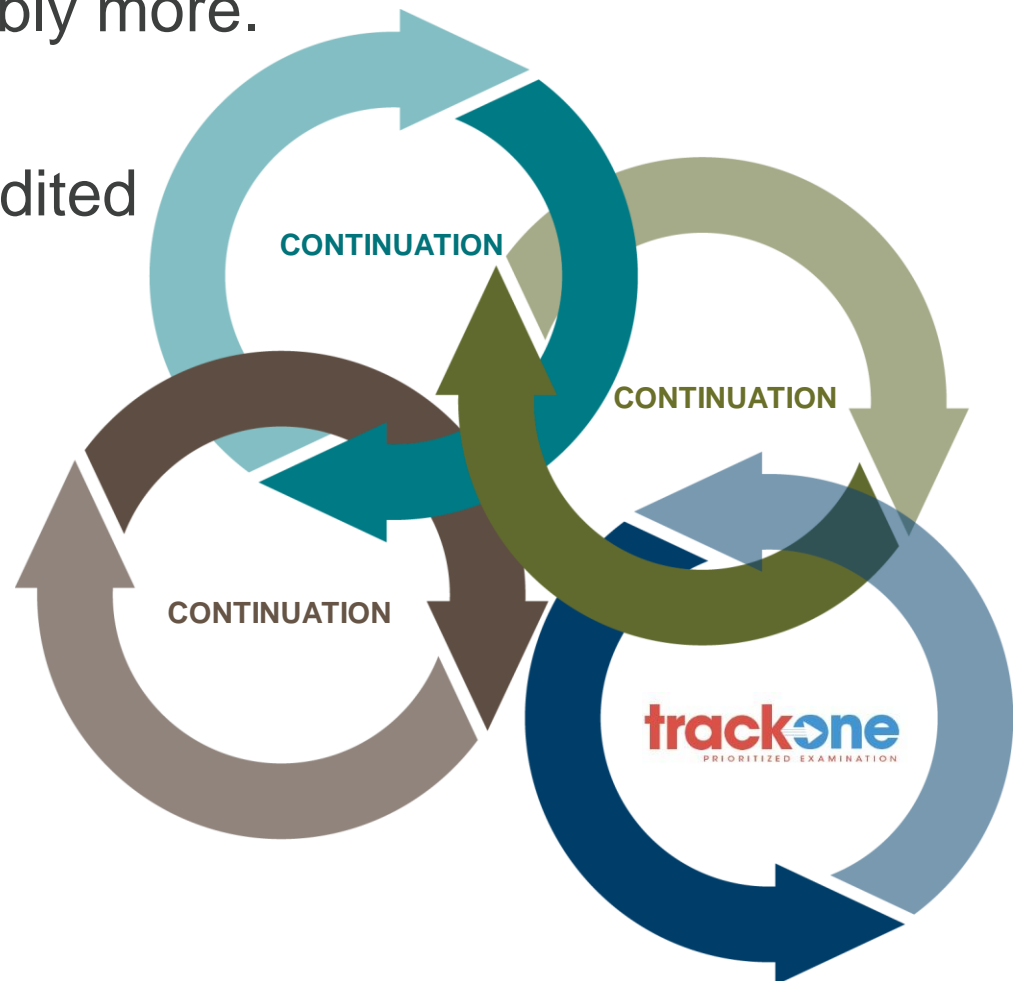
- Patent \$1 million to \$3.5 million
- Continuation \$3,000
- Track 1 Expedited Examination \$10,000

Defending

- Design around - Depends
- *Ex Parte* \$20,000 to \$50,000 (\$12,000 filing fee)
- Post Grant Review \$200,000 to \$1 million (none have been filed yet)
- *Inter Partes* Review \$200,000 to \$1 million (around 300 have been filed)
- Covered Business Method \$100,000 to \$500,000 (only a few filed)
- Third Party Submissions under \$1,000

