

IPR: histrionics and statistics

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Depending on where you sit, inter partes review purges bad patents and stops ‘trolls’, or discards good patents by testing them not for what they are, but what they are not. Charles Shifley of Banner & Witcoff sheds some light on the controversy.

Everyone involved in patent practice in the US knows that all US patents can be subject to *inter partes* review (IPR). Administrative patent judges at the Patent Trial and Appeal Board (PTAB) are empowered to consider IPR petitions, evaluate the petitions and responses, and cancel the contested patents.

They do this free of any requirements to consult juries or respect the job of patent examiners by giving the patents the benefit of the doubt, ie, a presumption of validity. Moreover, they read the patent claims as broadly as reasonably possible to validate or invalidate them (with broadest reasonable interpretation, and it applies with exceptions only for expiring patents and means-plus-function claim elements).

Are IPRs fair? It depends very much on who you ask.

Challengers to patents love IPRs. More specifically, those sued for patent infringement love IPRs. Eighty percent of IPRs result from patent owners first suing to enforce their patents. The reasons are plain: in lawsuits, juries decide whether patents are valid (they are presumed valid) and they are interpreted more narrowly than *the* BRI, unless litigation interpretation and BRI match up. Juries think patents are issued by patent examiners who test the merits of products while wearing white lab coats—little do they know (author's opinion).

Juries also make decisions based on generalities, such as whether the accused infringers appear to have copied their competitor. While litigation judges temper their decisions by re-judging some parts of their decisions under standards of law and other parts, by deciding whether they are within or outside the outer bounds of being reasonable, litigation judges are on the whole unable and unwilling to overrule wholesale, jury decisions.

To patent challengers, IPRs are eminently fair. To them, patents should not be tested for validity by impressionable people who frequently have little or no advanced education, who almost always know nothing of the technology involved apart from what they learn in the trial in which they sit, who have almost no “tools” for judging the merits of the substance of expert testimony, and who can be hijacked by prejudices such as bias toward underdogs and against faceless corporate conglomerates.

Patent challengers also loathe the opportunistic practices of those they brand “trolls”, ie, “patent enforcement entities” who sue defendants (including customers) in droves based on patents lacking merit in the notoriously patent owner-friendly US District Court for the Eastern District of Texas, and frequently use the high costs of patent litigation as leverage to drive settlements and make them rich.

To patent owners, on the other hand, especially those who are legitimate owners of meritorious patents, trolls—the lowest common denominators of patent owners—have caused the creation of a procedure, the IPR, that is an unfair and unmitigated disaster. Patents, once respected and judged by common-sense juries and litigation judges who were publicly nominated by the US president and confirmed by the US Congress, are now judged by people who substitute themselves for an otherwise constitutional right to trial by jury.

These people, whatever the merits of their education and desire for fairness, have never been vetted in a public proceeding, have every reason to be motivated by the US Patent and Trademark Office (USPTO), and are biased by the reliance on their jobs to make IPRs successful procedures to challenge patents because the fees paid to the USPTO for IPRs are astronomical, and without case volume they have no jobs.

The Licensing Executives Society, for example, has called IPRs, in both testimony to Congress and a brief to the US Supreme Court, “catastrophic for innovators and entrepreneurs”. At oral argument in the case that rubber-stamped BRI, *Cuozzo Speed Technologies v Lee*, Supreme Court Justice John Roberts called the IPR “bizarre” and an “extraordinary legal animal”. The bizarre legal animal called the IPR is stomping around among the general public, crushing the innocents with every other step.

Patent owners also cannot stand the restrictions on corrections in IPRs. Even patent owners who acknowledge that their patents could be better or need changes cannot seem to get the PTAB to accept amendments to them.

Look at the numbers

Histrionics aside, the matter might better be judged by statistics. PTAB statistics show that there have been 5,656 America Invents Act (AIA) petitions as of September 16, 2016, of which 5,143 are IPR petitions; 3,672 have been completed. Once IPR petitions are granted, IPR trials go forward, and final decisions are the result. In 1,214 IPR trials, all claims in the trials have been found unpatentable in 833 decisions, nearly 70% of the total.

