

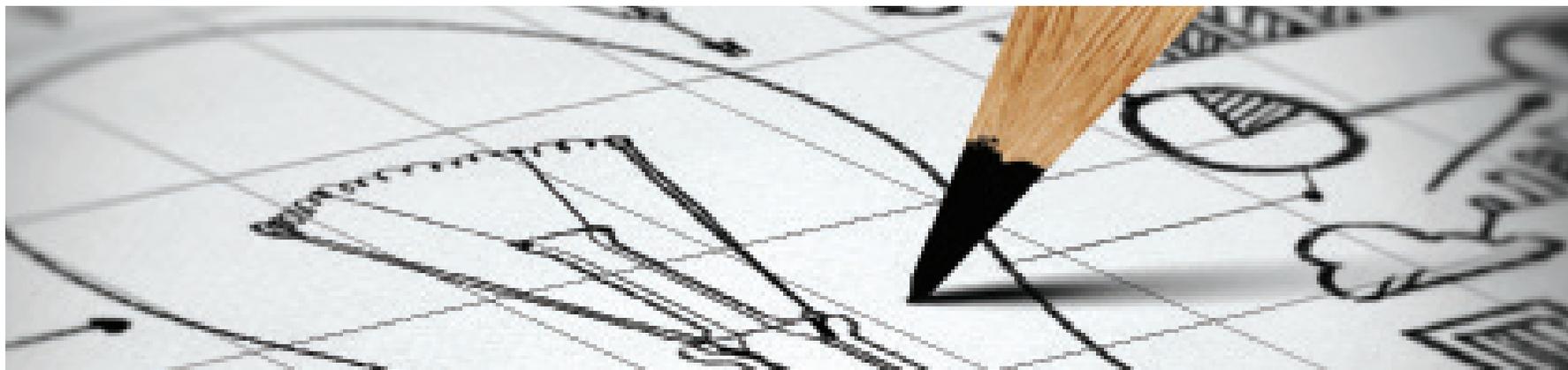
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2014 FINDINGS ON USPTO CONTESTED PROCEEDINGS

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FITZPATRICK, CELLA, HARPER & SCINTO



INTRODUCTION

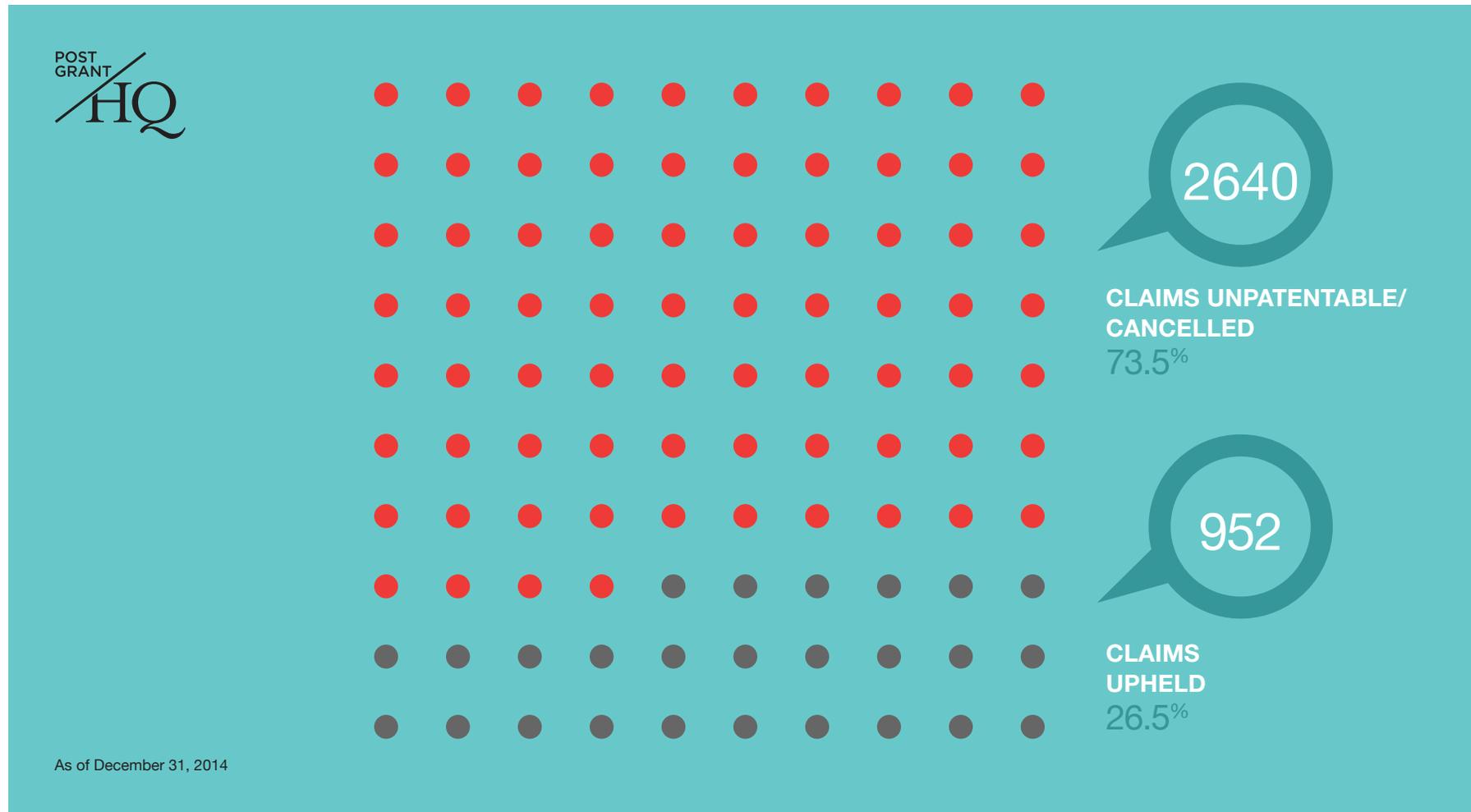
Fitzpatrick, Cella, Harper & Scinto undertook this USPTO Contested Proceedings Report in order to offer objective information regarding the results of Inter Partes Review (IPR) and the Transitional Program for Covered Business Method Patents (CBM) proceedings before the Patent Trial and Appeal Board (PTAB). It is based on a review of all final decisions issued through 2014.

There was much speculation about how the expedited patent reviews offered by IPRs and CBMs would impact patent rights. Judge Randall Rader,

the former Chief Judge of the Federal Circuit, commented that the PTAB would be “acting as death squads, killing property rights.”

