The America Invents Act: Strategic Perspectives

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The America Invents Act: Strategic Perspectives

Panelists:

Sharon Barner, Vice President and General Counsel, Cummins Inc., Former Deputy Under Secretary of Commerce for Intellectual Property, Deputy Director, U.S. Patent and Trademark Office

Hal Wegner, Partner, Foley and Lardner LLP

Jonathan Spivey, Partner, Bracewell & Giuliani LLP

W. Keith Robinson, Assistant Professor of Law at SMU Dedman School of Law

Professor Xuan-Thao Nguyen:

Professor Robinson practiced for a long time at the law firm of Foley & Lardner in Washington, DC, where he primarily consulted with clients in areas relating to strategic and IP ownership acquisitions. Also, during his busy practice, he wrote several law review articles. His law review article last year was selected as one of the best law review articles relating to patent law and was republished in last year’s Patent Law Review. With that, I turn it over to Professor Robinson.

Professor W. Keith Robinson:

Thank you very much, Professor Nguyen. It is an honor to be here. I am nearing the home stretch of my first year as a professor, and this is an excellent way to cap off my first year here. We are going to discuss several strategies relating to specific provisions of the Leahy-Smith America Invents Act that are going into effect in the fall of 2012. I wanted to put together a panel that could discuss these provisions from various strategic and professional perspectives. We are going to attempt to take a closer look at a few of these provisions, most notably the post-grant review, the inter partes re-

2. Id.
view, supplemental examination, and the third party submission provision of the America Invents Act. When I got the idea for the panel and started thinking about who I was going to ask to be on the panel, I wanted to find the very best people available who I knew could help me not only make sense of the law but also think strategically about the law. I am very pleased to have these three panelists with us today. All three at one time or another in their career have worked in some capacity at the U.S. Patent and Trademark Office. All three are excellent lawyers who, at one point in their careers, also practiced law at Foley & Lardner, which is how I met them. Finally, all three are leaders in the field of intellectual property. They have all written and spoken extensively about the America Invents Act, and I think you are in for an informative treat.

I am going to start with introducing Hal. Hal Wegner is a partner at Foley & Lardner. Hal focuses his practice on appellate patent issues as well as pre-examination and other complex matters at the U.S. Patent and Trademark Office. He also crafts strategies for multinational issues, particularly Chinese and Japanese patent enforcement and management. He is the former director of the Intellectual Property Law Program at George Washington University Law School, where he has been a professor of law. He continues to be affiliated with George Washington University Law School as a member of the Dean’s Advisory Board. He started his career as a patent examiner, and in 1994, the firm he founded merged with Foley & Lardner.

We also have Sharon Barner, who is currently the Vice President and General Counsel of Cummins, Inc., which is headquartered in Columbus, Indiana. It is a Fortune 500 company that produces diesel engines. From 2009 to 2011, Sharon was the Deputy under Secretary of Commerce for In-
Intellectual Property and Deputy Director of the U.S. Patent and Trademark Office.\textsuperscript{18} She also led efforts to craft the strategic plan for the U.S. Patent and Trademark Office, which focused on optimizing timeliness and quality.\textsuperscript{19} The strategic plan is currently two years into effect and will last until 2015.\textsuperscript{20} One of the goals of the strategic plan was to improve the appeal and post-grant processes. Before that, Sharon was a partner at Foley & Lardner, where she served as the Department Chair of the Intellectual Property Department, served as a member of the firm's management committee, and tried dozens of patent litigation matters.\textsuperscript{21} Also, in 2008, she spearheaded the opening of Foley & Lardner's Shanghai office in China.\textsuperscript{22}

Finally, we have Jonathan Spivey, who is currently a partner at Bracewell & Giuliani in Houston, Texas, in the litigation practice.\textsuperscript{23} He focuses on intellectual property litigation, including patent trade secrets, trademark, copyright, and unfair competition litigation matters.\textsuperscript{24} His trial experience includes federal jury mistrials with key participation in numerous district court litigations, also involving patent, trademark, copyright, and internet domain disputes.\textsuperscript{25} Jonathan has experience as a patent examiner and served as a judicial clerk for Robert Mayer, former Chief Judge of the United States Court of Appeals for the Federal Circuit.\textsuperscript{26}

One of the goals of this panel is to discuss the strategy that practitioners are going to employ when thinking about these respective provisions. We will start out with the post-grant review provisions, even though it is only going to be available for patents that have a priority date later than March 15, 2013.\textsuperscript{27} It might also be available for patents that fall under the transitional program for covered business method patents.\textsuperscript{28}

\begin{itemize}
  \item \textsuperscript{18} Id.
  \item \textsuperscript{20} Id.
  \item \textsuperscript{21} Foley’s Sharon Barmer Named Deputy Director of the USPTO, FOLEY & LARDNER LLP (Oct. 6, 2009) http://www.foley.com/foleys-sharon-barmer-named-deputy-director-of-the-uspto-10-05-2009/.
  \item \textsuperscript{22} Id.
  \item \textsuperscript{24} Id.
  \item \textsuperscript{25} Id.
  \item \textsuperscript{26} Id.
  \item \textsuperscript{28} See id.
\end{itemize}
So, my first question for the panel is regarding costs. According to the 2011 AIPLA Economics Survey, an inter-partes re-exam costs about $278,000 from start to finish, the filing fee for a post-grant review challenging twenty claims or less is going to be $35,800, and recent estimates state that attorney fees are going to be within the range of $500,000. My question for the panel is: Is the cost worth the benefit for post-grant review challenges?