However, of the 3,672 completed petitions, trials went forward in only 1,901 (51%), while 1,075 petitions (29%) were denied. It can be seen that 3,672 minus 1,901 equals 1,771, not 1,075, reflecting that 696 cases ended without trials or denials—90% of these by settlements.

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The PTAB states that the 833 trial results indicate that all instituted patent claims were found unpatentable in 69% of final decisions, but only 43% of trials were instituted and 23% of all IPR petitions. In another 189 trials, some claims being tried were found unpatentable, but not all, and in another 192 no claims being tried were unpatentable. Only 82 attempts to correct patents in IPRs have been made, while only six have been approved. The PTAB's handling of motions to amend is under review at the US Court of Appeals for the Federal Circuit.

The statistics are hardly better than the histrionics. Patent owners can decry the 70%. Challengers can respond with the 51% rate of going forward and the 23%, etc.

Is it fair?

Putting both histrionics and statistics aside, another way IPRs might be better judged for fairness is the way they and their parties are somewhat curtailed, confined, and prevented from unreasonably extending patent validity challenges. First, patent owners are not subjected to unending IPRs. Those sued for infringement have one year, and only one, to get themselves into IPRs. They also cannot use surrogates to circumvent the one-year time period. Others who are not sued and not surrogates may file IPRs later, but they hardly have reason to expend the efforts and funds.

Second, patents owners subjected to IPRs by those they sue and whose patents survive the IPRs cannot be forced in courts to defend their patents against more challenges. This is unless the challenges could not have been brought into the IPRs that happened, either because they attack the patent eligibility of patent subject matter, as with software patents, or because they relate to alleged prior art product sales activities.

Or, the PTAB did not take some of the grounds of the petitions, or the challengers could not have reasonably known about other prior art even after extensive patent searching. These are all reasonable exceptions for new challenges. And with these remaining challenges, patent owners have the juries and vetted judges they want, and should have no complaint.

Third, patent owners in IPRs are not facing completely new second-guessing of patent examinations.

Fourth, a benefit to challengers is that they are not subjected to months and potentially years of expensive patent litigation until patents are reviewed for validity. Many US courts now have "patent local rules", and many of these rules organise patent cases in sequences that, for the most part, lead first through detailed statements of contentions and allegations, second through voluminous briefing on patent claim word interpretations, third through wide-ranging

fact discovery, fourth through thorough expert written statements of opinions and discovery, fifth through dispositive motions, and sixth through trials on any issues at all.

IPRs, instead, give challengers patent validity decisions in about 18 months, primarily based on 14,000 word petitions, 14,000 word responses, expert affidavits supporting the petitions and responses, often one expert per side, expert depositions, and final lawyer arguments for minimal hours, which is much less expensive than litigation. Additionally, once IPRs are fully underway, most courts defer the costly litigation activities.

Fifth, some bad patents are killed, not something patent owners want to hear, but true. In some instances, if not many, patents in IPRs are interpreted in the way they would be in court, and do not survive the IPR primarily because they were not examined on the most relevant patents and publications by which they should have been judged and not granted in the first instance. The Federal Circuit, in one case on appeal from an IPR, stated that the BRI made the difference and the patent would have been valid but for the BRI. It also stated that this could be expected to happen often again. On the other hand, it has never said the same thing about a patent in an IPR appeal since then.

Who has the better argument? Either IPRs eliminate bad patents and stop trolls and other undeserving patent owners from clogging courts and forcing settlements in meritless cases, or they eliminate good patents by testing them not for what they are, but what they are not, under the BRI, not for the respect they deserve, but without presumption, and not with common sense, but in front of technocrats, and preventing patent owners from amending them to make them right? Controversy rages. Fairness is in the eye of the beholder.

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