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The IPR Trial—A Play in Three Acts

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How do you think about *inter partes* review (IPR)? Do you think that each IPR is a proceeding that involves a trial at the end or as a proceeding in two parts, one before the petition for IPR is granted, and one after the institution decision?

The thesis here is that you are better served in some ways to think of the IPR as a play in three acts. It is wrong to think of an IPR as a case that involves a trial at the end. It is right to think of an IPR as a case in two parts, one before and one after the institution decision. But for some purposes, it is best to think of an IPR as a play in three acts.

Background

At this time, nearly everyone involved in patent matters is aware of IPRs. “IPRs” are *inter partes* reviews, proceedings brought into existence by the America Invents Act in 2011 (AIA). The reviews are “post grant,” in that they concern issued patents. The reviews are low-cost alternatives to litigation in the courts over the validity of issued patents.

Nearly everyone also is aware that the volume of IPRs has ballooned far beyond expectations for the procedures. To date, nearly 4,000 IPRs have been filed. The US Patent and Trademark Office’s (PTO) Patent Trial and Appeal Board (PTAB), issues monthly statistics of AIA trials, and they include extensive information.¹

It should be noted, though, that stating there have been 4,000 IPRs is not to say that 4,000 patents have been subject to IPRs. Instead, due to page limits and other issues, those persons filing petitions have sometimes challenged single patents in multiple IPRs. The challenges can be serial, to all the same claims based on different prior art, spread over time, or concurrent, to subsets of the claims challenged in different petitions filed at the same time.

But nearly 3,000 *petitions* have been “completed” to date, with nearly 1,500 trials instituted. Of the 1,500, more than 500 terminated “during trial” due to settlement, dismissal, or such, and nearly 900 had their *trials* completed. The 900 resulted in just over 100 IPRs where no patent claims at issue were concluded to be unpatentable, just over 100

IPRs where some claims at issue were unpatentable and some were patentable, and nearly 650 IPRs where all claims at issue were concluded to be unpatentable. Exhibit 1 shows a confirming PTAB graphic.

Is an IPR a Case with a Trial at the End?

The answer to the question whether an IPR is a case with a trial at the end is decidedly—no. A thought that an IPR is a case with a trial at the end is a thought that is not tied to the manner in which the PTAB actually conducts IPRs.

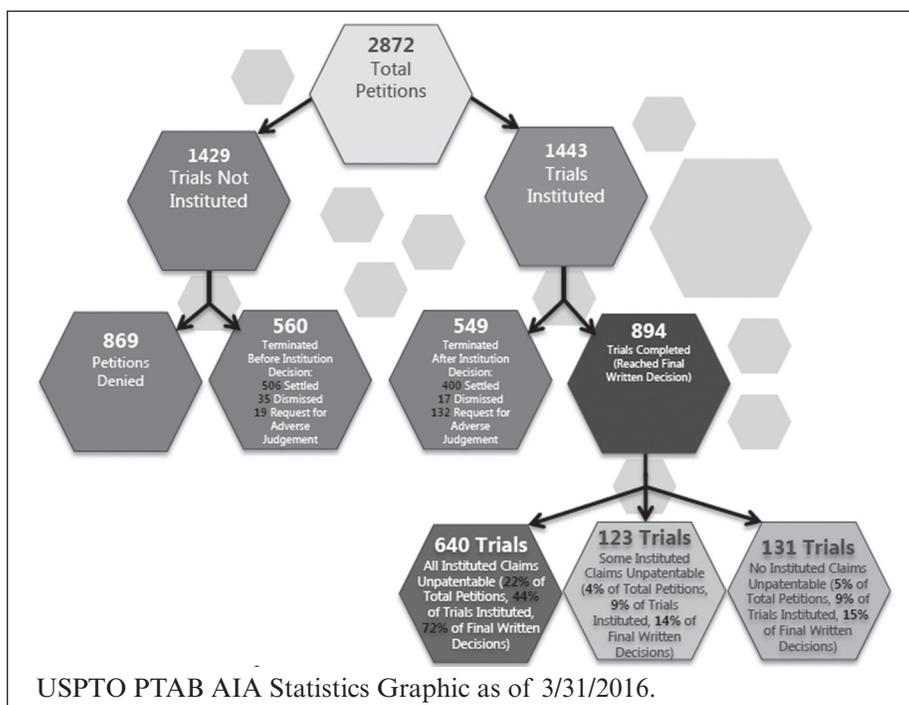
Could an IPR be a case with a trial at the end? The answer to the question whether an IPR *could hypothetically* have a trial at the end is—yes—but that is not actuality.

