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FEATURE

Weaponizing IPRs

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Patent reform was heralded as a way to clean out bad patents and fight “patent trolls.” In 2011, Congress passed the America Invents Act (AIA) and thereby created a tribunal within the U.S. Patent and Trademark Office (USPTO) for evaluating challenges to patent validity called the Patent Trial and Appeal Board (PTAB). The PTAB and its proceedings (inter partes reviews, or IPRs, among others) were envisioned as an efficient vehicle for challenging the validity of issued patents. And in many ways, the PTAB has delivered on this promise.

PTAB Standing Rules Open Patent Portfolios to Liability

Petitioning the PTAB has the barest of standing requirements. As long as the petitioner (and its privies and other real parties in interest) divulges its identity, any person other than the patent owner may petition to invalidate a patent. The petitioner can file separate petitions against different claims of a patent. Moreover, the PTAB’s practice has been to allow a single petitioner to file multiple petitions against a single claim (Samsung, for example, has filed six petitions against a single patent claim). The impact of this open standing requirement is that a party that wants to unleash a torrent of actions against a patent owner has the ability to do exactly that.

Unsurprisingly, given the open standing rules in the PTAB, companies have discovered that the PTAB provides potent leverage. Well-funded petitioners have adopted the PTAB as a favored jurisdiction for putting pressure on smaller patent owners, particularly those that have potentially troublesome intellectual property positions.

Innovative companies with burgeoning patent portfolios may find that their portfolio is as much a liability as an asset. If an innovative company finds that one of the “tech giants” is exploiting the technology that the innovator developed and patented, and dares to confront this infringement, the innovator may be threatened with an onslaught at the PTAB. That is, the tech giant may respond with the prospect of filing petitions, and often multiple petitions, against each and every patent in the innovator’s portfolio. The bigger the portfolio, the bigger the campaign that the tech giant can launch against the innovator.

The harm to the innovator is immense. An innovator with a modest patent portfolio may find itself on the receiving end of dozens of PTAB petitions, regardless if it ever filed suit or threatened to enforce the patents. Defending against this barrage could easily cost several million dollars. The entire patent portfolio would be tied up in the PTAB for 18 months or more. Attempting to countersue in district court would likely result in a stay, meaning there would only be pressure against the tech giant if and when the patents emerge from the PTAB (presuming that the innovator itself is able to survive the dispute, including appeals). Securing funding to weather this war, whether it be funding for the litigation or just basic operations funding, when under a hailstorm of litigation from one of the tech giants is precarious at best, and more likely impossible for a nascent company without a large and established revenue stream.

Case Study: Valencell

Weaponizing the IPR process appears to be integral to the playbook of large tech companies. A stunning example of turning patent reform on its head, to use the PTAB to neutralize the patents of an innovator, is the case of Valencell Inc. The following facts are taken exclusively from the public record.

Valencell is an innovative company in North Carolina that developed biometric sensors. These sensors could measure heart rate signals for use in wearable technology. Valencell had already obtained a robust patent portfolio by the time that Apple Inc. assembled a team to develop the Apple Watch. As pleaded in Valencell’s eventual complaint, beginning in March 2013, Valencell began noticing that its white papers describing its biosensor technology were being downloaded from its website under fictitious names that, it was subsequently determined, were entered by Apple employees. Discussions ensued, and Apple then met with Valencell’s employees to discuss incorporating Valencell’s biometric sensors into the Apple Watch. Valencell explained that its technology was patent protected and would require a license. In an attempt to find a mutually

beneficial arrangement, Valencell developed a prototype for a potential collaboration with Apple. The parties did not reach an agreement.

Apple proceeded to develop its Apple Watch, incorporating biometric sensors that Valencell concluded infringed its patents. Valencell sued Apple for patent infringement under four patents: U.S. Patent Nos. 8,886,269; 8,923,941; 8,929,965; and 8,989,830. Valencell simultaneously sued Fitbit under the same patents.