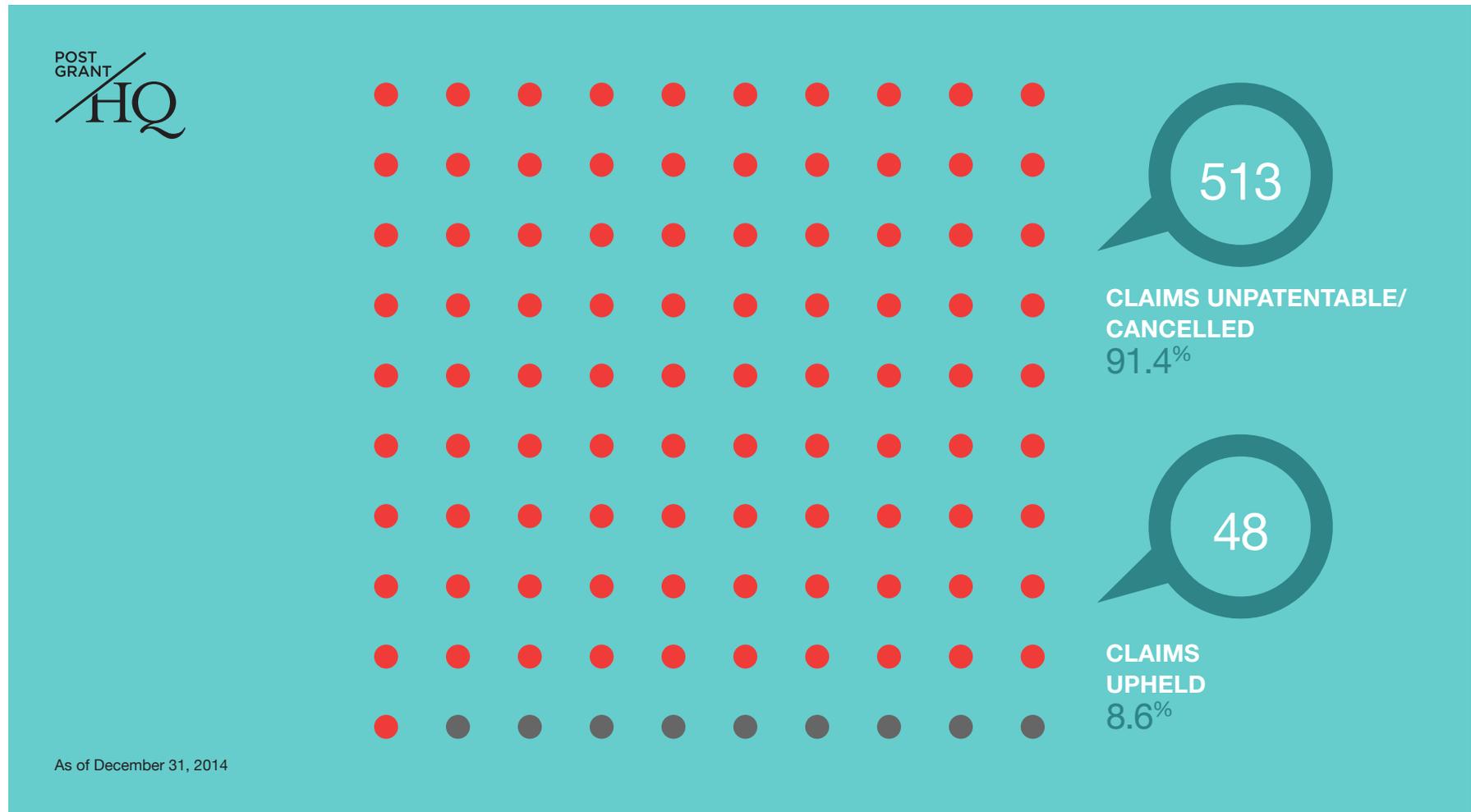
Judge Rader’s comments were made in 2013, early in the life of these proceedings. This report provides perspective on the effects of IPRs and CBMs using the larger pool of decisions to date. Post-Grant Review (PGR) proceedings have not yet resulted in enough final decisions to allow for meaningful analysis. We believe the report provides insights as to whether and when these proceedings will prove a useful means to challenge patent validity.