The PTAB has allowed live testimony to occur before PTAB judges in an IPR exactly once.² The fact is notorious, in that it reflects such a contrast to possibilities. When IPRs were envisioned, they were envisioned to include oral hearings. Indeed, 35 U.S.C. § 316 stated that the parties each had a “right to an oral hearing as part of the proceeding.”³ But as soon as regulations were created for IPRs, a “hearing” became, not what one might envision, but a “consideration,” as in this definition: “*Hearing* means consideration of the trial.”⁴ This “consideration,” this hearing, immediately became, in routine, nothing but a lawyers’ oral argument. The PTAB issued a trial practice guide, and stated: “The Board does not envision that live testimony is necessary at oral argument.”⁵ The PTAB has even said, “By the time the proceeding reaches final oral hearing, ... the trial is already completed ...”⁶

As an example of how narrow the possibilities are for live testimony, in the *K-40* case, the only reason a live witness was allowed was that the patent owner tried to predate an invalidating reference by claiming early invention. The patent owner’s inventor asserted through a declaration that he had invented earlier than the reference. The PTAB ordered one hour of total examination, and only to let the inventor’s credibility be tested. (They didn’t believe him.)

Moreover, the PTAB has turned oral arguments into largely dead exercises by stating that oral arguments cannot present any new matters, but instead can only rehash arguments in what the parties have already filed: “A party ... may only present arguments relied upon in the papers previously submitted. No new evidence or arguments may be presented at the oral argument.”⁷

Exhibit 1—Disposition of IPR Petitions Completed to Date*



“It is unfair ... to bring a new twist or angle into a party’s case That would include different characterizations of the evidence and different inferences drawn from the evidence. If certain testimony previously was not developed, discussed, or explained ... it may not be developed, discussed, explained, or summarized, for the first time ... at final oral hearing.”⁸

Buttressing all this, the PTAB has issued decisions that exclude demonstrative exhibits because they include content not made of record in a testimony period.⁹ The exclusions can be wholesale.¹⁰ Objectionable content includes animations of figures of the patent under challenge, added and removed reference numbers, and paraphrased text, minor things one would think were not “new evidence or arguments.” The PTAB reasons that “demonstrative exhibits are not evidence...cannot add new evidence...[and cannot] rely on evidence that ... was never specifically discussed in any [past] paper before the Board.”¹¹

Thus, in short, it is wrong to think of an IPR as a case with a trial at the end. There are no live witnesses at the end, and there is nothing new, nothing like a trial at the end, either. To the PTAB, by then, “the trial is [over].”¹²

Is an IPR a Case in Two Parts?

The answer to the question whether an IPR is a case in two parts is decidedly—yes. It is as decidedly yes as the answer in the previous section was decidedly no.

An IPR is a case with a “preliminary,” “preparatory,” or “prefatory” part, and then a “nonpreliminary,” “real,” or “full” part. The two parts are required by statute. Every IPR begins as a proceeding with the filing of a petition.¹³ Every IPR also includes a decision of the PTO director, which he delegates to the PTAB, whether to authorize an IPR to be instituted.¹⁴ The PTAB can authorize the review only if the PTAB determines that the information in the petition, with one possible embellishment, shows a reasonable likelihood that the petitioner would prevail as to at least one claim challenged in the petition.¹⁵

Thus, every time an IPR petition has been filed, an IPR proceeding has begun in some sense, and the rest of the proceeding, even if it includes a conclusion that claims are or are not patentable, is one unified proceeding. But in another sense, IPR petitions do not necessarily cause IPR proceedings to proceed, because the PTAB can decide against going forward on the petition, and so IPR proceedings have a “break point,” “tipping point,” or “decision point,” at the time of the decision whether the proceeding can go on, or end. It is this decision point that divides the IPR case into its preliminary part and its full part.

