

challenges to patents as abstract, particularly business methods and software related inventions. Motions to dismiss and early motions for summary judgment attacking broad, feature oriented patents are now a big arrow in the quiver of alleged infringers.

• The Supreme Court has also made it easier to prove a patent claim is invalid as indefinite (i.e., vague and ambiguous). Consideration must be given to how and when to challenge indefinite patent claims in the wake of the new lower standard.

Each of these changes will now be addressed, including how litigation practices need to change to take advantage of the changes.

The PTAB Death Squad

The America Invents Act (AIA) introduced new trial-like proceedings that permit third parties to challenge the validity of the patents in the U.S. Patent Office before a panel of three administrative law judges.¹ Discovery is very limited and the time frame to trial is one year after acceptance of a petition seeking institution of such proceeding. These factors make the cost of the new proceedings significantly less than litigation. Invalidity only has to be proved by a preponderance of the evidence, lower than the court standard of clear and convincing evidence. Two years after inception, these proceedings are proving to be incredibly popular and successful for patent challengers.

Initial USPTO projections had forecast about 420 patent challenges per year. However, about 600 petitions were filed in the first year, and nearly 1,900 petitions were filed in the second. Notably, 70-80 percent of challenged claims have been canceled. To get a flavor of the patent bars' attitude toward these proceedings, the former Chief Judge Randall Ray Rader of the Federal Circuit was infamously quoted as saying that at the patent office "[y]ou have 7,000 people giving birth to [intellectual] property rights," while in the PTAB, there will soon be as many as 300 administrative patent judges "acting as death squads, killing property rights."²

A few rules for the new PTAB proceedings temper the thought that it is a complete panacea for accused infringers. First, if a challenger does not prevail in the PTAB trial, they are precluded in litigation to use any defenses they used or could have used in the PTAB proceeding. This estoppel provision means that there will be few defenses to invalidity

in a parallel litigation. Second, the PTAB proceeding must be brought within one year of being sued by a patentee. Thus, you need to use this option promptly.

With lower costs, more technical decision-makers, a lower burden of proof, and the promise of quicker results, post-grant review offers advantages for those accused of infringement. A party that is faced with an aggressive or unreasonable licensing discussion can threaten or initiate post-grant proceedings to put the patent at risk. If litigation has been started, an alleged infringer should consider if they have a strong prior art defense for a post-grant proceeding.

Patent owners, on the other hand, have to include the chance of a post-grant validity challenge into their risks and value calculus. If the patent is subject to strong prior art defenses, pressing forward to litigation has to be done with eyes wide open that the alleged infringer has a potent weapon. A patentee may put their patent in better condition for challenge by requesting review of their own patent by the patent office to have prior art considered in an ex parte proceeding or voluntarily narrow their patent claims.

Threat of Paying the Other Side's Fees

Two Supreme Court decisions on attorney fees in patent cases were decided in 2014. In *Octane Fitness v. ICON Health & Fitness*,³ the Supreme Court lowered the bar for recovering attorney fees in patent cases. The Supreme Court held that an "exceptional case" under the fee recovery statute is simply one that stands out from others based upon the strength of a party's case or the manner a case was litigated. Post-*Octane* attorney fee motions are being granted at a higher rate, particularly when a patentee continues a case after a claim construction decision that precludes infringement.

Further, *Highmark v. Allcare Health Management System*⁴ changed the standard of review for decisions involving the award of attorney fees. The Supreme Court held that a lower "abuse of discretion" standard should apply when reviewing attorney fee determinations. The discretion granted to district courts should result in fewer Federal Circuit reversals on fee awards.

Some Federal Circuit judges want to review the standard for willful infringement in light of *Octane* and *Highmark*.⁵

Octane should pressure both patentees

and accused infringers to settle if their case is not strong. Even if a case is not frivolous, there now is risk of attorney fees as courts are granting fee motions at a much higher rate post-*Octane*. When faced with a weak case, the changed law can be used in settlement negotiations. Litigators should create a record with the court that the other side's case was weak. This can be done by pushing strong claim construction or dispositive motion issues early in the case. Further, more cases are going the distance because of the availability of fees.

Highmark's abuse of discretion review standard may make venue and judge assignment more important. It is likely that a district court's decision on attorney fees will be hard to reverse. Thus, a patentee may choose a forum based on its reputation for granting fees. Likewise, an accused infringer may include this factor in considering whether to transfer venue (or choose venue of a declaratory judgment action).

The Facts of Claim Construction

In patent cases, construing the meaning of the patent claims is a central determination governing the scope of a patent. Historically, "claim construction" has been considered to be an issue of law, and thus is reviewed on appeal using a de novo standard.

Earlier this year, however, the Supreme Court rejected the Federal Circuit's long-standing practice of applying a de novo review standard to district court claim construction decisions in *Teva Pharmaceuticals USA v. Sandoz*.⁶ The Supreme Court ruled that factual findings made by the district court in connection with claim construction can be reversed on appeal only when they are clearly erroneous. As a result, cases where extrinsic evidence, such as expert testimony, is relied on to determine factual issues central to claim construction will be more difficult to reverse on appeal.

Teva is critical for cases where the intrinsic evidence (i.e., the patent, its prosecution history and the cited prior art) may not be clear-cut and where extrinsic evidence is relied upon. It will also be significant when indefiniteness is at issue, as was the case in *Teva*. If parties use expert witnesses to opine on factual issues or present other evidence that requires a factual determination, a district court's decision will be harder to reverse on appeal.

