

Post-Grant for Practitioners

Midyear Review: Developments of Interest in *Inter Partes* Review (IPR)

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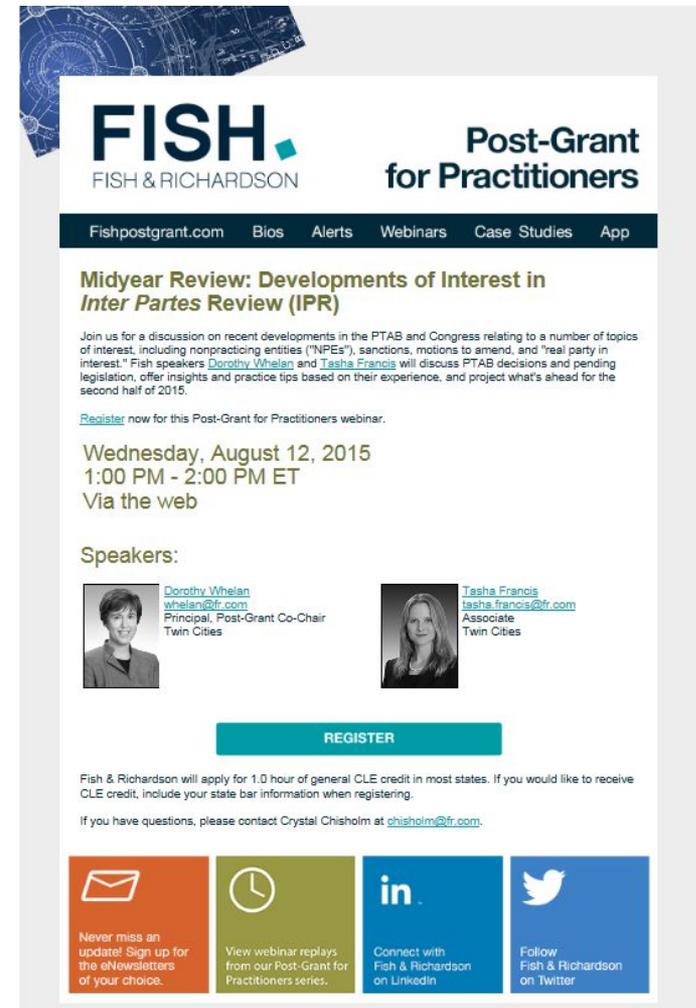
Tasha Francis
Associate

- I. Overview of Webinar Series
- II. Statistics
- III. Hedge Fund Petitioners and Sanctions
- IV. Real Party in Interest: Timing Issues
- V. Developments in Amendment Practice
- VI. Post-Grant Resources



Overview of Webinar Series

- Where? ... see invitation
 - How often? ... monthly
 - When? ... 2nd Wednesday
 - Topics? ...
 - Important decisions
 - Developments
 - Practice tips
 - Housekeeping
 - CLE
 - Questions
 - Materials
- <http://fishpostgrant.com/webinars/>



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for Practitioners**

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**Midyear Review: Developments of Interest in
Inter Partes Review (IPR)**

Join us for a discussion on recent developments in the PTAB and Congress relating to a number of topics of interest, including nonpracticing entities ("NPEs"), sanctions, motions to amend, and "real party in interest." Fish speakers [Dorothy Whelan](#) and [Tasha Francis](#) will discuss PTAB decisions and pending legislation, offer insights and practice tips based on their experience, and project what's ahead for the second half of 2015.

[Register](#) now for this Post-Grant for Practitioners webinar.

Wednesday, August 12, 2015
1:00 PM - 2:00 PM ET
Via the web

Speakers:

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REGISTER

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

If you have questions, please contact Crystal Chisholm at chisholm@fr.com.