IPR: SURVIVAL RATE OF CHALLENGED CLAIMS



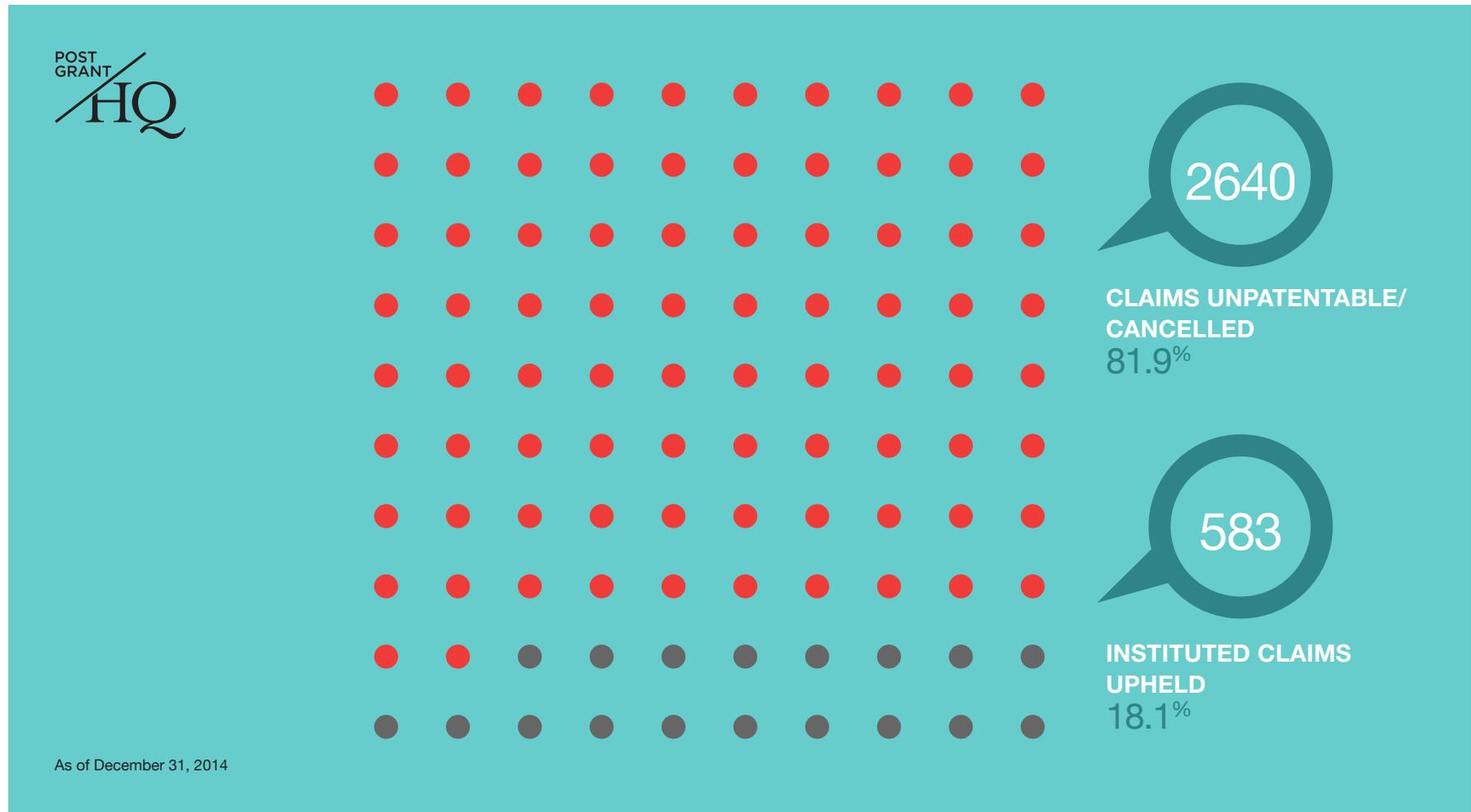
Key Finding: In cases that reached final written decisions, more than 73 percent of claims that were originally *challenged* in the IPR petitions were cancelled or found unpatentable. Of the claims that did not survive review, 601 claims out of 3592 challenged claims were cancelled by patent owners. While 73.5% is a significant rate of invalidation, it does not justify the “death squad” comment, particularly in view of rates of invalidation in district court cases (discussed below) and the number of claims cancelled by the patent owners. In fact, about 16% of the claims included in our analysis were cancelled, rather than found unpatentable by the PTAB. Because the statistics are based on final decisions, our analysis does not account for challenges that did not reach a decision on the merits because of, for instance, settlement or no trial being instituted by the PTAB. Obviously, including those cases would raise the claim survival rate.

CBM: SURVIVAL RATE OF CHALLENGED CLAIMS



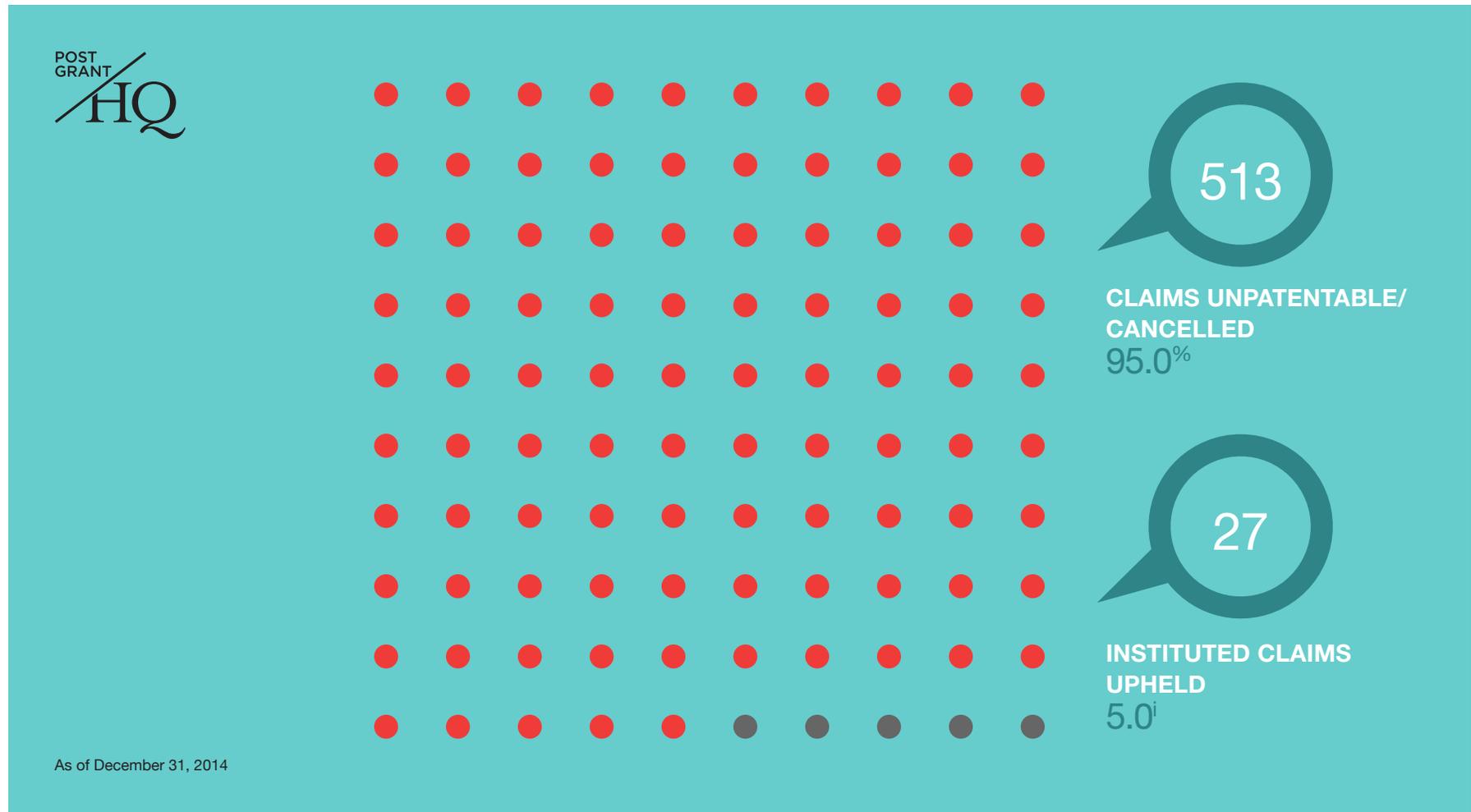
Key Finding: In final written decisions, more than 90 percent of claims that were originally *challenged* in the CBM petitions were cancelled or found unpatentable. While CBM final decisions provide a smaller sample size, the substantially lower claim survival rate compared to IPR proceedings is of significant interest, particularly given that patent owners cancelled only 4% of the challenged claims. As compared to IPR proceedings, CBM proceedings allow for additional statutory grounds of unpatentability and relate only to qualifying business methods patents (which opens the door to Section 101 challenges under the Supreme Court's ruling in *Alice Corp.*).