The nature of the preliminary proceeding as a proceeding, as opposed to just a filing with a decision to accept or refuse the filing, as meeting or not meeting filing standards, is reinforced by one additional matter. As in the reference to an embellishment above, the patent owner need not sit idly by and let the petitioner and the PTAB

decide whether to proceed. Instead, the patent owner has a right to a “preliminary response.”¹⁶ The patent owner can “set forth reasons why no *inter partes* review should be instituted.”¹⁷ Thus, when the patent owner exercises the right to respond to the petition and try to stop an IPR “before it starts,” there is a “proceeding” in the sense of a first filing, followed by an opposing filing, followed by a decision that weighs the merits of the two filings.

This is not to say, however, that the “preliminary proceeding” that is defined by the petition, the preliminary response, and the decision on the two is a “full” proceeding. From the patent owner’s perspective, the hampering of the patent owner’s “preliminary rights,” so to speak, caused by PTAB rules, is dramatic. The petitioner has had the statutory right to file affidavits and declarations “of supporting evidence and opinions.”¹⁸ Most significantly, because the petitioner can present opinions, it expressly can rely on experts who give the opinions.¹⁹

Up until a rule change that took effect recently, the patent owner could not get new opinions into the record with its preliminary response. The patent owner got “[n]o new testimonial evidence,” explicitly restricted by PTO regulation against meeting expert opinions with responsive expert opinions.²⁰ The patent owner could present “old” testimony evidence, and could present non-testimony evidence, because it was not blocked against doing either, but it could not present new testimony evidence, “except as authorized by the Board,” meaning—never.²¹ It could not present any opinion testimony that it brought into existence after the petition was filed by working with an expert for the purpose of countering the petitioner’s expert’s opinions in detail.

Under the new rule, effective on May 2, 2016, not terribly much has changed. The patent owner may present new evidence, including new expert declarations. The petitioner may request and be permitted a reply. Some discovery may be permitted.²² The changes sound dramatic. But given PTO confinement of other opportunities for things to happen to the “never happening” sphere, there should be little actual change in preliminary proceedings. Yes, patent owners may work with experts to counter the petitioner’s expert’s opinions and file expert declarations. But depositions and replies are highly unlikely. In the event facts are in dispute, the new rules require that disputes of fact be “viewed,” meaning “decided,” in favor of granting the petition, such that patent owners may see little advantage in filing new expert evidence. Here, little change is expected under the new rules as to the outcomes of petition decisions—IPRs will be instituted at the same high rate.

The limits on the patent owner aside, in sum, every time an IPR petition has been filed an IPR proceeding has in some sense begun. The petitioner has set matters in motion toward an IPR conclusion by filing a petition.

Nevertheless, the IPR proceeding has not been “authorized” or “instituted” and will not proceed until the patent owner has had the opportunity to meet the petition at a preliminary stage, by filing a preliminary response, and by adding information to the situation trying to stop the IPR before it begins. Even if the patent owner does not file such a response, in any event, the PTAB is vested with making a decision whether to allow the IPR to proceed or not. That divides the IPR proceeding into a preliminary part, and a nonpreliminary part.

But There Is Another Way, a More Useful Way, to Think about the IPR Proceeding

As shown, it is useful to avoid thinking of an IPR as a proceeding with a trial at the end, and to positively think of an IPR as a proceeding in two parts. To be most technically correct by the definitions of the PTO, there actually are two different proceedings, one preliminary and one not. “*Preliminary Proceeding* begins with the filing of a petition for instituting a trial and ends with a written decision as to whether a trial will be instituted. *Proceeding* means a trial or preliminary proceeding.”²³ Thus, in all IPRs, there technically are “preliminary proceedings,” and “trials,” and they are both proceedings, such that each IPR that is instituted includes two proceedings.

