

# Post-Grant for Practitioners



FR

## Part 3: IPR and Covered Business Method Review- Recent Developments

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## Agenda

- I. Overview of Webinar Series
- II. Statistics
- III. Stays
- IV. Case Study #1: Liberty Mutual Ins. Co. v. Progressive Casualty Ins.
- V. Case Study #2: Versata Development Group Inc. v. Rea, 1:13-cv-00328 (E.D. Va 2013)

## I. Overview

Where? ... see invitation

How often? ... monthly

When? ... 2<sup>nd</sup> Wednesday

Topics? ...

Important decisions

Developments

Practice tips

FR FISH & RICHARDSON

Post-Grant Practice



### **Post-Grant for Practitioners:**

A monthly series of webinars focusing on developments in post-grant proceedings and related practice tips

#### **Part I: Inter Partes Review and Covered Business Method Patents - the First Five Months.**

Wednesday, February 13, 2013  
1:00 p.m. ET

Fish & Richardson's post-grant practice chairs are back with a new monthly series of webinars devoted to topics of interest in the emerging area of post-grant proceedings. Join them as they share their experiences, insights, and practice tips.

This first webinar will discuss the first five months of inter partes review and covered business method patents.

#### **Speakers:**

[Dorothy Whelan](#), Principal and Post-Grant Practice Co-Chair, Twin Cities

[Karl Renner](#), Principal and Post-Grant Practice Co-Chair, Washington, DC

Fish & Richardson will apply for 1.0 hour of general CLE credit in most states. If you would like to receive CLE credit, RSVP with your state bar information.

**RSVP**

If you have questions, please contact Tracey Spadavecchia at [spadavecchia@fr.com](mailto:spadavecchia@fr.com).

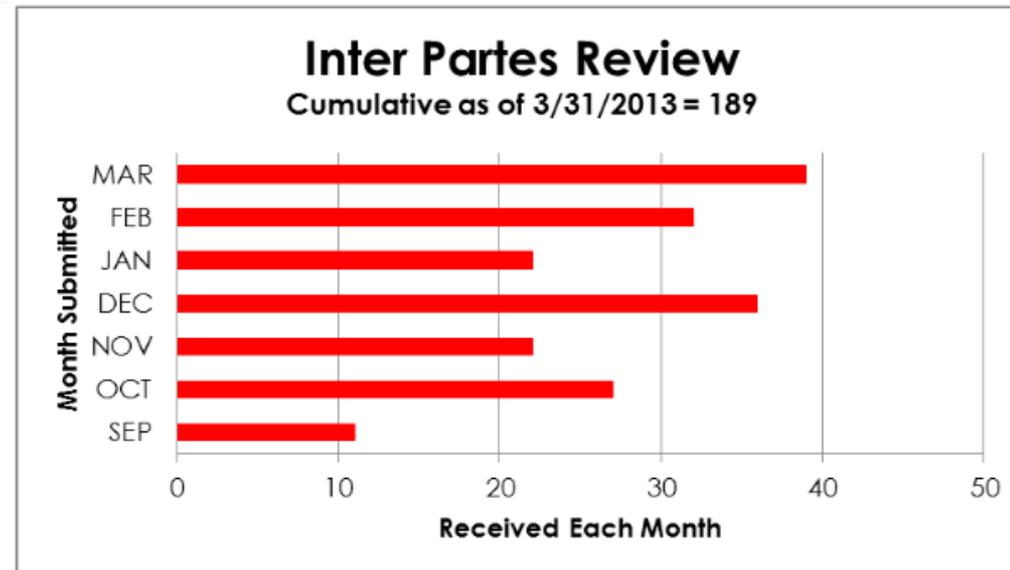
## I. Overview (con't)

- Brief Review
  - IPR: Inter partes review
    - Grounds for unpatentability limited to patents and printed publication
    - Standard: reasonable likelihood that petitioner would prevail on at least 1 claim
    - Estoppel: any ground raised or reasonably could have raised
  - CBM: Transitional Program for Covered Business Method Patents
    - **Limited to patents related to “financial services;” excludes “technological inventions;” petitioner must have been sued/threatened with suit**
    - Grounds for unpatentability: all (101, 112, 102/103)
    - Standard: more likely than not that at least 1 claim is unpatentable
    - Estoppel:
      - (a) PTO proceedings: any ground raised or reasonably could have raised
      - (b) District court/ITC: any ground raised

## II. Statistics (IPR)

- IPR's Filed?