**Sharon Barner:**

It depends. If you are $5,000,000 into a case with probably with no end in sight, looking back, it would seem well worth a post-grant review challenge that would cost you $500,000 in attorney's fees and $35,000 in filing fees. However, I think $500,000 is probably on the low end of what it would cost. Historically, in International Trade Commission ("ITC") proceedings that have had a mandated completion of one year to eighteen months, people did not spend less money. They just spent more money in a shorter amount of time. If the patent is really worth something, and there is a real issue to the business, it is highly likely that it would be hard-fought whether it is in a district court or at the Patent Office and that more money will be spent rather than less. You do not want to fight over your garden-variety patents in this post-grant proceeding, either. If you are going to have a proceeding in which you spend this kind of money, you want to make sure the issues you fight about are ones that are significant to the business and have a real impact on the bottom line of getting the product out of the door.

**Hal Wegner:**

I agree with Sharon. I have a couple of points. First, though it is a compressed time, it is not twelve months but is really a couple of years. The entire case by the challenger goes in with the petition, and that starts a two-month period for a preliminary response that may be waived. The director then has a three-month period to institute proceedings. These five months are not included in the twelve-month period. The twelve-month gun goes off only after the director orders the proceedings to start. By then, you will already have had all of your challenger's evidence and affidavits in the case. This is heavily stacked in favor of the challenger, who has as much time as he or she wants to prepare for this. Then the clock really moves fast. Once the director orders the proceedings to start, the challenger will have four


31. See id.
months to take depositions of the patentee’s experts and to file a response to the declaration and the affidavits by the patentee. Then there are the rebuttals and so forth, and then the motions and the hearing. Finally, the twelve-month gun sounds at the end when the decision by the board is reached. After that time, there is still a possibility to petition for reconsideration, plus the time for an appeal to the Federal Circuit. This takes about two years with this extended time, not just twelve months.

The question is, “is it worth it?” There are two answers to that. In lieu of litigation, it could be well worth it. However, it would be totally unreasonable for a patent owner with a very weak patent to pursue this option. In this case, the challenger may want to file a challenge, particularly if the patent owner already has many licensees, because this act provides a settlement provision that allows a settlement at any time up until the board’s decision, thus wiping the slate clean. Therefore, if the challenger has a strong case, he may not need that much ammunition.

Right now, few cases are being filed. Patent attorneys are notorious for disliking changes in their cases. For this reason alone, there will not be that many filings. However, there will be a spike in filings on September 16, 2012. Unlike the inter-partes reexamination which started prospectively only for patents with a filing date on or after November 29, 1999, as of September 16, 2012, the gun goes off for any patent still in force regardless of filing date. Therefore, attorneys can even challenge patents from last century that are still enforced. Some challenges will be filed against these patents, but after these initial challenges, filings will drastically decrease.

In many ways, this process is similar to the Japanese proceeding. Unlike the European proceeding, which can be extremely lengthy, the process is largely modeled after the 2004 Japanese invalidation trial law. The Japanese proceeding averages about seven months from start to finish including appeals to their courts. The United States proceeding is much more ambitious because it has more discovery, affidavits, and depositions of the client.

JONATHAN SPIVEY:

If I could take it from a different perspective and use the previous comment about a case in patent litigation where the party had already spent $4,000,000 or $5,000,000 with no end in sight. Strategically, the post-grant review provisions will be beneficial if it is a competitor-on-competitor suit. For instance, many businesses monitor their competitor’s patents and have an

34. See id.
understanding of the landscape and scope of their patents. It will be a great opportunity for these businesses at that point to go through this procedure and be able to limit the amount of money spent without having to be involved in the litigation. In patent litigation, it is difficult to limit the amount of money spent because discovery is a huge component, and patent attorneys, by nature, always want to take a “no-stone-unturned” approach. They want to examine every document and email. They want their opponents to produce everything for their review. That is just part of the litigation process that extrapolates its cost. This is probably why in the aforementioned case, the party has already spent $4,000,000 and is only halfway through the process. I think this post-grant review provision is providing an effective tool especially in competitor-on-competitor type cases where businesses evaluate and monitor their competitors’ patents and portfolios to understand the landscape of where they are going. This helps businesses determine what products and services it will place in the market.

However, many businesses are pulled into litigation by a new type of entity whose business model is to extract licenses and fees. In these cases, the patents seem to come out of the blue. Whether a business would spend $500,000 on legal fees is questionable in this circumstance because these types of cases are often resolved for much less. However, in competitor-on-competitor cases, where a business has legitimate concerns about protecting what it has, the post-grant review would be a useful tool.