IPR: SURVIVAL RATE OF INSTITUTED CLAIMS



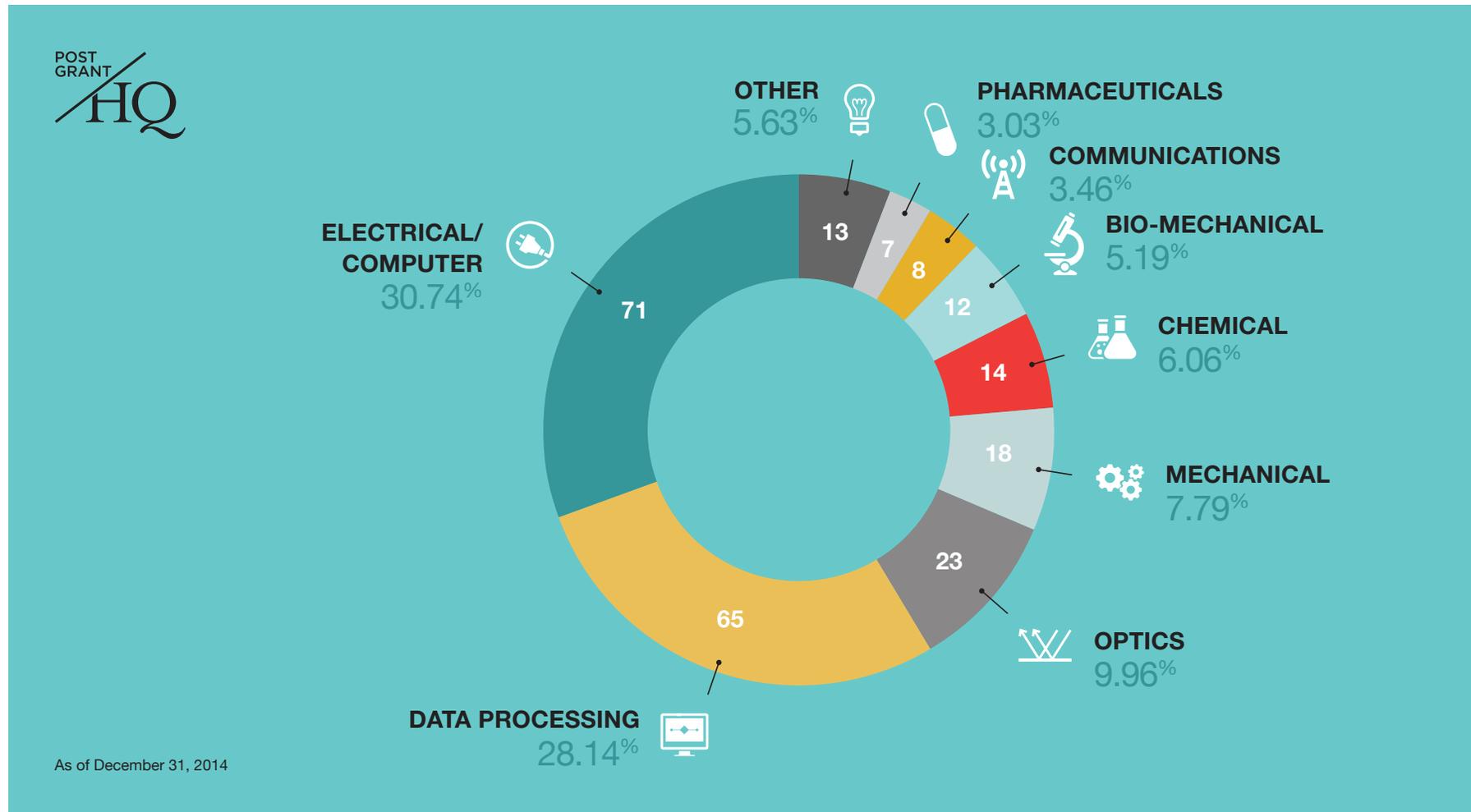
Key Finding: In review proceedings, the PTAB makes an initial determination on whether or not to institute a trial based on the challenger’s petition. Institution of a trial may be based on all of the challenged claims or some subset of claims. This chart shows the survival rate of *instituted* claims in IPR proceedings that reach a final written decision (as compared to prior charts that show the survival rates relative to claims originally *challenged*). In the analyzed cases, a total of 3,223 claims were instituted out of 3,592 claims originally challenged in the corresponding petitions.