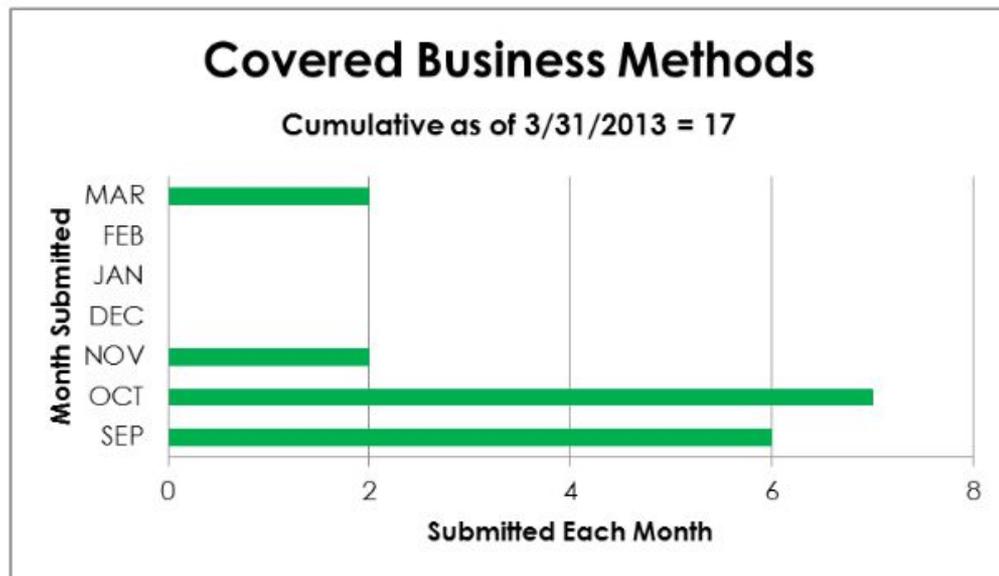
- 199 filed through April 5th
- 38 filed in March



- Application of Threshold: Reasonable Likelihood of Success
  - IPR has been instituted in all but 1 IPR Petition evaluated
  - In a number of cases where IPR was ordered, it was on only a subset of petitioned claims

## II. Statistics (CBM)

- **CBM's Filed?**
  - 38 filed through Apr 5th
  - 2 filed in March
- **Application of Threshold: Reasonable Likelihood of Success**
  - CBM has been instituted in all but 3 CBM Petitions evaluated
  - In a number of cases, CBM was ordered on only a subset of petitioned claims



## II. Statistics: Who is filing?

- By industry (IPR + CBM)
  - ~60% software or EE
  - ~20% mechanical
  - ~20% bio/chemical
- Most challenged patents anchor pending litigations

### III. Stays – District Courts Inclined to Grant...Thus Far



*Central District of California – December 19, 2012*

- One of first contested motions to stay in favor of pending IPR—addressed 3 stay factors
  - Stage of litigation
  - Simplification of issues
  - Undue prejudice or clear tactical disadvantage
- ✓ **Granted** “in light of the liberal policy in favor of granting motions to stay proceedings pending the outcome of IPR proceedings”

# Post-Grant for Practitioners

## ✓ 3 More Stays-for-IPR Granted - all involved some degree of plaintiff-patentee consent

- *Bd. Of Trustees of the Univ. of Illinois v. Micron Tech., Inc.* (C.D. Ill. Aug. 24, 2012 - Fish case)
- *Clear lamp LLC v. LKQ Corp.* (N.D. Ill. Oct. 18, 2012)
- *Network-1 Sec. Solutions, Inc. v. Alcatel-Lucent USA Inc. et al.* (E.D. Tex. March 5, 2013)

## ✓ 2 More Fish Cases for Defendant-Petitioners

- *Hagenbuch v. Komatsu America Corp.* (C.D. Ill. Feb. 6, 2013) – case reported settled eight days after motion to stay in favor of IPR
- *Prolitec Inc. v. ScentAir Techs. Inc.* (W.D. Wis. March 28, 2013) – motion to stay in favor of IPR “non-opposed” by plaintiff-patentee

## ✓ PTO Stay of Concurrent IPRx in view of later filed IPR

- *CBS Interactive et al. v. Helferich Patent Licensing* (USPTO Nov. 6, 2012)

## IV. Case Study #1 (Liberty Mutual)

*Liberty Mutual Insurance Co. v. Progressive Casualty Insurance Co.*, slip op. CBM2012-00003 (PTAB Oct. 25, 2012)

- Liberty Mutual filed a covered business method patent review of claims 1-20 of U.S. Patent No. 8,140,358. The petition included 422 grounds of rejection based on 10 references for these 20 claims. The PTAB required these grounds be substantially reduced.