**Professor W. Keith Robinson:**

In your view, when these newly-created entities will go away for about $100,000 or $200,000 in licensing fees, would this post-grant proceeding be beneficial?

**Jonathan Spivey:**

It is extremely difficult for a business to track every newly created patent because individuals and entities are creating hundreds of thousands. Consequently, businesses overlook patents that cover items or processes that are not within its realm of vision or part of its main technology. However, if the patent relates to the business—its landscape of technology or a potential product or service—then the post-grant proceeding becomes a really useful tool.

**Sharon Barner:**

On the other hand, large defense groups often represent ten to fifteen companies in litigation involving these newly-created-entities. Instead of paying $50,000 or $100,000 to settle, these companies have begun pooling their resources with other defendants to challenge these newly-created entities’ patents. This may be a more efficient way to challenge in a post-grant review proceeding, especially when money is limited. Thus, there is not a “one size fits all” case, but there are very different kinds of litigation and challenges in this area. Ultimately, the purpose of these post-grant proceed-
ings is to make it easier, more effective, and less costly for companies to challenge patents, and in the process, ensure the issued patents are quality patents.

**Hal Wegner:**

We have been looking only at costs as if there is no difference in the forum. However, there is a tremendous difference in the forum. Everyone who litigates knows what discovery and a wide sweep of prior art defenses can do for you. They know that you can only use printed publication in inter-parties review. But some issues are uniquely suited for the patent office, particularly cases involving a continuing application. Often times the big issue in the case is: Does a claim crafted years after filing the initial application through the continuing application have priority to the first filing? If it does not have priority, then there is an intervening publication that creates a statutory bar. The issue of priority is very difficult for a court to understand, but it is very easy for an examiner to understand. Is there written description in support of this claim? Where there is such a clear cut written description issue that may be difficult in a district court, it is a winnable situation in the patent office. Even if it is not won in the patent office, it is winnable on appeal in the Federal Circuit.

**Jonathan Spivey:**

Hal is right about that. I have had cases where we made that argument. The court had difficulty truly understanding whether a patentee was entitled to an earlier date, no matter how simple the argument. This was not usually corrected until appeal. But by that time the company had spent $6,000,000 in legal fees and lost faith in the system. Hal is right: the Patent and Trademark Office is better situated to handle that type of argument.

**Professor W. Keith Robinson:**

What factors do you consider when deciding to challenge or not challenge a patent under these post-grant proceedings in the competitor vs. competitor context?

**Sharon Baner:**

Let me start from a company perspective. Some companies do not want to find out what their competitors are doing because the law may require them to determine, in good faith, whether they are infringing another’s patent, and thus whether they should continue making a product. This changes the landscape in some very dramatic ways. The intent, in part, was to pressure companies to monitor their competitors to determine if they would submit prior art on newly-release patents or already-submitted patent applications. In an attempt to create better claims, a couple of programs were designed to get the companies to submit prior art. This put somewhat of a new burden on companies to look out at the landscape. Most companies
have some idea what their competitors are doing in their own space, especially if it is an important product. The burden makes it clear a company could spend less money up front if it were monitoring its competitors’ patents by submitting information during the application process. A company can wait until the end and engage in a post-grant process or litigation if it determines the patent encompasses its products. So, companies need to change their practices of monitoring competitor patents. They should implement effective procedures for doing so, which can potentially save time and money when challenging claims or issued patents.

**HAL WEGNER:**

On the topic of monitoring patents, one of the points that has been somewhat overlooked is the pre-issuance submission. This can be a very valuable tool that is both free and anonymous. The Patent Office has the authority to charge these. They do cite quite a few references, but you never want to do that. You can cite up to three references, preferably one or two of the most pertinent references. They may even be the references cited by the applicant in his background to the invention. Also, you could provide a claim chart and show precisely how the claim reads on this prior art or an obvious embodiment. You will need to submit all of this before the first action. I think it is a very good tool in industries where companies have many patents and are following other patents. The goal is not to flood the examiner with all the prior art you can find. This will upset the examiner and prevent him from reviewing it. If I were an examiner again, I would welcome having a respected attorney file a three-page comment to prior art in the specification stating the scope of the claim and why the claim reads on this prior art or an obvious embodiment. At a minimum, you are going to get a first action rejection based on this prior art. Then, hopefully, the applicant will have to amend.

Now, in the past you would say, “Well, do not shoot your ammunition off, because then how are you going to challenge it?” However, it is not your grandmother’s board of appeals anymore. There were about sixty board members as little as a year ago. There are going to be up to two hundred board members by the end of this year, and the board will ultimately be composed of three hundred members.36 Again, this is founded on the Japanese model, where appeal examiners comprise twenty-two percent of its core. Sixty board members only constituted one percent of the core. These are different people than the old board. Back in 1961, there were only fifteen board members.37 There is an article in JPOS by Federico, which lists all of