But there is another way to think about an IPR proceeding, and it is a better way.

Once an IPR proceeding is authorized and instituted, what are the papers the petitioner has as its initial “pleadings,” its statement of position, its “motion,” its application, and its evidence, both of documents and by testimony? The answer is simple, because it is the petition already filed (especially in a simple case of no complex preliminary proceedings). There is no provision in the statute or the rules that regulate IPRs that would allow the petitioner in any case to follow a positive institution decision with another paper, such as a “non-preliminary petition.” There is no such thing. Thus, the initial “pleading” or “summary judgment motion” of the petitioner is the petition, along with whatever “evidence-proving” papers accompanied the petition (and in a complex case, any preliminary reply). A first part of an IPR, then, actually has ended when the petitioner has filed the petition. That first part was the petitioner’s part that began with the petitioner’s early decision to move toward creating a petition, that continued with a marshalling of the facts and law for the petition, and that ended with the completion, filing, and service of the petition and associated papers.

There is one more caveat to this thought, and it is the caveat that the petitioner is allowed both supplemental

evidence and supplemental information. These closely related terms speak to two types of additional information the petitioner may add to the information of the petition after the institution decision. “Supplemental evidence” is evidence that is responsive to objections made to existing evidence. As in 37 C.F.R. § 42.64(b)(2), a party relying on evidence may serve supplemental evidence when there has been an objection to the evidence being relied on. “Supplemental information” on the other hand is not restricted to supplemental evidence. Supplemental information is evidence relevant to a claim for which trial has been instituted²⁴ or not.²⁵ It can be submitted within a month of the institution of trial with no showing of why it was not submitted earlier or submitted later than one month with the showing of why it could not have been obtained earlier and that it should be considered in the interest of justice.²⁶ The parties have a statutory right to supplemental information.²⁷

With this one caveat, and caveats about unlikely future cases with petitioners’ preliminary replies, however, the petitioner stands on the petition when the IPR proceeds. The first “act” of the IPR essentially is over with the filing of the petition. The institution decision is in some sense a decision with retroactive effect, because it has reached back to the date of the petition and gathered in as the initial evidence and arguments of the petitioner that evidence and those arguments that came before the decision and were present in and with the petition when it was filed. Thus, to some extent, the “trial,” even though not instituted until its institution date, already has gone on for months, started with the petition, and continued in the usual silence of no filings that change the evidence of the trial. To the extent the petitioner can go out and take its direct testimony for its case, it already has. It has done so in the form of the affidavits or declarations it has filed with the petition.²⁸ It cannot add to the evidence by taking depositions of friendly witnesses, and issuing deposition notices and subpoenas for more testimony (with tight exceptions). It can take discovery of only those “witnesses submitting affidavits or declarations,”²⁹ and because no one but the petitioner has submitted affidavits and declarations at the time of the petition, and until later, there are no witnesses who are adverse at the time of the petition and usually through the time of institution decision and beyond, until the “second act.”

This sense of the first “act” of the IPR being over for the petitioner well before the institution decision even occurs, and of the institution decision having something of a retroactive effect, is an important sense for the petitioner to have. In preparing and filing the petition and associated papers, the petitioner needs to have a clear eye ahead that “what’s done is done,” and there won’t be a brand new set of substitute papers for the petitioner to prepare and file after it learns deficiencies in its case

from the patent owner and its preliminary response, and from the PTAB and its institution decision. In the nature of some litigation lawyer wisdom, the papers filed, like a complaint in litigation, are at their best on the day of filing. After that, they do nothing to improve themselves and they get critical examination. As a result, they get worse. So they had best have been excellent at the time they were filed, so they get no worse than good.