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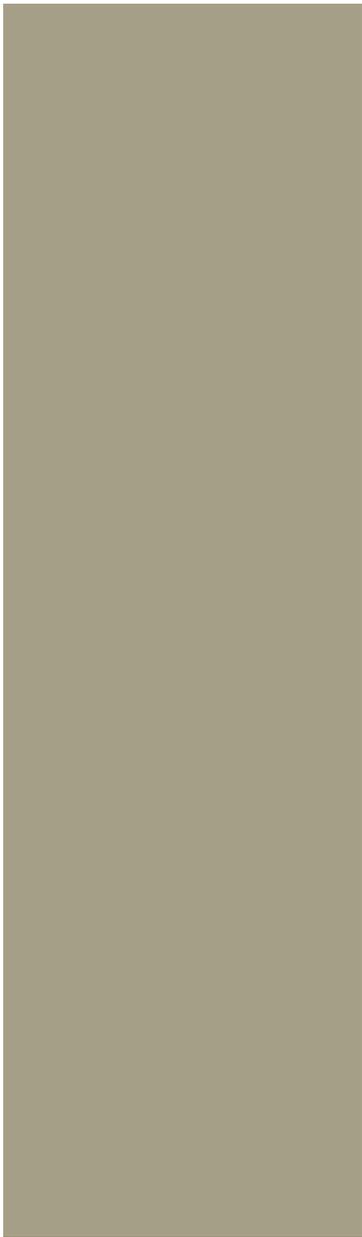
 View webinar replays from our Post-Grant for Practitioners series.

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Statistics



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- **IPRs Filed?**

- **3277** filed through July 31, 2015
- **182** filed in June 2015

- **CBMs Filed?**

- **368** filed through July 31, 2015
- **9** filed in June 2015

- **FWDs on the Merits Issued So Far**

- IPR: **447** through July 31, 2015
- CBM: **54** through July 31, 2015

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News from the PTAB

- PTAB/AIPLA road shows:
 - August 24: San Jose
 - August 26: Dallas
 - August 28: Alexandria

In addition to presentations and panel discussions with practitioners and PTAB judges, each road show will conclude with a live oral hearing

For more information:

<http://www.aipla.org/learningcenter/AIARoadShows/Pages/default.aspx>



Hedge Fund Petitioners and Sanctions

Hedge Fund Petitioners

- Kyle Bass and various related entities, including the Coalition for Affordable Drugs, have filed a total of 17 IPR petitions to date.
- The Coalition for Affordable Drugs is a series of companies, each formed for a particular IPR petition.
- Targets include Biogen, Celgene, Pozen, Shire, Acorda, and NPS Pharmaceuticals
- Latest filed August 7, 2015 against Pozen
- First expected trial decision due on or about August 26, 2015

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Hedge Fund Petitioners

- Bass has filed 5 IPR petitions against Celgene alone
- On 6/3/15, Celgene requested authorization to file a motion for sanctions pursuant to 37 C.F.R. § 41.12(a)(6) against Bass but not his attorneys.
- Celgene accused Bass of abuse of process: “The identified real parties in interest (‘RPI’) in these proceedings have stated publically that they intend to use the IPR process for the purpose of affecting the value of public companies. This is not the purpose for which the IPR process was designed.”

Hedge Fund Petitioners

- Celgene also suggested that Bass or one of his affiliates may have improperly tried to use the IPRs as leverage to extort a settlement:

“[O]ne or more of the identified RPI previously threatened to file IPRs against the challenged patents unless Celgene met their demands. When Celgene did not pay, the RPI—apparently in furtherance of their efforts to abuse the IPR process for private financial gain—filed the present petitions.”

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Hedge Fund Petitioners

The Board authorized Celgene to file a motion and specifically asked the parties to brief the following issues:

1. The elements required to establish abuse of process;
2. evidence of intent that supports or undercuts the allegations of abuse; and
3. the standard of proof required when deciding a sanctions motion.