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the board members. All the board members were former examiners, and they collectively averaged twenty-nine and a half years of experience as an examiner. Until recently, almost all the examiners were on the board. Today, the cross section of people coming to the board includes some bright individuals in their thirties who are former Federal Circuit clerks and litigators. Some of them join the board looking for a lifestyle change because both spouses are working. For example, Jackie Wright was a partner at Foley & Lardner who I encouraged to take a job on the board. She was a star attraction and making a lot of money, but her husband was at the Department of Justice, making a top of the line government salary. Maybe they were not used to living on more than $350,000 a year as a couple. It is a nice thing being a judge. Those are the kinds of people you are facing. I remember talking to board members at cocktail parties and receptions, and they would say they do not know how to control this thing. I would say to myself, “If you guys are the judges, you need to control them,” but they did not know how because all they have done is examine cases. These people coming from the outside are not going to put up with that nonsense, so if you cite the prior art in the pre-issuance submission and the examiner does not play ball with it, you have a new de novo review by the board that is not going to give any deference to what the examiner has done. It is a different culture that creates a different caste system.

PROFESSOR W. KEITH ROBINSON:

I’m going to circle back to the pre-issuance submission issue. Sharon, one goal of the strategic plan was to improve the appeal and post-grant process. Hal talked earlier about the constitution of the new patent trial and appeal board. How does the new patent trial and appeal board further that goal of improving the appeal and post-grant process, and what do you think it is going to be like to be in a legal proceeding before the new board?

SHARON BARNER:

A lot of what Hal said is true about the constitution and makeup of the new board. A reengineering process of the board was part of the strategic plan. The number of steps a party had to go through to get through an appeal or any other process was completely ridiculous. A party can get through the Federal Circuit appeal in three filings, but it would take one hundred filings to get through the board. Simplifying that process included bringing down the timeframes that were involved and getting more judges. Bringing in


39. Id.

more examiners allows more patent applications to be processed. This means that there are going to be more issues before the board, which will consequently require more board members. Additionally, having different procedures will require a different constitution of some of those board members. Board members should understand litigation and the discovery and filing processes of litigation. There must be people on the board who will stand up and say "no" to the petitioners. For instance, people need the temerity to say, “No, we are going to reject this pleading because it does not follow the rules” or “No, you cannot give me a 500-page pleading if the rules require the brief to be no more than 100 pages.”

On the other hand, the people on the board need to know their stuff. The parties before the board need to have some confidence that the people on the board are competent. The appeal is very important to both parties, and they would not be before the board if they were not willing to spend a lot of money it. I have seen some of the new judges coming in. Hal is right in that there are a lot of federal circuit clerks who have decided that this is a great new opportunity because it is a new board, and they feel that they can make a big difference in the overall patenting process by being a part of the trial appeal board. There are also many attorneys who have tried cases coming from law firms that are going to be on that appellate board. They will have to deal both with the newer proceedings and the appeals coming out from the examiner. Therefore, I think you can expect to see the new board members being very adamant about following the rules in the same way that the Federal Circuit clerks are adamant about people following the rules. The Federal Circuit will kick a brief back quicker than you can bat an eye if you do not follow its strict rules like having the correct margins. The new board members will be sticklers for those rules because it increases efficiency in what they have to do. Ultimately, there will be a lull at the beginning for many different reasons, but once people understand that they can actually get a better process before the trial board, they will start appealing to the board more.

Jonathan Spivey:

The end goal and main objective is to get it right—to reach the right decision in light of the law. Our district courts try to achieve this goal, but because they have so many other cases, they cannot thoroughly resolve all the issues. Consequently, there is less of a chance of getting the correct result. I think this process will help courts efficiently and correctly decide cases.

Hal Wegner:

Part of “getting it right” is being able to say yes or no and have the case affirmed or reversed in a timely fashion. I am encouraged by seeing the per curiam procedures being used because there are often these foolishly long opinions written for routine cases. Is that part of the strategic plan?
SHARON BARNER:

Right. Part of the strategic plan was having people understand that there does not need to be a ten-page opinion if you are just going to affirm, but rather you can do that per curiam. There were a lot of factors that led to lengthy delays, including the seriatim review of the three-judge panel where three different people would sequentially review a finding, adding to the length of time. Part of the strategic plan was reviewing the process and procedures again and seeing where time can be cut off the process.

The application process is being reengineered to make it more efficient. Director Kappos has a reengineering process going on at the core. This has been a long process because a lot needs to be done and many things need to be cut out. After investigating the boards’ process of appeal, we were able to cut out six months just by looking at duplication of effort and procedures. For instance, there were three different sets of people reviewing for technical conferment with the rules when only one would have done fine. I think you will find this board willing to do it and this director capable and willing to cut the processes out where there is a duplication of effort. However, this is a two way street because practitioners must also play their part. They must be willing to come to the board and play by the rules.

JONATHAN SPIVEY:

Also, practitioners must understand that the gamesmanship and nonsense that occurs in many district court cases will not happen in front of the Patent Trial and Appeal Board ("PTAB"). This process has a finality to it, and thus gets it right. The board will make a decision, and then if one side disagrees with that decision, it can appeal. Then the decision is final. Both sides must accept the ruling even if they disagree with it. This will not be a continuous fight. These procedures allow parties to get to the end much quicker and ultimately reduce how much money is spent. Many times at the end, the parties disagree and want to keep fighting, and there has always been an avenue to keep fighting. By having the board constituted with new people who are going to try to stick to the rules and procedures and force the petitioners and the parties to stick to them as well, I think they will get to the determination a lot quicker.