In its first wave of IPRs, Apple filed six IPRs (five of which were joined by Fitbit as a named petitioner following institution). All of these IPRs attacked the patents that Valencell had asserted in district court, with two petitions filed against each of the '830 and '941 patents. All IPRs were instituted except one of Apple's two attacks on the '830 patent. Rather than simply allowing this first wave of six petitions to play out, Apple then piled on. For good measure, Apple (this time not joined by Fitbit) filed a series of attacks comprising seven additional IPR petitions, challenging other patents of Valencell's portfolio that had not been previously asserted, including two petitions filed against U.S. Patent No. 8,562,040, and one each against U.S. Patent Nos. 8,157,730; 8,888,701; 8,942,776; 9,044,180; and 9,289,135.

Several of Valencell's claims survived the IPR attacks. In particular, claims of the '941 patent survived on the merits the multiple petitions challenging that patent, and the PTAB declined to institute an IPR challenging the '701 patent. Despite the survival of these claims, Valencell relinquished in the litigation and settled with Apple in September 2018 (while an IPR filed by Fitbit remains pending).

An additional cost of Valencell's dispute with Apple is that its portfolio has been neutralized until the IPRs fully resolve. Valencell sued another direct competitor, Bragi, for allegedly infringing four patents, including two patents that were not challenged in the above-mentioned IPRs. However, the district court has stayed the entire litigation, despite the fact that two patents are untouched by the IPR dispute. Effectively, Valencell's portfolio has been put on ice until all the IPRs resolve.

Valencell was not a patent troll. According to the publicly available documents, Apple sought out Valencell's technology by downloading its white papers under false pretenses, invited Valencell to build a prototype, and then launched its Apple Watch technology in a manner that Valencell concluded infringed its patents. When Valencell fought back, Apple launched multiple waves of IPR petitions against Valencell's patents, including multiple petitions against each of the '830 and '941 patents,¹ and including seven petitions against patents that Valencell had never asserted.

Many of Valencell's claims survived the onslaught. Nonetheless, it appears that Valencell could not afford to maintain the prolonged litigation and Apple won under confidential terms. This "victory" by Apple has turned the patent system on its head.

"Reasonable Apprehension of Suit"

The current statutory structure for the PTAB does not prevent companies like Apple from challenging whatever patent they want, including targeting every patent in an innovator's portfolio. There is no "reasonable apprehension of suit" standard for triggering jurisdiction in the PTAB, like there is in the district courts for establishing "case or controversy" jurisdiction. Companies like Apple do not have to state a reason for wanting to challenge a patent in the PTAB. The fact that the targeted patent exists, and that there is prior art to at least state a credible invalidity challenge, is enough for a real party in interest to establish jurisdiction to proceed. The PTAB of course has discretion to proceed or decline to institute an IPR based on the evidence presented; nonetheless, the PTAB generally does not get involved in the motivations for challenging a patent, insofar as the prior art standards and the real party in interest requirements are met (albeit with some scrutiny under the *General Plastic* standard for repetitive, serial IPRs, discussed below).

The statutes governing the PTAB do not impose a reasonable apprehension of suit standard, and there may be valid reasons for omitting such a requirement. For example, upstart companies seeking to break into a market may utilize the PTAB for facilitating a "freedom to operate" strategy, to invalidate overreaching patents that block access to implementing a technology. Clearing the pathway can be done at an early stage in a company's life cycle, before product launch, before infringement, and thus before a true case or controversy would be established to allow district court jurisdiction over the dispute. In such an example, the PTAB's open standing rules can be seen as facilitating technological growth.

Nonetheless, the perils of having no case or controversy requirement are on display in the Valencell case. Without a case or controversy requirement, every patent in a portfolio becomes an opportunity to pick a fight and impose cost and leverage. The bigger the patent portfolio, the greater the ability for a company like Apple to impose a burden on an upstart with valuable technology. And while in theory the upstart company could withstand the onslaught with the right team of litigation funders and contingency lawyers, and emerge triumphant with a battle-hardened portfolio, the reality is that funding such a protracted war in the early stages of a

company's existence, when it lacks a steady revenue stream to support the litigation campaign, is nearly impossible.

Serial IPRs: “One Bite at the Apple”?

One strategy on display in the Valencell case was the filing of multiple IPRs to challenge a single patent (and often to challenge a single patent claim). For example, Valencell's '941 patent was subjected to two IPR petitions by Apple, followed by two “me too” petitions by Fitbit. That is, challengers can find different combinations of prior art, put each of those combinations in a separate petition, and launch serial waves of attack against a single patent, with the effect of magnifying the cost and burden of PTAB defense.