Hedge Fund Petitioners

- Celgene filed its motion on July 28, 2015

Celgene's arguments:

- (1) "Abuse of process" occurs when a party uses the process "to achieve a goal for which the process was not designed Abuse of process can exist where a party seeks to financially benefit itself by financially harming another"
- (2) Burden of proof: "reasonable likelihood"
- (3) Evidence of intent: Alleged that Spangenberg (co-Petitioner) threatened to file IPRs against Celgene in order to extract a settlement. When Celgene didn't respond, the Initiative for Responsibility in Drug Pricing ("IRDP") sent a nearly identical petition to Celgene, seeking a cash settlement. When Celgene still didn't respond, Spangenberg and IRDP joined forces with Bass to form shell companies (Coalition for Affordable Drugs) for the purpose of challenging patents held by pharma companies while betting against their shares.

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Hedge Fund Petitioners

- Bass response filed August 11, 2015

Bass argues:

- Having an economic motive for petitioning the government doesn't equal abuse of process
 - “at the heart of nearly *every* patent and nearly *every* IPR, the motivation is profit”
- Public interest in challenging patents
 - Estimated costs arising from improperly granted patents over the next twenty years is estimated to be \$73-\$220 billion
- People don't undertake socially valuable activity for free
 - “CFAD anticipates that fees and costs to complete an IPR for a single drug is approximately \$1 million dollars.”
- Petitions are proper under the AIA and otherwise legal
 - “a person who is not the owner of a patent may file”
- Can't have abuse of process until *after* institution
 - “A dismissal sanction would amount to an impermissible substantive rule that changes existing law governing an individual's standing to file an IPR petition”

Hedge Fund Petitioners

Proposed legislation:

(1) Preclude hedge funds from filing petitions;

Innovation Act of 2015 includes a provision requiring parties seeking IPR of a granted patent to certify that they do not have a financial interest in seeing the stock of the patent holder decline

(2) Standing requirement

STRONG Patent Act of 2015 proposes to limit standing to file and IPR to those “sued for infringement of the patent” or “charged with infringement under the patent,” and their privies and real parties in interest- much like the current standing for CBM petitions



Real Party in Interest: Timing Issues

Real Party in Interest

- Petition must name the petitioner as well as all real parties in interest. 35 U.S.C. § 312(a) and 37 C.F.R. § 42(b)(1). Can't file anonymously.
- Failure to name all real parties in interest will result in denial of filing date.
 - Could be fatal if new filing date > 1 year after service of infringement complaint
- “Real parties in interest” are parties that control or have the opportunity to control the petitioner’s actions. Broader than privies.

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Real Party in Interest

- Typically Patent Owner raises a challenge in its preliminary response because potentially powerful tool to prevent institution.
- PTAB may permit Petitioner to reply.
- Is there a time limit for raising this challenge?

Real Party in Interest

First Quality Baby Products, LLC v. Kimberly-Clark Worldwide, Inc.,
IPR2014-01021, Paper No. 42 (PTAB July 16, 2015)

- Patent owner filed a motion to terminate the proceeding after institution on the ground that Petitioner failed to name all real parties in interest
- Petitioner opposed on the ground that motion was untimely because Patent owner could have filed earlier
- Patent owner did not dispute that it was aware of the relevant facts for at least a year before filing the motion and could have raised the issue prior to institution

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Real Party in Interest

First Quality Baby Products, LLC v. Kimberly-Clark Worldwide, Inc.,
IPR2014-01021, Paper No. 42 (PTAB July 16, 2015)

- PTAB denied motion to terminate on the merits.
- HOWEVER, PTAB cautioned that it was within its authority to deny the motion as untimely filed.

Real Party in Interest

First Quality Baby Products, LLC v. Kimberly-Clark Worldwide, Inc.,
IPR2014-01021, Paper No. 42 (PTAB July 16, 2015)

“Patent Owner’s argument that the completeness of the Petition’s listing of real parties in interest may still be challenged is inapposite here. Rather, the question is whether *this* Motion to Vacate, and its accompanying evidence, were timely raised. We note that our rules provide for the exclusion of evidence, adverse fact findings, and preclusion of a party from presenting or contesting an issue in the event of ‘dilatory tactics’ or ‘actions that ... cause unnecessary delay or an unnecessary increase in the cost of the proceeding.’”