HAL WEGNER:

Some people wonder how these new board members coming from a litigation practice, who have never worked with patents, deal with the patent office procedures. The answer there is the three-member panel with a cross-blending of talent. My understanding is new board members are great at substantive patent law and understand procedures, and they will be married on the panel with career examiners who have been promoted to the board.

Also, the board is a different animal than the examiners. Board members used to be called "examiners-in-chief," and they really were rubber stamps to a large extent for the examining corps. However, now there is really a different culture, which is apparent in the appointments. The board has a \textit{de novo} proceeding. Thus, when you get a second action non-final, you would like to appeal, but you cannot win unless it is clearly a bad rejection. If you do not win at the board, that ruling will likely be affirmed because a ruling is only overturned on the substantial evidence standard in an appeal the Federal Circuit. Thus, except for claim construction, which is reviewed \textit{de novo} by the Federal Circuit, an appeal is to a large extent theoretical.

\textbf{Professor W. Keith Robinson:}

I want to look at this issue from another perspective. Jonathan, you mentioned that in most cases we are looking at the post-grant review procedures in a competitor vs. competitor situation. What if you are the patentee? Let's say your patent has not yet issued, but you know that it will likely be subject to some sort of post-grant review proceedings. Are you working closely with the prosecutors in preparation of that patent to add other claims? How do you strengthen your patent for a post-grant review procedure, if you can?

\textbf{Jonathan Spivey:}

I have a couple of thoughts on a patent owners' strategy if he knows that patent is going to be challenged by one of these procedures. The patent owner should have some understanding of where he is going to be in the process and how long it is going to take, whether it is one or two years as Hal mentioned previously. The patent owner must understand and identify all the discovery that will be needed if he expects that the challenge is going to come with a post-grant review. The patent owner has to know what information will come from affidavits, declarations, and testimony from the inventor. He cannot wait to see what it is. He must be assertive and determine what is going to come out of the person's mouth. Also, he must try to anticipate what the other side's arguments will be as to why the patent is invalid. A patent owner should anticipate if they are going to make a Section 101 or Section 112 argument because it is his patent, and he should understand the


43. See id.

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specifications. He should not wait for them to point it out, but he should be proactive about it.

The other thing the patent owner must understand is the impact from any pending litigation. He will want to be careful to not unintentionally surrender some of the claims scope through the post-grant review process. I have had instances where a client was sued for patent infringement, and we immediately filed the inter partes reexamination. We fought hard throughout the inter partes reexamination before being ruled on. When we received the ruling, we asked ourselves, "Did they really just narrow the scope of the patent like that?" When they narrowed the scope, however, they ensnared the prior art. Though we were fortunate, a patent owner has to be very careful so he does not unintentionally narrow the claim scope. These are the kinds of things a patent owner has to be on the lookout for if he is expecting a post-grant review.

**Hal Wegner:**

Jonathan made a very important point. The patent owner must be prepared. Preparation includes collecting all the evidence he can gather relating to the **KSR** factors. Once the petitioner files his arguments, the patent owner has three months to file a preliminary response, and then the director has three months to make a decision. If the patent examiner waits to start preparing his response until after the decision, then he needs all of his evidence in four months. This includes collecting comparative test data and articles by experts in contemporaneous art to show the different **KSR** factors. An expert's naked affidavit stating, "my opinion is that this is a **KSR** factor" is insufficient. There must be very specific facts that take a lot of time to develop. For instance, comparative testing over the prior art may take a long time.

**Sharon Barner:**

As a patent owner, we file about three or four hundred patents a year. The number of patent filings prevents us from having a thorough a process. Thus, it is critical that patent owners know what patents cover their primary product. Frequently, a product changes over the life of its development while patent claims associated with the product do not. It is important that a patent owner has its patent people in touch with its product development people in order for them to know changes made as the product is developed. If a patent owner has some applications pending that cover its primary prod-

ucts, it needs to make sure they actually cover its product and, if necessary, its competitors' products. This is a refinement that should occur in the claiming process, but frequently does not. Also, a patent owner needs to make sure its claims are strong. Frequently, we have had a litigation team look at the claims because the patent folks often become focused on language that does not necessarily hold up down the road. If these are important patents and important claims, a patent owner should put more effort in making sure that the claims are strong in the beginning. Every time a patent owner prepares to change the claim language, once the claims can be challenged, it has many strategic issues to consider. A patent owner should consider what to say and whether to limit its claims. Whereas, a patent owner face fewer issues that could potentially derail the strategy while in the course of a post-grant review or challenge if he had done this on the front end. Thus, patent owners need to be looking at their claims before someone else does.