CBM: SURVIVAL RATE OF INSTITUTED CLAIMS



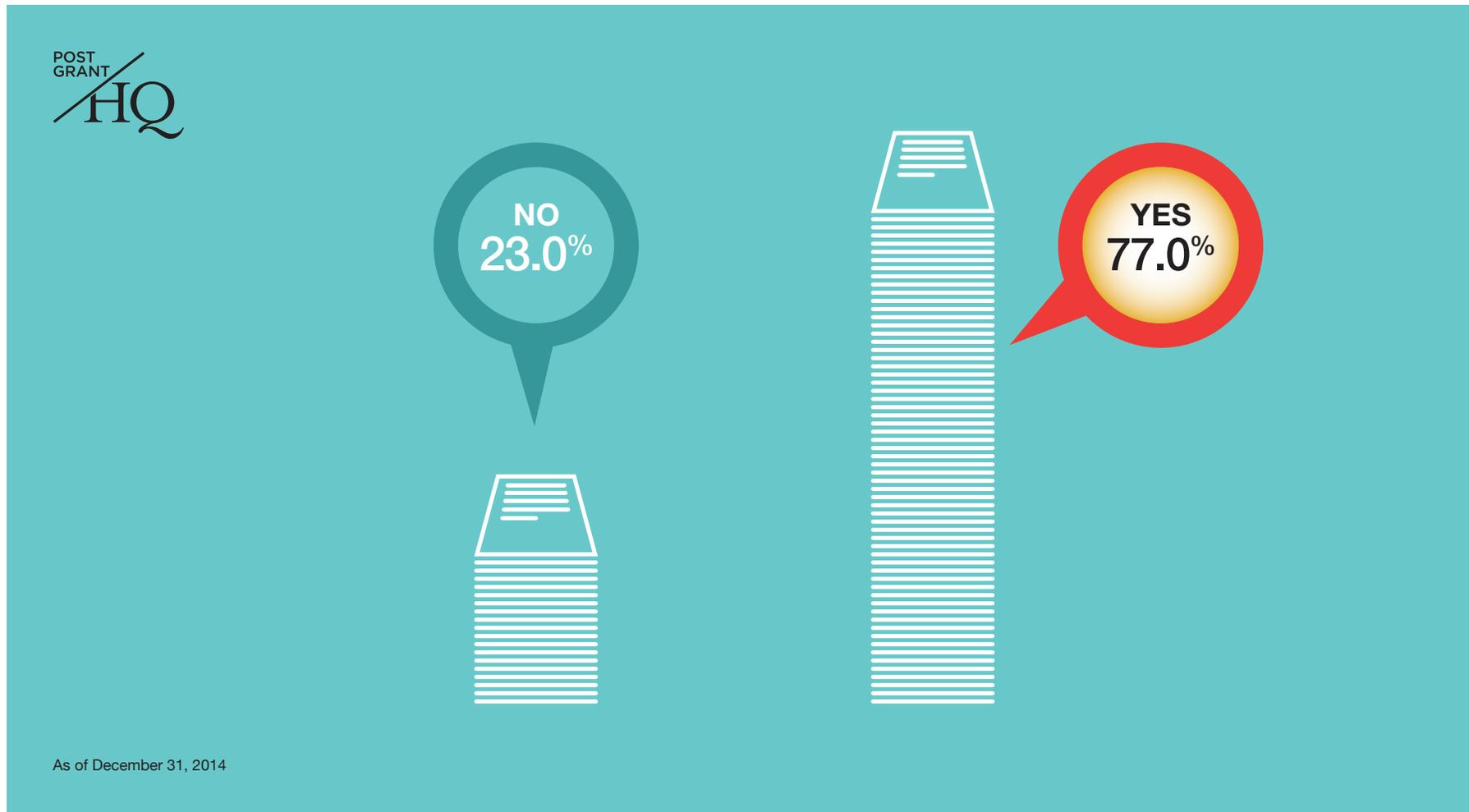
Key Finding: In CBM proceedings, 540 claims were *instituted* out of 561 claims originally challenged in the corresponding petitions. In cases that reach a final decision, 95% of claims instituted for review in CBM proceedings were found unpatentable or cancelled.

IPR AND CBM FINAL DECISIONS BY TECHNOLOGY



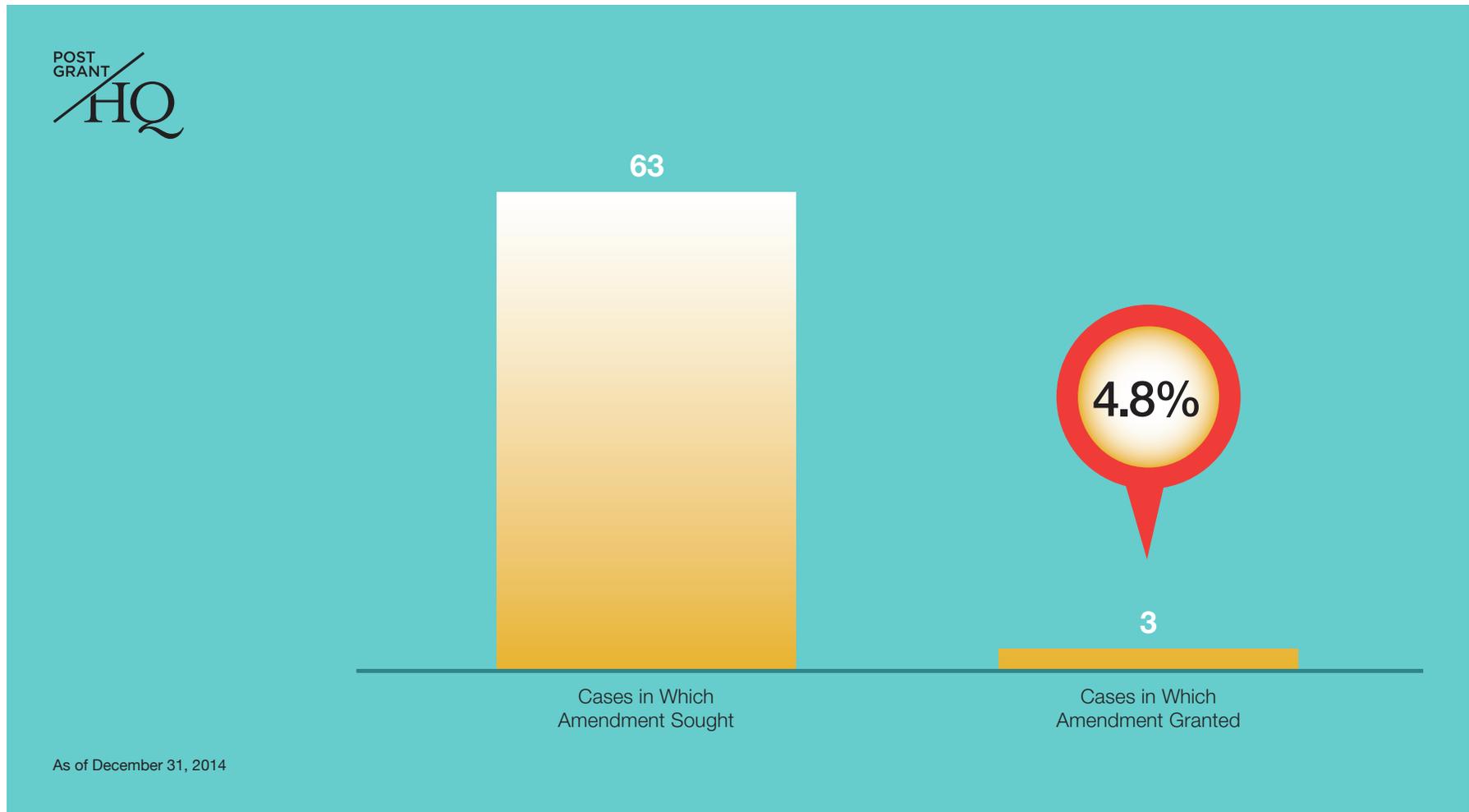
Key Finding: This chart shows the technology areas for the patents for which the PTAB issued final decisions. Two technology categories—electrical/computer and data processing—have been at issue in 59% of all final decisions issued in IPR and CBM proceedings through 2014. The next four categories combined—optics, mechanical, chemical, and bio-mechanical—accounted for only 29% of all final decisions.