- Legal Framework for Decision
  - “The Director shall prescribe regulations . . . requiring that the final determination in any post-grant review be issued not later than 1 year after the date in which the Director notices the institution of a proceeding under this chapter . . .” 35 U.S.C. § 326(a)(11).
  - **When promulgating the regulations, the Board considered “the effect of the regulations on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings” as mandated by 35 U.S.C. § 326(b).**
  - 37 C.F.R. § 42.1(b) provides that **Part 42 of the rules “shall be construed to secure the just, speedy, and inexpensive resolution of every proceeding.”**
  - Under 37 C.F.R. § 42.20(c), a petitioner has the burden of proof to establish that it is entitled to the requested relief.

- Based on this legal framework, the PTAB determined that:
  - “multiple grounds, which are presented in a redundant manner by a petitioner who makes no meaningful distinction between them, are contrary to the regulatory and statutory mandates, and therefore are not all entitled to consideration.”
- In analyzing the **“multiplicity of grounds”** presented in Liberty Mutual’s petition, the PTAB identified two types of redundancy that require **“meaningful distinction”**:
  - Horizontal Redundancy
  - Vertical Redundancy

- Horizontal Redundancy
  - PTAB Explanation: “a plurality of prior art references applied not in combination to complement each other but as **distinct and separate alternatives**. All of the myriad references relied on provide essentially the same teaching to meet the same claim limitation, and the associated **arguments do not explain why one reference more closely satisfies the claim limitation at issue in some respects than another reference, and vice versa.**”
  - Examples
    - References in petition are: A, B, C, and D
    - Horizontally redundant:
      - Obviousness rejections: Claim 1 is rendered obvious by each of A+B, A+C, and A+D.
      - Anticipation rejections: Claim 1 is anticipated by each of A, B, C, and D.

- Vertical Redundancy
  - PTAB explanation: “there is **assertion of an additional prior art reference to support another ground of unpatentability when a base ground already has been asserted against the same claim** without the additional reference and the Petitioner has not explained what are the relative strength and weakness of each **ground.**”
  - Examples
    - References in petition are: A, B, and C
    - Vertically redundant rejections:
      - Claim 1 is rejected based on each of A, A+B, and A+C
      - Claim 1 is rejected based on each of B, B+A, and B+C

- How does PTAB propose a petitioner cure issues of redundancy?
  - Option 1: If any one ground can be determined to be “**better**” from all perspectives, Petitioner should assert the stronger ground and not burden the Patent Owner and the Board with the **other.**”
  - **Option 2: A “bi-directional explanation” of why each ground is better in some respect than each other ground.** For example, in a case of two redundant grounds: “[o]nly if the Petitioner reasonably articulates why each ground has strength and weakness relative to the other should both grounds be asserted for consideration.”
- In *Liberty Mutual*, the PTAB gave the Petitioner 7 days to pick the rejections they wanted to pursue. However, in subsequent Decisions (e.g., *MicroStrategy, Inc. v. Zillow, Inc.*, slip op. IPR2013-00034 (PTAB Apr. 2, 2013)), the PTAB has chosen for the Petitioner.

## V. Case Study #2 (Versata)

*Versata Development Group Inc. v. Rea*, 1:13-cv-00328 (E.D. Va 2013)

- Versata sued the PTO in E.D. VA challenging the PTAB's interpretation of "covered business method patent" and the PTAB's holding that petitioners could challenge patents on the basis of § 101 grounds.

- Interpretation of “covered business method patent”

Sec. 18 of AIA - A Covered Business Method Patent is:

“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.”

37 C.F.R. 42.301(b) clarified the meaning of technological invention:

“In determining whether a patent is for a technological invention, the following will be considered on a case-by-case basis: whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.”

PTAB: “The term financial is an adjective that simply means relating to monetary matters.”

- Interpretation of “covered business method patent” (cont’d)

The PTAB proposed a two-part test for “covered business method patent”:

- (1) does the claim recite a technological feature that is novel and unobvious over the prior art; and
- (2) does the claimed subject matter solve a technical problem using a technical solution?