**Hal Wegner:**

Two things can be done on a routine basis. The first: have a sub-generic claim to cover commercial embodiment with some generic scope. One of the big weaknesses in many patents is the lack of the sub-generic claims. Typically, there is a very broad claim in addition to several very narrow claims. Many times, you have to retreat to a sub-generic claim that covers the real commercial embodiment. Typically, post-grant proceedings are not very helpful because they are stuck determining the intervening rights. The other thing I like to have is a divisional case that I can file just before the issuance of the patent. Then the divisional patent can trail for a long time, and then I can add claims through the divisional case without intervening rights in an ex-parte procedure.

**Jonathan Spivey:**

Also, you definitely want to avoid inadvertently creating intervening rights when you are in the post-grant review or inter-parte review process. The strategy Hal was talking about is a good way to do this because it does not create intervening rights, which occurs when you start changing the claims.

**Professor W. Keith Robinson:**

Sharon, it seems like you are suggesting that patent owners identify the patent application that cover their main products. Then, in addition to having one of its top prosecutors look at that application, it should also have a litigator look at the claims to ensure the patent is in good shape in case it is challenged.

**Sharon Barnier:**

Again, you can do this for all your patents. However, if you have key products that you are putting in the market, and you know there is going to
be a lot of competition, then this patent application is worth the extra effort to strengthen the claims. I also have a litigator look at the claim language in part because they have a broader view of the language they have seen in litigation that you might not ordinarily see from the prosecution perspective. One of the things you see from litigation perspective is how claim language goes wrong. Therefore, I think having the litigator touchup the edges of the claim is a good way of strengthening your claims for your key products or processes.

W. Keith Robinson:

Also, Hal previously mentioned the pre-issuance submission or the third-party submissions. Hal, my reading of the proposed rule suggests that you can make up to ten document submissions, and then for every additional ten document submissions, there is an additional fee. Can you address this?

Hal Wegner:

Yes. You would have to be insane to file ten, twenty, or thirty documents. Your goal is to help the examiner do his job by pinpointing specific references that get his attention. If I were an examiner, and you gave me fifty references, I would throw them away. That is nonsense to think I would closely examine each one. Create a claim chart and explain exactly why the claim is this broad and why it reads on an embodiment in the prior art or an obvious embodiment. Also, you could have a second teaching reference, but make it very simple. Do not make it argumentative, and do not add any case law. Once you submit this claim chart, you have made a perfect first action rejection for the examiner. He is going to be very grateful for your help. When you start submitting many references, you are just being foolish.

Jonathan Spivey:

I am a former examiner, and I believe Hal is exactly right. You want to be as simple and direct as possible. If you have ten references, I would suggest you take the top three while focusing on only one or two. Create a claim chart to show how the references would invalidate the patent and be done. The point is to keep it simple and brief. When I was an examiner, I would get up to sixty references from the patentee. I would think to myself that not all of these can be important. However, once I became a litigator, I understood what was going on. Patentees were just hiding the necessary reference in the sixty, and I had to ferret it out. Under the time constraints, I did not have the time as an examiner to do that. Now, when you are doing this submission, obviously one of the things you are trying to do is help the examiner. To do this, you need to lay it out and make it very simple.

Sharon Barner:

Here is the other side of the coin. I have looked at hundreds of prosecution files, and there has always been this hesitancy to give the examiner your
best prior art if you are the challenger because the prosecuting party is going to argue around it. When you submit your best prior art, you give the applicant an opportunity to craft arguments around it. Because of this, there has always been a hesitancy to give the examiner your best prior art. Examiners have a limited amount of time, unlike the people who are prosecuting before them who have unlimited time to make their arguments about why their invention is patentable over the prior art. I have seen instances where the examiner gives up because he has to get to his next application and cannot keep fighting over one application. Thus, a claim gets issued even though it was properly rejected from the very beginning. The question in a pre-issuance submission becomes, “How do you deal with a challenger’s hesitancy to submit its best information when it opens the door for the applicant to argue around it?”

Jonathan Spivey:

That is a very tough spot, and that is a good question. This is called the whitewashing process of your best piece of prior art. One of the reasons a challenger is submitting references to the Patent Trademark Office (“PTO”) is because it knows the application is covering part of the product or process that it will have in this same area as the applicant. It is tough because the challenger will often be faced with litigation later on. Oftentimes, there will be situations where particular entities will hold back, and instead of giving the top reference, they will give the second or third best reference.

Hal Wegner:

However, it is a case-by-case answer, too. First, sometimes you are not yet in the field and you see this very nebulous and broad claim, and you do not really care what claim is granted as long as the boundaries are clear. In these instances, if you have very pertinent prior art, you will force the applicant to characterize the invention in a way to create estoppel. If this is an important case that is worth the money for an inter-partes review, then you have that failsafe option at the end. Remember, this is not your grandmother’s board anymore. These are going to be de novo proceedings by people who are from a different culture than the examiners. Not only are they people from the outside, but they are lawyers, whereas 99% of the examiners today are not lawyers. This means that there will be de novo proceedings where there have not been before.