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Real Party in Interest

First Quality Baby Products, LLC v. Kimberly-Clark Worldwide, Inc.,
IPR2014-01021, Paper No. 42 (PTAB July 16, 2015)

- Is this consistent with the fact that naming the real party in interest is a requirement for obtaining a filing date? See 35 U.S.C. § 312(a)(2) and 37 C.F.R. § 42.8(b)(1).
- Best practice is to raise the real party in interest issue in the preliminary response
- Raising the issue after institution may be acceptable if patent owner can demonstrate that it was not aware of relevant evidence earlier



Developments in Amendment Practice

Motions to Amend

Leading case is *Idle Free Systems, Inc. v. Bergstrom*, IPR2012-00027, Paper No. 26 (PTAB June 11, 2013).

- Limited ability to add new or amended claims
 - Limited in Number - One to One Substitution
 - Must prove need for substitute claims
 - Rarely granted
- *Idle Free* required patent owner to distinguish prior art of record AND closest prior art known to patent owner
- Patent owner bears the burden of demonstrating patentability of substitute claims

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Motions to Amend

Masterimage 3D, Inc. et al. v. Reald Inc., IPR2015-00040, Paper No. 42 (July 15, 2015)

(1) “Prior art of record” defined as:

- “a. any material art in the prosecution history of the patent;
- b. any material art of record in the current proceeding, including art asserted in grounds on which the Board did not institute review; and
- c. any material art of record in any other proceeding before the Office involving the patent.”

Motions to Amend

Masterimage 3D, Inc. et al. v. Reald Inc., IPR2015-00040, Paper No. 42 (July 15, 2015)

(2) “Prior art known to the patent owner” defined as:

“no more than the material prior art that Patent Owner makes of record in the current proceeding pursuant to its duty of candor and good faith to the Office under 37 C.F.R. § 42.11, in light of a Motion to Amend. Because a proposed substitute claim is considered after the corresponding patent claim is determined unpatentable, Patent Owner’s addition of a limitation to render the claim as a whole patentable places the focus, initially, on the added limitation itself Thus, when considering its duty of candor and good faith under 37 C.F.R. § 42.11 in connection with a proposed amendment, Patent Owner should place initial emphasis on each added limitation.”

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Motions to Amend

Masterimage 3D, Inc. et al. v. Reald Inc., IPR2015-00040, Paper No. 42 (July 15, 2015)

(2) Burden of proof:

“[O]nce Patent Owner has set forth a prima facie case of patentability of narrower substitute claims over the prior art of record, the burden of production shifts to Petitioner. In its opposition, Petitioner may explain why Patent Owner did not make out a prima facie case of patentability, or attempt to rebut that prima facie case, by addressing Patent Owner’s evidence and arguments and/or by identifying and applying additional prior art against proposed substitute claims. Patent Owner has an opportunity to respond in its reply. The ultimate burden of persuasion remains with Patent Owner, the movant, to demonstrate the patentability of the amended claims.”

Motions to Amend

Masterimage 3D, Inc. et al. v. Reald Inc., IPR2015-00040, Paper No. 42 (July 15, 2015)

Will these clarifications make it easier to amend?

- Judge Newman criticized motions to amend as “illusory” in her *Garmin* dissent
- USPTO has suggested it may propose a new rules package making it easier to amend
- Senator Coons’ STRONG Patent Act of 2015 would make it easier to amend claims

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Post-Grant Resources

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- In Fish & Richardson’s 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://fishpostgrant.com/webinars/>
- 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.

- Fish web sites:
 - Post-Grant for Practitioners: <http://fishpostgrant.com/webinars/>
 - General: <http://fishpostgrant.com/>
 - IPR: <http://fishpostgrant.com/inter-partes-review/>
 - PGR: <http://fishpostgrant.com/post-grant-review/>
 - Rules governing post-grant: <http://fishpostgrant.com/>
 - Post-Grant App: <http://fishpostgrant.com/app/>
- USPTO sites:
 - AIA Main: http://www.uspto.gov/aia_implementation/index.jsp
 - Inter Partes: http://www.uspto.gov/aia_implementation/bpai.jsp

Thank You!

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