PERCENTAGE OF IPRS WITH A CONCURRENT LITIGATION



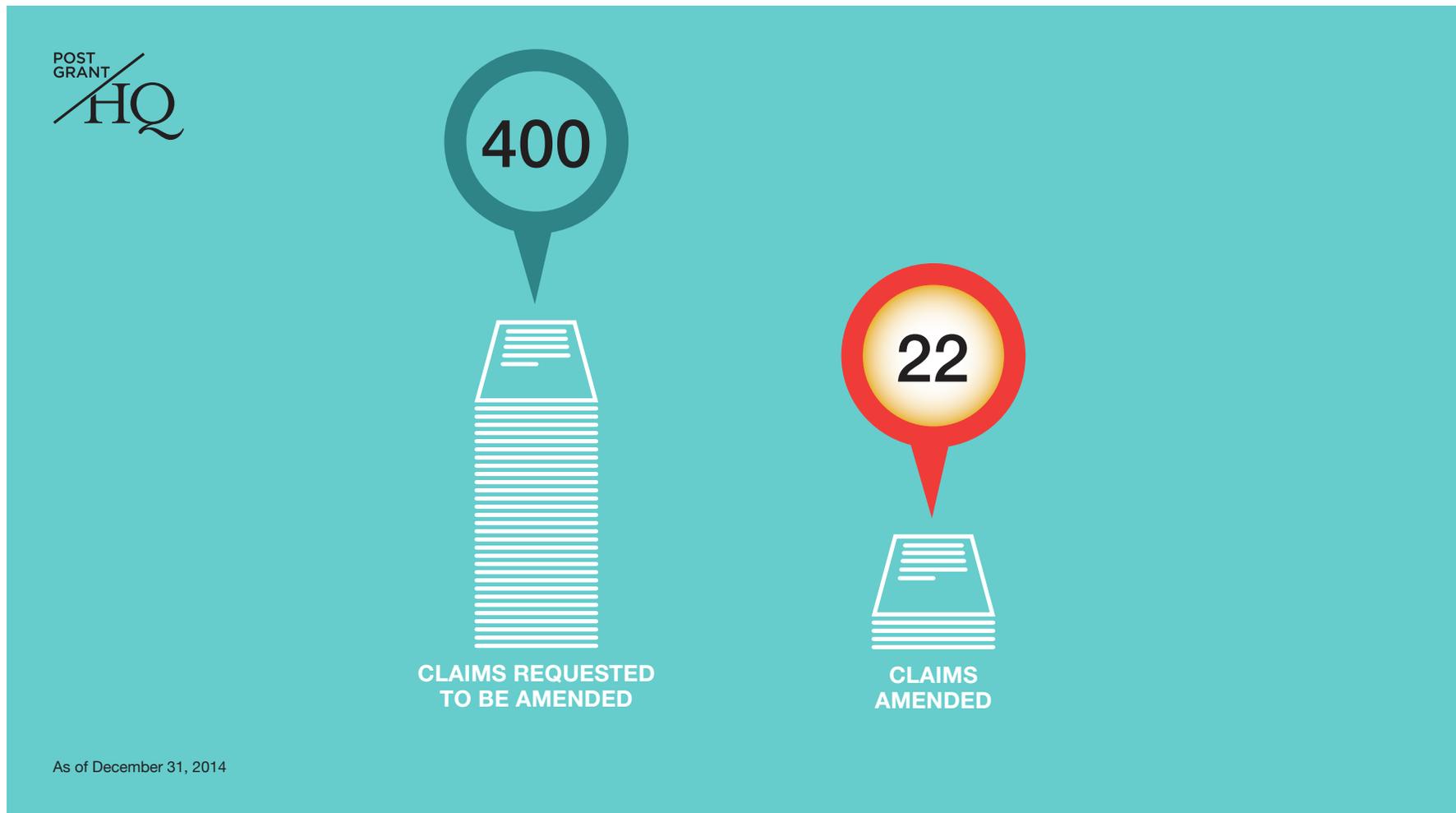
Key Finding: The vast majority of IPR proceedings (77%) involved patents embroiled in concurrent district court litigations. This supports the notion that defendants in patent infringement suits are driving the filing of IPR petitions. An article by Fitzpatrick attorneys Ha Kung Wong and Chloe Jiang in July 2014 noted that district courts may be inclined to stay litigations while the PTAB makes its decision on the validity of the patents at issue. Such stays could effectively transfer validity determinations from the federal courts to the PTAB.