Professor W. Keith Robinson:

Before I open it up for questions, I want to get the panel’s prospective on supplemental examination. I want to know whether you think supplemental examination is going to be frequently used and how the patentee will use it.
JONATHAN SPIVEY:

I think the previous panel discussed why they did not think it was pertinent and why they did not think it would be widely used. From my understanding of supplemental examination, timing and preparation are important. Failure to act, where there is reason or opportunity to act, could result in the loss of the inequitable-conduct safe harbor benefit. Obviously, the patentee is in the best position to evaluate whether there is a need to take advantage of that safe harbor benefit. If there is an opportunity for the patentee and there is a need, I would suggest that it it be objective and honest about whether it needs to invoke it.

SHARON BARNER:

I think supplemental examination will have limited applicability, and there will be some instances where it will have great use. Companies rarely hide references. Often, the existence of a reference does not come to the company’s attention, even though someone in the company may have had it. For example, in a company with 20,000 engineers, one engineer may have possessed an article relating to a patent that the company was prosecuting, which did not come to the company’s attention until late in the day. So, I can see circumstances where it might be very useful to have a supplemental examination. From a patent owner’s perspective, it provides an opportunity to get those issues cleared up. In the context of litigation, a patent owner will not be accused of inequitable conduct because the owner will know if anyone on its engineering team has a relevant reference. I do see what may be an increasing opportunity for a supplemental examination, especially as we get engineers who are more remotely removed from the innovation process and team. These engineers, who are out in the field, will nonetheless be considered part of the knowledge team because they have a piece of prior art and some additional information.

HAL WEGNER:

Pretty rare use though.

SHARON BARNER:

I could have used it a few times in my litigation career.

PROFESSOR W. KEITH ROBINSON:

I would like to open it up for questions for the panel. If anyone has questions, please ask.

AUDIENCE QUESTION # 1:

What standard of review is used when a decision of the district court is appealed to the Federal Circuit?
**Hal Wegner:**

Substantial evidence is the standard of review for the obviousness and the fact-based issues. The only issues that will be reviewed *de novo* will be claim construction issues and errors of law. However, the claim construction could be reviewed under a different standard if *Cybor* is overturned.\(^{49}\) That is something just waiting to happen.

**Audience Question #2:**

How does this affect a patent's review and examination?

**Sharon Barner:**

When framing issues within Section 112,\(^{50}\) you must take a broad approach for purposes of claim interpretation.\(^{51}\) The issue has always started as the broadest possible, and then you narrow that down when you are looking at other issues, so you get this dichotomy that is not quite right. I think you need to make sure that you can look at it for both the claim and the prior art on that claim in its broadest sense.

**Audience Question #3:**

Why is it not a no-brainer to go through the inter-partes process rather than a lawsuit?

**Hal Wegner:**

Lawsuits are expensive.

**Audience Question #4:**

Is the current statute more slanted in favor of the patentee?

**Hal Wegner:**

There is no question that the statute was definitely designed to be anti-patentee. Litigating through a district court usually involves a massive amount of discovery, which you do not have in either of these procedures. In inter-partes of review, deposing of the affiants will be the only procedure generally available for two or three years.

**Sharon Barner:**

Let me first of all take issue with the fact that the statute is anti-patentee. I disagree. The genesis behind the statute was to make it more conducive to challenging the claims as part of the process. The goal was to neutralize the

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millions of dollars being spent on litigation by allowing experts to review the patent, and assess the issues after it has gone through the give and take of the application process. The notion that you do not have a presumption of validity comes from the fact that the patentee is not in front of a district court but is instead before the office that issued the claims.

Because the goal is to place the patent before the experts, I do not think the statute is anti-patentee. This will become part of the process of issuing strong patents and will help avoid issuing bad patents, which everybody agrees should not be issued. I agree that one goal behind the statute was to give an incentive to people to challenge the claims as part of the process by removing the presumption of validity in order to improve the quality of issued patents in a cost effective manner. Because this will become part of the issuance process, and the patent has not yet been issued in many instances during these procedures, a patent should not have the presumption of validity anyway.

**Jonathan Spivey:**

Let’s assume you received a nasty letter stating that your product infringes a patent, and it asks you to purchase a license. Your decision as to either file a declaratory judgment action or go through one of these procedures depends on what evidence you have and what kind of discovery you will need. You will have to consider all of these factors to determine which of the processes would be better. If you know that you will need extensive discovery, then obviously the declaratory judgment action is going to be the best way. If you know you have the silver bullet in your back pocket, and the other side is not aware of it, then why not use one of these procedures as the first tool?

As you determine the best way to proceed, keep in mind the scope of discovery and the estoppel effect. If you plan to challenge the infringement claim, arguing that patented item is not patentable subject matter, then you should use the post-grant review. You should also use the post-grant review if is the issue deals with a written description. However, if you have anticipatory prior art in your back pocket, you could use post-grant review or the inter-parties review. You have to determine which action to take based on your needs. Obviously, time and other considerations for both of those procedures should also be considered.

**Sharon Barnier:**

Do you think most of the discovery costs will be eliminated by the elimination of section 102(g),\(^52\) best mode, and who-invented-first issues?\(^53\) Sec-

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52. 5 U.S.C. § 102(g) (2002).