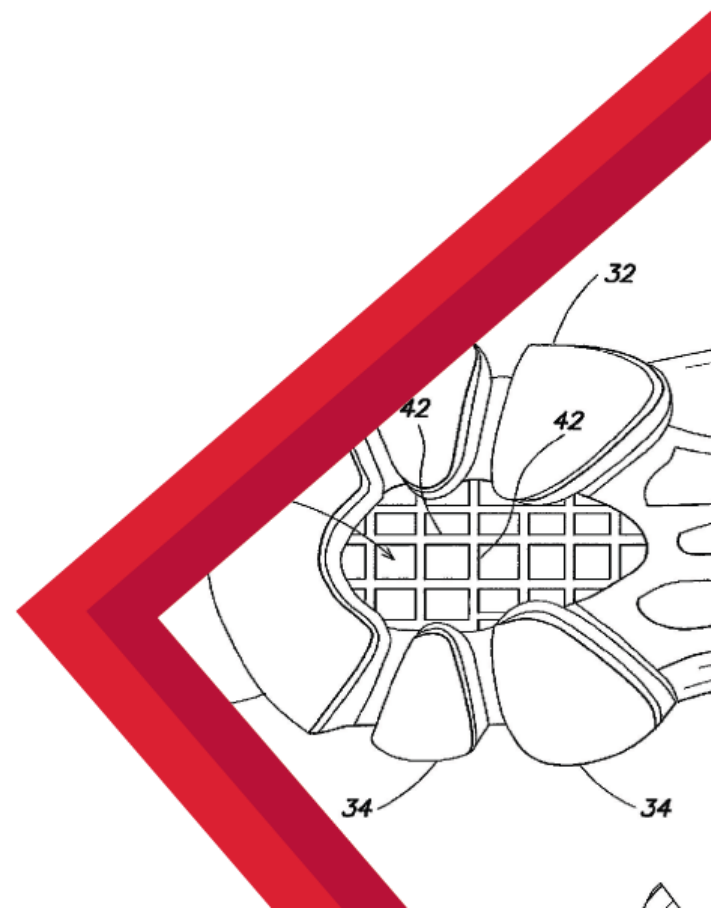
Best Strategy if you want to Enforce Your Patent

- Keep at least one continuation pending, and preferably more.
- Use Track One Expedited Examination to your advantage.



Why?

- Immediate remedy when infringer attempts to:
 - Design Around
 - Fix issues with the asserted patent that the infringer discovers
 - New prior art
 - Claim construction issues
 - Reexams



Examples

1. Get ready to assert patent and discover undesirable claim term
2. Find problem with divided infringement and don't want to sue for contributory infringement or inducement
3. Discover prior art when asserting patent.
4. Infringer filed reexam and need a patent faster than the reexamination proceeding.
5. Competitor copies your product and designs around your claims and you need a patent quickly to sue for injunctive relief.



Moral – Always, Always, Always Keep A Continuation Pending On Important Products

Prioritized Examination

Prioritized Examination - 35 U.S.C. § 41(h)

- Goal → 12 months to disposal
 - Disposal = Allowance, Abandonment, Appeal, RCE
- Requirements
 - An additional fee of \$4,800
 - **No** requirement for an examination support document
 - Limited of 30 claims (4 independent)
- Director can limit the number of filings per fiscal year.
 - Initial limit = 10,000 requests

How it Works

- File application with a simple petition and pay the \$4,800 fee
- Get first office action (or, you can also request an interview prior to the first office action “FAI”)
- Make trip to the patent office and work out claims with the examiner
- 3 months later you have your patent in hand



Statistics on Prioritized Examination



- PE has half the number of Office Actions on average
- FAI further reduces the number of actions
- In combination, PE and FAI is a huge money saver
- Reduction in Office Actions counterbalances petition fee & travel costs for in-person interviewing
- Cost are compressed into a shorter pendency, but are lower over life cycle of prosecution



Does it really work?



If you are a defendant, should you use any of the AIA post grant programs?

- Designing around and negotiating are almost always the best way
- New post grant proceedings are **very** expensive and really designed for large litigation.
- They can almost be as expensive as litigation. For high stakes litigation, having your case decided in the patent office may be a good idea. For all the rest of the world, these don't work so well.
- Filing reexams are effective only in limited circumstances.
 - Too easy for patent holder to overcome rejections.
- Covered Business Methods are limited to very specific troll problems.



Conclusion

- The AIA has had very little impact on most litigation in the U.S.
- For large companies with sufficient assets, the post grant programs may be of some benefit.
- For everyone else, they are too expensive.



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Darin Gibby focuses his practice on intellectual property counseling, transactions and licensing matters, and he is experienced handling the intellectual property aspects of mergers and acquisitions. He counsels start-ups and small businesses on the intellectual property challenges they face. In addition, he manages several large patent portfolios for *Fortune* 500 companies. Mr. Gibby serves on the executive committee of his firm. He was instrumental in launching the Denver office in 1995, and since that time has spearheaded its growth and emergence as the largest patent firm in Denver.

Mr. Gibby's practice emphasizes patent prosecution and licensing in software and financial transaction systems, medical devices, drug delivery systems, telecommunications, food products, biotechnology-related devices, ceramics and Internet-related technology. He has obtained significant patents on atherectomy and imaging catheters, CPR methods, chemical synthesizing systems, computer peripherals, software, sporting goods, cheese making processes, disk drive heads, baby products and electro-surgical medical devices. He is experienced in reexamination and interference procedures, including invalidating a significant patent covering dynamic currency conversion. Mr. Gibby also regularly provides freedom-to-operate opinions, as well as invalidity and noninfringement opinions.

As part of his practice, Mr. Gibby routinely visits the U.S. Patent Office in Alexandria, VA, having interviewed hundreds of cases. His strategy focuses on working with examiners, rather than resorting to the appellate process. As a result, he has a working relationship with numerous examiners across many art units.

He is also the author of, "Why Has America Stopped Inventing?" His second book, "The Vintage Club" is set to be released this November.