IPR: DECISIONS ON REQUESTS TO AMEND THE CLAIMS



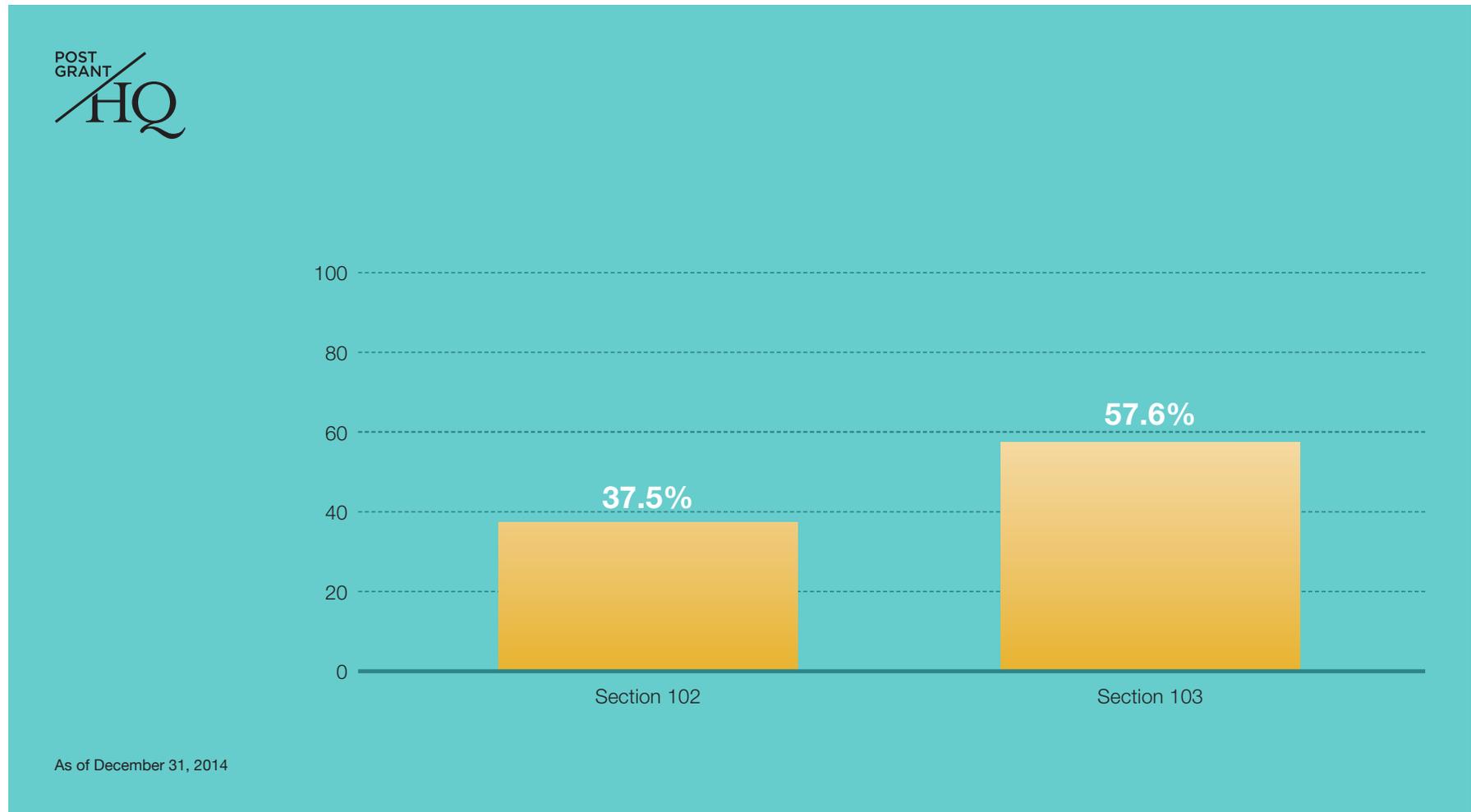
Key Finding: In IPR proceedings, the PTAB has granted motions to amend claims sparingly. This chart presents the number of times a motion to amend the claims was granted compared to the total number of motions made. Often, the PTAB has denied these motions for failure to comply with the PTAB's high threshold for entering claim amendments; however, in a few instances, a contingent motion to amend was not granted because the original claims were upheld.

IPR: NUMBER OF CLAIMS AMENDED/DENIED AMENDMENT



Key Finding: As compared to the previous chart, this chart shows the total number of claims for which amendment was granted (rather than the number of proceedings), as well as the total number of claims for which patent owners sought amendment. Patent owners may seek amendment on all or some of the claims instituted in a proceeding.

IPR: BREAKDOWN OF UNPATENTABILITY FINDINGS IN FINAL DECISIONS RELATIVE TO CLAIMS CHALLENGED



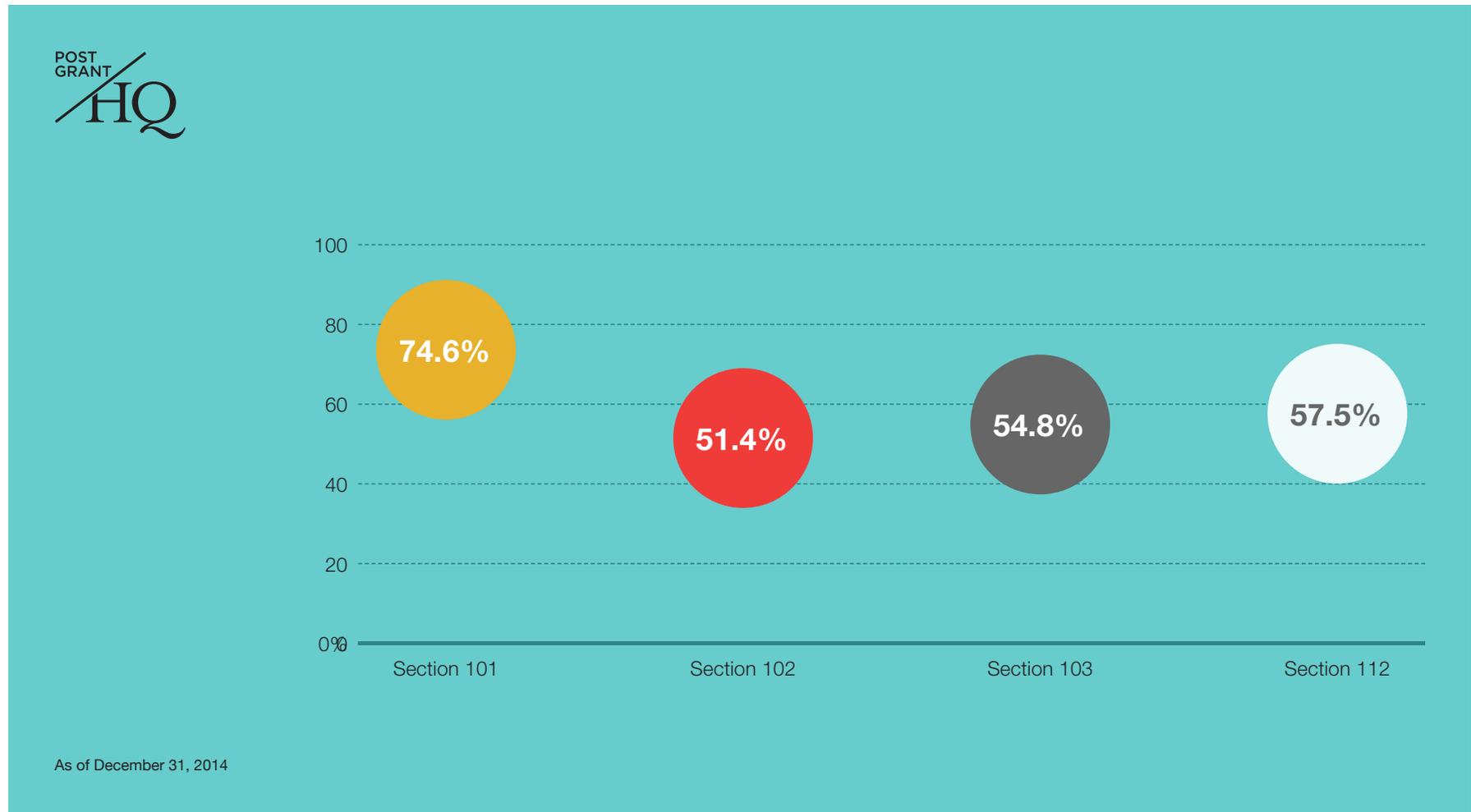
Key Finding: This chart shows the percentage of claims found unpatentable under Sections 102 and 103 out of claims *challenged* by the petitioner in IPR proceedings that reached final written decisions. Some claims were invalidated under both grounds. We excluded cancelled claims from this analysis inasmuch as the PTAB had no option to render an unpatentability decision. Interestingly, the success rate of Section 102 challenges is not much different than the corresponding rate in district court litigations (31.1%), while the rate of invalidation under Section 103 is much higher in IPR proceedings than in district courts (27.8%). The data for district court litigations was obtained from a recent study of patent litigations filed in 2008 and 2009. *Understanding the Realities of Modern Patent Litigation*, 92 Texas L. Rev. 1769, Fig. 4 (2014). Thus, the PTAB and district courts have similar records on Section 102 grounds (arguably the most objective analysis), while the PTAB appears to be more amenable to Section 103 grounds than district courts.