As to litigation strategies, more thought should be given to issues such as venue and

the proclivities of the assigned judge. Some judges discourage use of experts or hearings. It may be required to push for use of experts or a hearing if a party believes that their claim construction hinges on a factual issue.

Choosing and Fighting Venue

The reputation of the judges and juries, the speed to trial, the manner in which claim construction is conducted, and the availability of summary judgment or other dispositive motions are issues to consider when selecting venue. In years past, the Eastern District of Texas was a clear favorite for patentees. However, the choice may be tougher due to recent developments.

The Federal Circuit now routinely accepts mandamus requests on procedural issues from the Eastern District of Texas.⁷ The Federal Circuit has forced the judges in the Eastern District to be more evenhanded on transfer, severance and other key issues. Further, the time to trial in the Eastern District has increased to over two years.

With the the Eastern District of Texas not being as plaintiff friendly and given the longer time to trial, it no longer should be picked without consideration of alternative forums. If suing only one defendant, a patentee should only choose the Eastern District of Texas if the case has a strong connection to the forum. Otherwise, the defendant may have a good chance of transferring to a forum that is favorable to them.⁸ However, the Eastern District is still a top patentee venue choice because the judges remain less likely to grant summary judgment and the jury statistics are still strong for the plaintiff.

While transfer has become easier to achieve, accused infringers may consider staying in the Eastern District of Texas because the judges are experienced with patent cases. Further, if multiple parties are sued on the same patent, a defendant may consider staying in Texas to have the benefit of a coordinated defense with the other defendants to save costs, share experts, and benefit from defenses developed by other defendants.

Abstract Arts

In *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*,⁹ the Supreme Court issued a long-awaited and unanimous decision on patent eligible subject matter, holding that claims directed to implementing abstract ideas on a generic

computer, without further limitations, are not patent eligible. *Alice* has resulted in drastic changes to the eligibility of software and business method patents. Post-*Alice*, the Federal Circuit and district courts have been invalidating software and business method patents at a record pace.¹⁰ Patent claims that include an abstract idea will skew more towards eligibility if they are limited to specific implementations that do not prevent others from practicing the underlying abstract idea and are not so broad as to block the use of an abstract concept.

A patentee concerned about a patent eligibility challenge needs to consider forum carefully. Trends are developing as to the timing and success rate for such challenges. Some judges will consider eligibility on a motion to dismiss; others have postponed the issue until after claim construction. A patentee may consider whether it should narrow its claims in the patent office before commencing litigation in a way that will strengthen the claims to an eligibility challenge. Alleged infringers should consider taking an early shot at a victory by raising the issue of eligibility on a motion to dismiss or motion for summary judgment.

Vague Is Not in Vogue

In *Nautilus v. Biosig Instruments*,¹¹ the Supreme Court held that the Federal Circuit's "insolvable ambiguous" standard for finding a patent claim indefinite (e.g., vague or ambiguous) was too restrictive. In *Nautilus*, the Supreme Court articulated a less stringent test for establishing indefiniteness, namely that a patent claim is indefinite when the claim cannot inform those skilled in the art about the scope of the invention "with reasonable certainty."

An accused infringer should identify and push the issue of indefiniteness early in litigation. Since it is an invalidity defense it can end or narrow a case. The words of a patent claim should be considered to see if there are vague or ambiguous words (e.g., about, approximately, relatively, substantially) and concepts. Early work with an expert may confirm if one skilled in the art would consider a claim as lacking the requisite "reasonable certainty." Summary judgment or early claim construction may allow for an early victory against a vague or ambiguous claim.

Conclusion

The fast pace of recent changes to the patent laws has created exciting opportunities

for creating and testing new strategies. Patent litigators have many new issues to cope with and need to dynamically adjust their practices to take advantage of the changed laws. Companies that are faced with patent litigation must realize that the changed laws should be incorporated into their thinking as to whether patent litigation is the best course. It is expected that those who are fastest to understand and consider the implications of the numerous changes to the patent laws will have a greater advantage against their opponents when facing patent litigation.

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1. See Joseph Casino and Michael Kasdan, "Trends and Lessons from 2 Years of AIA Post-Grant Proceedings," *Law360* (Sept. 29 and 30, 2014).

2. "Rader Regrets CLS Bank Impasse, Comments on Latest Patent Reform Bill," *Bloomberg BNA* (Oct. 29, 2013).

3. ___ U.S. ___, 134 S. Ct. 1779 (2014).

4. ___ U.S. ___, 134 S. Ct. 1744 (2014).

5. See *Halo Elecs. v. Pulse Elecs.*, 769 F.3d 1371, 1383 (Fed. Cir. 2014) (O'Malley, J., concurring).

6. No. 13-854 (Jan. 20, 2015).

7. Granting at least 10 mandamus petitions since 2008. See Paul R. Gugliuzza, "The New Federal Circuit Mandamus," 45 *Ind. L. Rev.* 343 (2012), available at <http://scholarship.law.ufl.edu/facultypub/253>.

8. A search of transfer motions filed in the Eastern District of Texas during the period of May 4, 2014-2015 shows only a 25 percent grant rate. Thus, transfer is still a challenge despite pressure from the Federal Circuit.

9. 134 S. Ct. 2347, 573 U.S. ___, 189 (2014).

10. Data analytics on Docket Navigator (docketnavigator.com) anticipates 131 of such motions in 2015 with a 55 percent grant rate compared to 22 of such motions in 2013 with a 50 percent grant rate.

11. ___ U.S. ___, 134 S. Ct. 2120 (2014).