A specific aspect of having the sense that “what’s done is done” concerns a PTAB practice of instituting an IPR on fewer than all claims. The PTAB may be cherry-picking from petitions, and may be doing so for a variety of reasons. But it does frequently institute trial on less than all challenged claims. As in PTAB AIA statistics, just less than half of patent claims that are challenged get an institution decision.³⁰ Petitioners have a tendency, on the other hand, to write at length about the first set of claims in a patent, and then truncate arguments on later claims as they run out of page and or space and don’t want to repeat at length. That can work well in some cases, but might not work well at all if the PTAB takes only the later claims into an IPR trial. If that happens, then the first act of the trial has ended for the petitioner with a relatively weak case, a case weak from having been truncated in the petition. So an excellent petition needs to be excellent on all claims, not just some.

Another specific aspect concerns petition arguments for anticipation and obviousness. Obviousness takes more space to argue. But if the PTAB is being selective, then the PTAB will pick anticipation for trial and leave obviousness out. It happens. Arguments for anticipation that have been crowded out by obviousness arguments are then the only arguments on which IPRs are going forward, and they are weaker arguments than they could have been.

Moving to the patent owner, once the IPR proceeding is authorized and instituted, what are the papers the *patent owner* has as its initial “pleadings,” etc.? Subject to supplemental evidence and supplemental information—and speaking of filings after the institution decision—the patent owner gets one and only one set of papers in answer to the petition. That set of papers is the patent owner’s response, with the opportunity of response being a statutory right,³¹ but the time period for response being a very limited three months after the institution decision.³²

In the three-month period after institution, the patent owner is in the period for the patent owner’s discovery, and can take depositions of the witnesses for the petition and the petitioner.³³ It also *must* take any direct un-compelled testimony it will file with the response, by securing affidavits and declarations of its witnesses.³⁴

As can be seen on reflection, the “second act” of the IPR is a three-month period of potentially frenetic, even possibly farcical, activity. Depositions must be taken

and then countering affidavits and declarations created. The scheduling of depositions must proceed by agreement reached before notices of deposition are sent.³⁵ Because experts are involved, difficulty in scheduling can be expected. With a petitioner choosing to be difficult, deposition taking can be deferred based on a position that the rules provide that cross-examination should be taken after any supplemental evidence has been filed, and the petitioner is considering such evidence.³⁶ The petitioner also can be difficult with late scheduling by taking the position that the rules provide that cross-examination cannot be taken less than a week before the filing date of the response. In the absence of agreement to scheduling, a conference must be started with the PTAB.³⁷ Meanwhile, preparation of patent owner experts is best accomplished efficiently after the petitioner's experts have been deposed, the transcripts reviewed, and matters considered at some length. Effectively, in this act of the play, doors could be slamming behind departing actors, who are deposition subjects, on one side of the stage, while other actors, who are countering witnesses, are entering through doors on the other side—farce!

In the late stages of this activity, the patent owner must finalize and file its papers with the same concerns as the petitioner, to not short one subject by oversight or lack of page or word length while adequately handling others.

Regardless, the second act is over when the patent owner's response is filed. The period for patent owner's depositions of those persons whose affidavits and declarations were submitted with the petition is over. The period for direct testimony from the patent owner's witnesses is over. The period for the filing of the patent owner's arguments and positions is over. The act of responding to the petition, the filing of the one full response that is allowed, is over, *fini*.