## Interpretation of “covered business method patent” (con’t)

17. A method for determining a price of a product offered to a purchasing organization comprising:

- arranging a hierarchy of organizational groups comprising a plurality of branches such that an organizational group below a higher organizational group in each of the branches is a subset of the higher organizational group;
- arranging a hierarchy of product groups comprising a plurality of branches such that a product group below a higher product group in each of the branches is a subset of the higher product group;
- storing pricing information in a data source, wherein the pricing information is associated, with (i) a pricing type, (ii) the organizational groups, and (iii) the product groups;
- retrieving applicable pricing information corresponding to the product, the purchasing organization, each product group above the product group in each branch of the hierarchy of product groups in which the product is a member, and each organizational group above the purchasing organization in each branch of the hierarchy of organizational groups in which the purchasing organization is a member;
- sorting the pricing information according to the pricing types, the product, the purchasing organization, the hierarchy of product groups, and the hierarchy of organizational groups;
- eliminating any of the pricing information that is less restrictive; and
- determining the product price using the sorted pricing information.

- Interpretation of “covered business method patent” (con’t)
- PTAB Decision did not disqualify the patent as covering a technological invention
- Rather, the PTAB found the claims (*as a whole*) lacking “specific, unconventional software, computer equipment, tools or processing capabilities”
- PTAB rejected patent owner’s argument that recitation in claims of hierarchical data structure used in combination with a software-implemented pricing procedure = novel and unobvious technological feature.
  - “None of these claim limitations ... rises to the level of a technological feature as the claimed method steps could be performed by one of ordinary skill in the art with pencil and paper.”
  - “Organizing data into hierarchies however is not a technical solution as this is akin to creating organizational management charts.”

- Interpretation of “covered business method patent” (cont’d)
- In the E.D. Va action, Versata challenged the PTAB’s interpretation of “covered business method patent” as it related to “financial product or service”:

“10. Claims 17 and 26-29 are not related to a financial product or service, nor the practice, administration or management thereof.

11. Claims 17 and 26-29 involve determining the price of a product.

12. Determining the price of a product, i.e., a selling or merchandizing activity is not ‘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 ...’ § 18 AIA.”

- Grounds for challenging a patent in a CBM proceeding, once instituted

Section 18 of the AIA: any ground of invalidity that could be raised under 35 U.S.C. § 282(b)(2) or (3) can be raised in CBM review.

The grounds under § 282(b)(2) and (3) are:

- (2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.
- (3) Invalidity of the patent or any claim in suit for failure to comply with—  
(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or (B) any requirement of section 251.

- Grounds for challenging a patent (cont'd)

PTAB: Held that § 101 grounds are “conditions for patentability.:

(a) US Supreme Court precedent (*Graham, Mayo/Prometheus*);

(b) Federal Circuit precedent (Dealertrack-ability to raise § 101 in counterclaim;

(c) Legislative history of AIA

Versata: Only §§ 102 and 103 are “conditions for patentability” and permissible grounds for a CBM challenge.

- In our initial 7-part webinar series titled “Challenging Patent Validity in the USPTO,” we explored details regarding several of the post grant tools, with 3 sessions dedicated to Inter Partes Review (IPR), and a final session walking through several hypotheticals, to help listeners understand how these apply to common situations.
- Audio and slides for these webinars are posted online at:  
<http://www.fr.com/post-grant-webinar-series/>
- If you listen to these webinars, you will be well positioned to engage in a conversation over whether and when to use those tools and how to defend against them.

## Resources

- F&R web sites:
  - Post-Grant for Practitioners: <http://www.fr.com/post-grant-for-practitioners/>
  - General: <http://www.fr.com/post-grant-practice/>
  - IPR: <http://www.fr.com/reexam-services-post-grant-ipreview/>
  - PGR: <http://www.fr.com/reexam-services-post-grant-pgreview/>
  - Rules governing post-grant: <http://www.fr.com/post-grant-practice/>
- USPTO sites:
  - AIA Main: [http://www.uspto.gov/aia\\_implementation/index.jsp](http://www.uspto.gov/aia_implementation/index.jsp)
  - Inter Partes: [http://www.uspto.gov/aia\\_implementation/bpai.jsp](http://www.uspto.gov/aia_implementation/bpai.jsp)

Questions?



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Special thanks to Tom Rozylowicz, David Holt and Andrew Patrick, who each contributed slides.

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