

4 Times Patent Owners May Want Adverse Judgment At PTAB

By **Matthew Bultman**

Law360, New York (November 14, 2016, 3:23 PM EST) -- It might seem strange for a patent owner to ask the Patent Trial and Appeal Board to kill claims in their own patent, but attorneys say that under the right circumstances, requesting an adverse judgment can save resources and present some strategic advantages.

Under the rules that govern trial practice before the PTAB, patent owners are allowed to request judgment against themselves at any point during a proceeding. This is exactly what it sounds like: The board enters judgment against the patent owner and the claims at issue are canceled.

While asking to lose is almost never a winning strategy, there are times when this can be an attractive option for a patent owner, particularly if they're running low on money or looking to protect other, potentially more important claims in the patent.

Here are four situations it might make sense to consider asking for adverse judgment.

When Costs Outweigh Benefits

Defending patents at the PTAB isn't cheap, with costs often reaching into the mid-six figures. And statistically speaking, AIA reviews haven't been all that favorable to patent owners. Most times when owners give up on their patent claims, it comes down to a cost-benefit analysis: What's it going to cost versus are you going to be successful in saving the claims?

"If the answer is, it's going to be tough and you're going to spend a bunch of money, then what happens sometimes is we'll go ahead and just cancel them," said Brenton Babcock, a partner at Knobbe Martens Olson & Bear LLP.

There are other considerations, too. For example, most patents in AIA reviews also involve underlying district court litigation. Once a petition has been filed, judges will often put the case on hold pending the PTAB proceedings, which can take well over a year to complete.

Patent owners might want to avoid that kind of delay, cutting their losses at the PTAB and go back to the case at the district court. This assumes, of course, that the board hasn't instituted review of every claim in the patent, or that the owner has other patents in play at the district court level.

If that is the case, Ryan Schultz, a principal at Robins Kaplan LLP, said he could see where a patent owner might not want “the stay to continue on just to fight the fight in the PTAB, you’d rather just cut off those claims and go back to district court.”

Along those same lines, Babcock said sometimes patent owners will request judgment on a patent’s broader claims, which can be more difficult to defend. This allows them to focus their energy defending narrower, more viable claims. It can also serve to boost your credibility in front of the PTAB judges.

“Why spend your resources, the client’s resources, the board’s resources, your opponent’s resources on claims that probably aren’t patentable?” he said. “And then having to defend those and losing potential credibility for the claims that you think you can win on.”

To Avoid IPR Joinder

Inter partes reviews, where petitioners can challenge patents as anticipated or obvious based on earlier patents and printed publications, are the most popular kind of AIA review.

The law requires that a defendant in a lawsuit file a request for IPR within one year of being sued. The exception to the time bar is when the defendant files a petition for IPR along with a request to join a review that has already been instituted.

So a patent owner could have a situation where the PTAB has agreed to institute review of some but not all claims in a particular patent, and then a defendant who would otherwise be time-barred from filing a petition looks to join the proceeding and challenge additional claims.

Depending on the value the patent owner places on the various groups of claims, it could work to their advantage to seek adverse judgment in the existing IPR, leaving the defendant with nothing to hitch their wagon to and shutting them out from seeking further review.

“By eliminating the first-filed IPR through an adverse judgment, a patent owner has an opportunity to prevent the second-filed petition from joining the first-filed petition,” said Sangeeta Shah, co-chair of the post-grant proceedings practice at Brooks Kushman PC. “And then, obviously, if it’s statutorily barred you’ve avoided, at least vis-à-vis those defendants, the opportunity for them to challenge those claims through an IPR.”

A similar scenario played out in one case last year between Artsana USA and Kolcraft Enterprises.

Artsana had asked the PTAB to review 20 claims in a Kolcraft patent covering a baby play gym, but the board agreed to review just five. Artsana, which had been sued for infringement more than a year earlier, then filed a second petition along with a request to join the existing IPR.

Kolcraft subsequently requested adverse judgment on the five instituted claims. The board granted the request, thereby preventing Artsana from using the first IPR as a vehicle to launch another challenge to additional claims.

“There are times when you have to let go of claims that you might think are valid, but you’ve got other valid claims,” said David Cornwell, a director at Sterne Kessler Goldstein & Fox PLLC. “You’ve got to be somewhat practical about it as a patent owner. And if you’ve got claims you can still get the infringer with, sometimes you have to make those really tough calls.”

To Dodge CBM Review

Another kind of AIA review is what is known as a covered business method review program. In CBM reviews, petitioners can challenge patents on grounds that wouldn't be allowed in IPR, such as that the patent is directed to an abstract idea or is invalid for lack of written description or indefiniteness.

And unlike IPRs, there is no time bar for a petitioner to request a CBM.

"CBMs are not the briar patch you want to be thrown into as a patent owner," Babcock said. "None of [the reviews] right now are friendly places, but that's probably the thorniest of all the briar patches."

The AIA restricts the CBM review program to patents used in the practice or management of a "financial product or service."

Babcock says there has been instances where a patent owner, hoping to avoid CBM review, will get rid of the financial-related claims in their patent, leaving in more generic claims that don't specifically talk about financial transactions.

The board in some instances has found the patent is then no longer amenable to CBM review.

"Now, the board doesn't have to do that," Babcock said, noting cases where the board still decided to go ahead with a CBM review because the financial claims were part of the patent when the petition was filed. "But at least you have a shot."

To File a Reissue Application

Another scenario in which requesting an adverse judgment can be a benefit is when the patent owner wants to file amended claims in a reissue patent application.

Trying to amend claims in the IPR process is an uphill battle and many patent owners have complained that the PTAB has made it nearly impossible to do so. In fact, the issue is the subject of an appeal pending before the Federal Circuit.

The reissue application lets a patent owner return to the U.S. Patent and Trademark Office to fix mistakes in the patent. In certain situations, attorneys say it might be beneficial to request an adverse judgment and terminate the PTAB proceedings, then pursue amended claims in the reissue.

"In that reissue circumstance, you're able to have much more freedom and flexibility to get the claims you might want," Cornwell said. "It's an ex parte proceeding, so you're dealing directly with the examiner, you're meeting with the examiner. You don't have your opposition in there with you."

In theory, a patent owner could see the PTAB review through and file a reissue application at the conclusion, after a final written decision has been issued. But dropping out of the fight sooner, particularly if you suspect you might lose, can save several months and quite a bit of money.

That said, there are certain considerations that patent owners need to be mindful of after any judgment or decision from the board. For example, a patent owner won't be able to file a reissue to try to get claims that are obvious variations of ones that have been canceled.

But being proactive could make that process a little bit easier.

“Once you give the board a chance to write a final written decision, I think you’re at a bigger disadvantage than if you voluntarily took the adverse judgment against yourself,” Cornwell said.

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