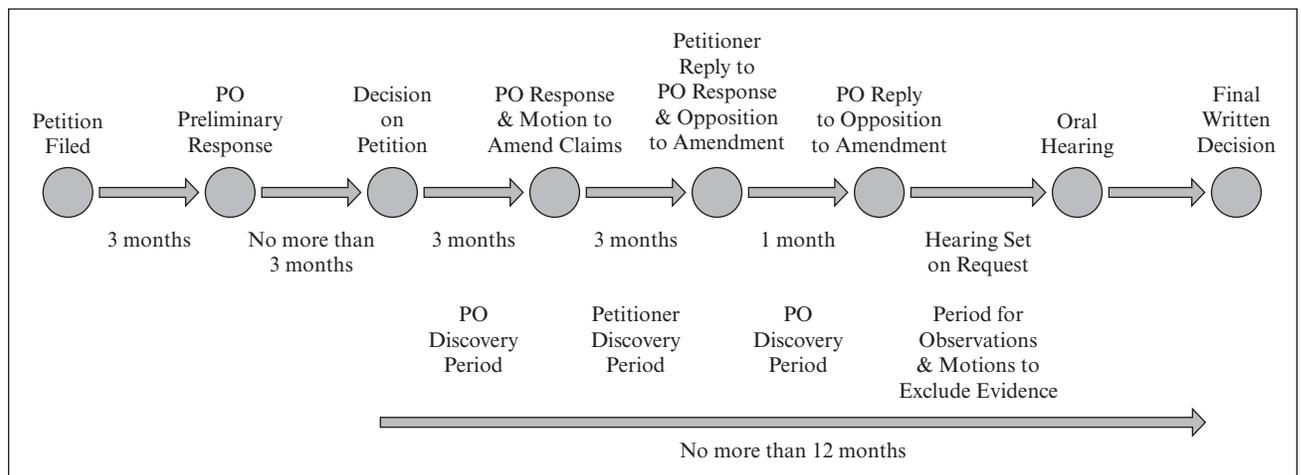
So an IPR is in some sense a play in two acts—but consider a possible two acts more. For that matter, consider possibly many acts more. The usual graphic from the PTO makes IPRs seem like plays of seven or eight acts. (See Exhibit 2.)

With seven arrows lined up with eight bullets across the graphic for seven periods of an IPR and eight deadlines, it seems that IPRs have seven or eight parts. But consider Exhibit 2 further. The seventh period is not for an act of the actors at all. It is the time period between the oral hearing and the final written decision. In that period, the actors, who are the petitioner and the patent owner, are idle. The same is true of the third period, a period for decision on the petition by the PTAB, which is a period of interlude for the actors. The count for possible acts in the IPR play, working through the Patent Office graphic, is down to five.

Consider the graphic more closely. The first period, for the patent owner preliminary response, already has been considered. The count is four. Now focus on the second-to-last period, the period for observations and motions to exclude. "Observations" is an odd term. The existence of a thing called "observations" is odd. What the term and practice reflect is bad planning in arranging IPRs. To compress IPRs into a year, to allow even mutual three-month periods for discovery, and to allow a time period for the final decision, those planning IPRs had to arrange IPR events such that the patent owner's first, last, and only paper, the response, and the petitioner's second and also last paper, the reply, are filed while a period of discovery is uncompleted and in fact not even begun. As in the graphic, the uncompleted period of discovery is the "PO discovery period" of one month.

Moreover, and again as in Exhibit 2, the parties' last papers have been filed before the patent owner has filed its possible reply in support of its motion to amend.

Exhibit 2—Patent Office Graphic Explaining IPRs



While the motions to amend notoriously are pointless, the PTO allows the patent owner to file new affidavits and declarations with the reply. Thus, the parties' last papers are filed not only while some discovery is out in the future, but while the filing of some possible declarations is in the future. The result is that the nicety of the graphic is smeared over with late declarations, late depositions, and "observations" on the late depositions.

But consider what the "observations" are to be. Any and every "observation" is to be "a concise statement of the relevance of identified testimony to an identified argument or portion of an exhibit."³⁸ Here is the example:

In exhibit xxx, on page xxx, lines xxx, the witness testified xxx. This testimony is relevant to the xxx on page xxx of xxx. The testimony is relevant because xxx.

The example is followed with this: "The entire observation should not exceed one short paragraph."³⁹

This spare one short paragraph statement or set of statements is all that is allowed of observations. So even with motions to exclude added in, the second-to-last period of IPRs in the PTO graphic is hardly the stuff of major events. By process of elimination, and as referenced tangentially above, there is only one act that is a major event in the IPR in addition to the two acts of the petition and the response. The third act is the petitioner's reply.