IPR: BREAKDOWN OF UNPATENTABILITY FINDINGS IN FINAL DECISIONS RELATIVE TO CLAIMS INSTITUTED



Key Finding: This chart presents the percentage of claims found unpatentable under Sections 102 and 103 out of the claims for which trial was *instituted* in IPR proceedings that reached final written decisions. Some claims were invalidated under both grounds. Again, we excluded cancelled claims for which the PTAB could not issue a ruling under Sections 102 and/or 103. The higher rates show that the likelihood of a successful challenge jumps significantly once there is institution of a trial.

CBM: BREAKDOWN OF UNPATENTABILITY FINDINGS IN FINAL DECISIONS RELATIVE TO CLAIMS CHALLENGED



Key Finding: This chart shows the percentage of claims found unpatentable under Sections 101, 102, 103, and 112 out of claims *challenged* by the petitioner in CBM proceedings that reached final written decisions. Some claims were invalidated under multiple grounds. Also, we excluded cancelled claims. Section 101 challenges had the highest rate of success. Meaningful comparisons to IPR and litigation outcomes are not possible with the current data given the fact that CBM proceedings are limited to only qualifying business method patents, while IPRs and district court litigations involve patents from a wide variety of technology areas.

CBM: BREAKDOWN OF UNPATENTABILITY FINDINGS IN FINAL DECISIONS RELATIVE TO CLAIMS INSTITUTED



Key Finding: This chart presents the percentage of claims found unpatentable under Sections 101, 102, 103, and 112 for all claims for which trial was *instituted* in CBM proceedings that reached final written decisions. One hundred percent of claims for which a ground under Section 101 was instituted were ultimately found unpatentable under that ground. Even for the other instituted grounds, the rates of invalidation were much higher compared to that for challenged claims. Again, some claims were found unpatentable on multiple bases.

IPR: PERCENTAGE OF CHALLENGED CLAIMS FOUND UNPATENTABLE OR CANCELLED IN FINAL DECISIONS



Key Finding: This chart presents, per fiscal quarter, the percentage of claims that were found unpatentable or cancelled out of those *challenged* by the petitioner in IPR proceedings that reached final written decisions. Please note that the sample sizes for the two quarters in 2013 were very small (4 decisions total). Over time, we may begin to discern trends in rates of unpatentability, due to adjustments by the PTAB, the quality of patents challenged by petitioners, changes in the law, or some combination thereof.

CBM: PERCENTAGE OF CHALLENGED CLAIMS FOUND UNPATENTABLE OR CANCELLED IN FINAL DECISIONS



Key Finding: This chart presents, per fiscal quarter, the percentage of claims that were found unpatentable or cancelled out of those *challenged* by the petitioner in CBM proceedings that reached final written decisions. We only included data for fiscal quarters in which at least one final written decision was issued. Again, the sample sizes for some quarters were small.

IPR: PERCENTAGE OF INSTITUTED CLAIMS FOUND UNPATENTABLE OR CANCELLED IN FINAL DECISIONS



Key Finding: This chart presents, per fiscal quarter, the percentage of claims that were found unpatentable or cancelled out of all claims for which trial was *instituted* in IPR proceedings that reached final written decisions. At this time, a discernable trend has not emerged. Also, as discussed, the sample sizes for the first two quarters were very small.

CBM: PERCENTAGE OF INSTITUTED CLAIMS FOUND UNPATENTABLE OR CANCELLED IN FINAL DECISIONS



Key Finding: This chart presents, per fiscal quarter, the percentage of claims that were found unpatentable or cancelled out of all claims for which trial was *instituted* in CBM proceedings that reached final written decisions. We only included data for fiscal quarters in which at least one final written decision issued. Again, the sample sizes for some quarters were small.

ABOUT US

At Fitzpatrick, IP is not just a practice area - it is our sole focus. We cover the spectrum of intellectual property services for clients from virtually every industry. Our offices in New York, NY, Washington, D.C. and Costa Mesa, CA, serve a diverse national and international clientele from Fortune 500 companies to Internet start-ups. Founded in 1971, we have continually kept pace with the complex world of new technologies and the strategies required for protecting knowledge, vision and ideas. In addition to having one of the premier patent litigation practices and consistently appearing in the list of top patent prosecution firms, we have decades of experience in complex proceedings before the PTAB - the foundation for IPRs, PGRs, and CBMs.



EXPERTISE

Our analysis for this report considered all of the final written decisions issued by the PTAB for IPR and CBM proceedings through the end of 2014. A few things to note:

- 1 For situations in which there were multiple petitions filed against one patent, we consolidated those petitions into one for purposes of collecting data.
- 2 In gathering statistics, we evaluated only the original claims in the patents at issue. We did not account for amended claims that were subsequently allowed by the PTAB. Although the number of cases in which amendments were granted is small, it is worth noting that requests for amendments were treated separately.
- 3 For cases in which the patent owner requested adverse judgment against itself, we did not consider those claims to be found unpatentable by the PTAB.
- 4 For the charts that show the percentage of claims in IPR proceedings found unpatentable under Sections 102 and 103, please note that in some instances, the PTAB found claims unpatentable based on both grounds.
- 5 We did not include in our analysis petitions that were filed but did not reach a final written decision. Example reasons why a petition would not result in a final written decision include settlements and decisions not to institute by the PTAB (e.g., estoppel, failure to meet the threshold, etc.).
- 6 The information was compiled from all PTAB final written decisions on the merits available as of the stated date. Although care has been taken to ensure the data's accuracy, these statistics should be viewed as an estimate.

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