This serial IPR practice is commonplace in the PTAB. For example, the top five filers of IPR petitions (Apple, Samsung, Google, Microsoft, and LG) routinely file multiple petitions against a single patent claim. One study found that over half of the IPRs filed by Apple overlapped another petition by Apple or one of its privies against at least one common patent claim.² Likewise, over half of Microsoft's IPR petitions overlapped another petition by Microsoft or its privies filed against at least one common patent claim. Similarly, for Google, Samsung, and LG, over a third of their petitions were overlapping in this manner. While there is debate over the motivation for filing these overlapping petitions, the raw tally of overlapping petitions is surprisingly high.

Whether the law allows a party to file multiple petitions targeting the same claim is a matter of dispute. While the statute does not contain an outright prohibition on *filing* overlapping IPR petitions, the statute does prohibit “maintaining” a petition once the PTAB has ruled on a petition challenging a common claim. Section 315(e)(1) provides as follows:

The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.³

If indeed a petitioner cannot maintain more than a single petition resulting in a final written determination, then a fair question is whether the PTAB should institute IPRs based on petitions with overlapping claims. To date, the PTAB has not drawn a hard prohibition on the filing of multiple, overlapping IPR petitions by a party and its privies. Instead, the PTAB issued an updated

Trial Practice Guide in August 2018, addressing the factors it may consider in its discretion as to whether to institute IPRs on overlapping petitions. These “*General Plastic* factors” include the following:

- 1 Whether the same petitioner previously filed a petition directed to the same claims of the same patent;
- 2 Whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;
- 3 Whether at the time of filing of the second petition the petitioner already received the patent owner’s preliminary response to the first petition or received the PTAB’s decision on whether to institute review in the first petition;
- 4 The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
- 5 Whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
- 6 The finite resources of the PTAB; and
- 7 The requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than one year after the date on which the Director notices institution of review.⁴

The *General Plastic* factors are applied at the PTAB’s discretion. To date, while it does appear that the PTAB is applying the *General Plastic* factors with increasing scrutiny (and the recent *Valve Corp.* ruling shows a continued tightening of this standard⁵), there is no hard and fast rule. It thus remains permissible for the tech giants to file multiple, overlapping IPR petitions against a patent owner’s portfolio. Adopting a “see what sticks” strategy appears to be an acceptable approach for large companies seeking to overwhelm a troublesome patent portfolio.

Congressional Intent: Multiple Petitions

Congress foresaw that PTAB proceedings could burden innovators like Valencell. In the debates concerning the proposed Patent Reform Act of 2007, the comments were directed to the then proposed “first window” and “second window” post-grant review (PGR) proceedings. This “second

window” is akin to the now enacted IPR provisions. Congress was concerned about the possibility of serial petitions in the PTAB by “a party bent on harassing a patent holder”:

In addition, the same party who has once filed a PGR petition, whether in the first or the second window, regarding any claim in a patent, may not file another PGR on the same patent, regardless of the issues raised in the first PGR. This “one bite at the apple” provision was included in Committee to quell concerns that a party bent on harassing a patent holder might file serial PGR petitions.⁶

Congress was concerned that PTAB proceedings could be imposed by large companies as a costly delaying tactic to bankrupt small inventors:

A few words about second window: opening up a second window for administrative challenges to a patent only makes sense if defending a patent in such proceedings is not unduly expensive, and if such proceedings substitute for a phase of district-court litigation. If second-window proceedings are expensive to participate in, a large manufacturer might abuse this system by forcing small holders of important patents into such proceedings and waiting until they run out of money. Defending oneself in these proceedings requires retention of patent lawyers who often charge \$600 an hour, quickly exceeding the means of a brilliant inventor operating out of his garage—or even of a university or small research firm. Second, if estoppel rules are unduly liberalized, second-window proceedings could easily be used as a delaying tactic.⁷

Congress commented that duplicative petitions are “one of the worst evils” of administrative proceedings, and accordingly sought to prohibit them (allowing for repeat proceedings only in extreme cases, such as in cases of collusion between the patent owner and the petitioner):