This third act is significant because some patent owners unfamiliar with IPRs tend to assume that their response to the petition ends the briefing on the petition. Others assume that the petitioner must file a quick reply. Not so, on either score. In the usual manner of federal court motions, especially summary judgment motions, the IPR includes what is effectively the motion for relief, which is the IPR petition, the opposition, which is the IPR

response, and a reply, the IPR reply. Thus, the petitioner gets first and last word on its petition, and the patent owner must expect a reply to its response.

Moreover, the petitioner gets a substantial—in IPR terms—period for the reply. Instead of filing a reply in 10 days or two weeks as is typical in litigation, the petitioner gets three months for a reply, and in that three months, the petitioner gets discovery. Now it gets depositions of adverse witnesses, *i.e.*, the patent owner's witnesses. Thus, due to this third act, the patent owner must act carefully in the second act. As with the petition, the patent owner's response is at its peak the day it is filed. The petitioner has three months of opportunities to make the response degrade. Like the petition, the response had better be excellent, so it survives to be at least good.

The IPR, then, in some sense is a play in three acts. They are the petition, the response, and the reply. The petition is the only true "full" set of papers the petitioner gets for its challenge. The response is definitely the only full set of papers the patent owner gets for its rise to the challenge, and the IPR is decided on the papers.

Conclusion: Think of the IPR as a Play in Three Acts

Hopefully, with the analysis above, it can be perceived that an IPR is in some sense a play in three acts: (1) petition, (2) response, and (3) reply. An IPR should not be considered a proceeding that ends in a trial. It can be considered to be a proceeding of two parts, or even two proceedings split in time between a decision, or if granularity is desired, a proceeding in seven or eight parts. But an IPR also should be considered to be a play in three acts, to fully appreciate its nature and present a best case in the three acts that are the only substantial acts to the IPR "play."

1. See <http://www.uspto.gov/patents-application-process/appealing-patent-decisions/statistics/iaa-trial-statistics>.
2. See *K-40 Elecs., LLC v. Escort, Inc.*, IPR2013-00203 (P.T.A.B. May 21, 2014, May 30, 2014) (Paper Nos. 34, 36).
3. 35 U.S.C. § 316(10).
4. 37 C.F.R. § 42.2.
5. 77 Fed.Reg. 48768.
6. *CBS Interactive Inc. v. Helderich Patent Licensing, LLC.*, IPR 2013-00033 (PTAB Oct. 23, 2013) (Paper 118, 2).
7. 77 Fed.Reg. 48768.
8. *CBS Interactive*, Paper 118 at 3.
9. *Id.*
10. *Id.*
11. *St. Jude Med. v. Bd of Regents of U. of Mich.*, IPR2013-00041 (PTAB Jan. 27, 2014) (Paper 65, 2-3).
12. *CBS Interactive*, Paper 118.
13. 35 U.S.C. § 311 so states.
14. See 35 U.S.C. § 314.
15. *Id.*
16. See 35 U.S.C. § 313.
17. *Id.*
18. 35 U.S.C. § 312.

19. *Id.*
20. 37 C.F.R. § 42.107(c).
21. *Id.*
22. See 37 C.F.R. §§ 42.107, 42.108 as amended.
23. 37 C.F.R. § 42.2.
24. 37 C.F.R. § 42.123(a)(2).
25. 37 C.F.R. § 42.123(c).
26. See 37 C.F.R. § 42.123.
27. See 35 U.S.C. § 316(a)(3).
28. See 37 C.F.R. § 42.53(b).
29. 35 U.S.C. § 316(5)(A).
30. 19,244 claims instituted of 43,762 claims challenged as of the latest statistics, see the March 2016 statistics, *supra* n.1, p.13.
31. See 35 U.S.C. § 316(a)(8).
32. See 37 C.F.R. § 42.120.
33. 35 U.S.C. § 316(5)(A).
34. 37 C.F.R. § 42.53(b).
35. 37 C.F.R. § 42.53(d)(1).
36. 37 C.F.R. § 42.53(d)(2).
37. *Id.*
38. 77 Fed.Reg. 48768.
39. *Id.*

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