53. Id.
tions 112,\textsuperscript{54} 102,\textsuperscript{55} and 103\textsuperscript{56} —which will now predominate the invalidity aspects—seem to favor using post-grant processes over the district court.\textsuperscript{57}

\textit{Jonathan Spivey:}

In many of the district court litigations, courts did not invalidate a patent simply because best mode was an issue in the case. It is just one issue you would raise in order to give the other side hell. However, is a court really going to determine the patent is invalid because the patentee did not provide a best mode? No. If this is your strategy at trial, you might as well pay your opponent.

\textit{Sharon Baner:}

But a lot of money was spent on it.

\textit{Jonathan Spivey:}

Yes, a lot of money was spent. This is one place where you can cut down on the process. Now you can get to the crux of the issue. Is it really patentable based on what is already out there? Is it novel and non-obvious, or was it in fact not patentable from the beginning?

\textit{Hal Wegner:}

You are going to have a lot more expense added by the new law when you talk about the post-grant review, which will be applicable to patents based on applications filed on or after March 16, 2013.\textsuperscript{58} The new prior art regime includes foreign public use, on-sale, and disclosures. Right now, for example, there are a million Chinese and Japanese patents, utility models, and designs that have no counterparts. Assuming you want to move the prior art date earlier because you only have the publication date, you will have to engage in discovery in China and Japan to find these dates. Just think of that, a million pieces of prior art, in Mandarin and in Japanese, which have no counterparts in the United States. So you will have much higher expense, and that is just the tip of the iceberg with foreign discovery. This will take a lot of caviar flights to Asia.

\textsuperscript{57} 35 U.S.C. §§ 102, 103, 112 (2012).
AudiencE Question # 5:

We have been in litigation where the other party has disclosed literally 4,000 pieces of prior art. We sit there and think, “What do we do with all of this stuff?” and “Which prior art is relevant to this current litigation?” We had to send everything to the USPTO and, of course, the examiner is mad as a hornet. My boss wanted us to identify what is relevant to the litigation, but we did not know what else to do.

Jonathan Spivey:

You are obligated to do it.

Sharon Barner:

I would have filed a motion with the court against the other party to make them identify what was actually relevant. It seems to me that it is an abuse of discovery. You can over-disclose in the same way that you can under-disclose. I have seen judges say “No, you have to come in here and pick the real prior art.” There is law on this issue allowing judges to require

AudiencE Question # 6:

So what do you tell Judge Ward\(^59\) when you are trying to get a stay of litigation, and they let the reexamination grind on for several years while they wait for all of that art?

Jonathan Spivey:

Let’s be fair to the process here because I have been on the other side. I have been a defendant, though I might not have used those kinds of tactics. Let’s say that you filed the re-exam, and you have identified the best five references. Part of the problem that a lot of district court judges were facing under reexaminations was that it would take five years and no real decision to get to the crux of it was made. Courts are now becoming more efficient, getting these types of cases to trial within twenty-four months. Thus, they are denying stays to hear arguments and make a fair determination.

I think courts are correct in denying stays when the parties are merely trying to delay the process. However, there are times when the defendant has a reexamination that really has some substance to it, and the PTO should be given the time to look at it because they did not get it right the first time. Either they missed something, or they lacked information. This is where the wasted time it took to complete the reexamination defeated the defendant’s reason to obtain a stay.

However, I think the new procedures may have a different appearance to a judge. A stay might be more appropriate because of the time constraints. After two years, the process will be done, and there will be a written opinion with an estoppel effect on it.

**Hal Wegner:**

The success of this whole procedure, to a great extent, will depend on whether the patent office will adhere to those time limits.

**Jonathan Spivey:**

Yes, that is exactly right.

**Sharon Barner:**

I want to go back to whether you had any choice other than putting 4,000 references before the examiner. I think there are lots of other choices other than putting 4,000 references before the patent examiner.

**Jonathan Spivey:**

Yes, that is a true indicator that you do not have anything.

**Sharon Barner:**

Right. I think you could have used some of your options before the court to limit the 4,000 references before you put them before the patent examiner. These days I may defend patent examiners more than others—having worked with them for a couple of years—but there are other ways to get what you need even if they were trying to get that 4,000 whittled down.

Q: You were saying that with these new tools it is important that a patentee provide an accurate list of reference when furnishing countless references. Would this be permissible where a patentee is uncertain about what to provide and has his own idea of the requirements?

**Jonathan Spivey:**

No. I do not accept that. If you are an experienced practitioner, and have prosecuted patents, then you know exactly what the rules require. I have been there. I have done it as a first year lawyer, and I still understood what the IDS requirements were.

I think you have to be honest to the process. You know whether something is cumulative. You know whether you are just piling on and whether there is really a distinguishable difference between reference five and reference fifty. You know there has to be some distinguishable difference. Now, I am not suggesting that everything is cumulative and that you should only give one of the fifty references.
HAL WEGNER:

If the patent owner or applicant is dumping sixty references, and I, as the third party, give the patent examiner a two-page concise summary showing pertinent references and simply explain why they are pertinent to the claims at hand, that examiner is going to be so happy! He has a first-action rejection.

PROFESSOR W. KEITH ROBINSON:

On that note, we will conclude. Thank you to the panelist.