Subsection (c) of section 327 applies a successive-petition bar of sorts to second or successive petitions for second-period review. It is a rare patent that should be twice subjected to second-window proceedings. . . . Lengthy and duplicative proceedings are one of the worst evils of other systems of administrative review of patents. During the pendency of such proceedings, a patent owner is effectively prevented from enforcing his patent. Subsection (c) should ensure that second or successive second-period proceedings are few and far between.⁸

Congress's determination to prohibit serial petitions continued through the 2011 debates, with both the Senate and House reiterating the goal of precluding these repetitive challenges. Senator Grassley explained:

In addition, the bill would improve the current inter partes administrative process for challenging the validity of a patent. . . . It also would include a strengthened estoppel standard to prevent petitioners from raising in a subsequent challenge the same patent issues that were raised or reasonably could have been raised in a prior challenge. The bill would significantly reduce the ability to use post-grant procedures for abusive serial challenges to patents.⁹

In enacting the more rigorous “reasonably could have raised” estoppel standard (as opposed to a more lenient “actually raised” standard), Congress sought to ensure that a “party that uses inter partes review is estopped from raising in a subsequent PTO proceeding (such as an ex parte reexam or inter partes review) any issue that it raised or reasonably could have raised in the inter partes review.”¹⁰ That is, the Congress that ultimately enacted the AIA shared the concerns voiced throughout the patent reform process of the harm posed by duplicative IPR petitions.

Viewing the Valencell case against the backdrop of the legislative history of the AIA, the Valencell case appears to be a poster child of the kind of abuse that Congress sought to guard against.

Outlook

There is reason for concern that the “tech giants” have turned patent reform on its head, and weaponized the IPR process to impose cost and burden on upstart innovators to strip them of their rights. Doing so is legal under the patent laws. There is no “case or controversy” requirement that would limit IPR proceedings to disputes involving a particular patent. Rather, every patent in an innovator’s portfolio is fair game for attack. Furthermore, there is no prohibition under the patent laws on a tech giant’s ability to escalate that burden by filing multiple, overlapping petitions against a single patent claim. While the *General Plastic* standard does attempt to restrain that behavior, applying *General Plastic* is a discretionary exercise, and does not prohibit serial petitions against a patent. Rather, the legal framework generally condones a “see what sticks” strategy, to file duplicative petitions against an innovator’s portfolio, seeking the particular combination of art and the particular panel of judges that will invalidate troublesome patent rights. Defending against this see what sticks approach may impose a crushing burden on smaller upstart innovators.

Valencell is just one example, albeit a public example, of a tech giant's strategy to use the open jurisdictional standards of the PTAB to impose a burden on an upstart innovator and muscle its way into using that technology. While the PTAB can indeed claim success in limiting the patent troll problem that was a key motivator for enacting the AIA, Congress has perhaps unwittingly created a vehicle for imposing cost and burden on innovators and stripping them of their rights, thus reinforcing the power of the tech giants. As patent reform continues to unfold, Congress and the USPTO should be aware of the unintended consequences arising from the AIA.

Endnotes

1. There were a total of four petitions filed against the '941 patent, including those filed by Fitbit.
2. See Steven Carlson & Ryan Schultz, *Tallying Repetitive Inter Partes Review Challenges*, LAW360 (Sept. 14, 2018), <https://www.law360.com/articles/1083158/tallying-repetitive-inter-partes-review-challenges>.
3. 35 U.S.C. § 315(e)(1).
4. U.S. PATENT & TRADEMARK OFFICE, TRIAL PRACTICE GUIDE UPDATE 9–10 (Aug. 2018), https://www.uspto.gov/sites/default/files/documents/2018_Revised_Trial_Practice_Guide.pdf; see also *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, No. IPR2016-01357, Paper No. 19, at 16–17 (P.T.A.B. Sept. 6, 2017).
5. *Valve Corp. v. Elec. Scripting Prods.*, No. IPR2019-00062, Paper No. 13 (P.T.A.B. Apr. 2, 2019).
6. S. REP. NO. 110-259, at 22 (2008) (footnote omitted).
7. *Id.* at 66–67.
8. 154 CONG. REC. S22,626 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl).
9. 157 CONG. REC. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley).
10. H.R. REP. NO. 112-98, at 47 (2011).

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