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MCC INTERVIEW: David B. Cochran & Anthony M. Insogna / Jones Day

The Transformation of Patent Litigation

Patent reform gives rise to an entirely new breed of dispute resolution

The passage of the Leahy-Smith America Invents Act (AIA) and the institution of the Patent Trial and Appeal Board (PTAB) have drastically changed how companies manage their IP strategy. ***David B. Cochran*** *and* ***Anthony M. Insogna*** *present their insight into* ***Jones Day****'s approach to this transformation of the practice. Their remarks have been edited for length and style.*

MCC: Anthony, over a dozen years ago you went from a major IP boutique to Jones Day, where you now chair the global IP practice and represent life sciences companies. Tell us about your work at Jones Day.

Insogna: Working at Jones Day has transformed my practice. The main difference from an IP boutique has been how global my practice has become. I'm involved on a day-to-day basis in client matters throughout the world, mostly patent litigation but also licensing matters and strategic patent advice on navigating or enforcing patents across the globe. Jones Day is a general practice firm with 23 international practice groups, which results in my own practice being broader than when I was at an IP boutique. I'm involved in IP matters related to tax, antitrust, government investigations and other areas. Finally, it afforded me the opportunity to open Jones Day's San Diego office and to set its founding strategy, which was a tremendous learning experience.

MCC: Dave, as an EE and leader of the firm's PTAB litigation practice, you're in the middle of some major changes in the patent area. Tell our readers about your practice and how it's changing in the wake of patent reform efforts.

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There isn't any question that patent litigation has completely changed.
– David B. Cochran

Cochran: As an electrical engineer and patent attorney, I spent most of my first 18 years at Jones Day doing patent prosecution and patent litigation work. In the past few years, because of the AIA and the introduction of *inter partes* review, I've transitioned to this exciting new area we call PTAB litigation, which is a combination of Patent Office practice skills and patent litigation. So my prior experience handling both patent prosecution and patent litigation has enabled me to transition into this new hybrid form of patent practice.

MCC: As leaders in the IP section of one of the largest firms in the world, how would you describe the firm's practice? What sets Jones Day's IP apart?

Insogna: The IP group at Jones Day is global and full-service. We have lawyers positioned in most all of the relevant jurisdictions where our clients are interested in protecting their IP rights, and we provide every imaginable form of IP-related service. In addition, the depth and diversity of our industry experience and our intellectual property experience also set us apart from the rest. We have lawyers steeped in life sciences, computer sciences, telecommunications, electronics and many other sectors. We know our clients' industries, their businesses and their technologies, which helps us understand their innovations and their patent strategies. We know how important IP is for their success, and that is what we do best.

Our depth of experience in different types of IP is also important to our clients. We handle patents, trademarks, copyrights and technology transactions, and we handle patent litigation, trademark litigation, trade secret and unfair competition cases, each on a global basis, which gives us a perspective unlike other practitioners. We have a dedicated PTAB litigation practice, an area transforming various aspects of patent litigation, and our patent prosecution team helps our clients secure critical patents and provides strategic advice on their patent portfolios. For any IP need a client has, pretty much in any industry anywhere in the world, we are designed to handle it and provide exceptional client service.

Cochran: What sets us apart from our competitors is that clients entrust us with their most significant challenges. Whether its bet-the-company litigation on a key product, prosecuting a pharma patent around the world on a blockbuster drug or defending the client's patent from an attack at the PTAB, these are the kinds of significant matters that clients come to Jones Day for. That makes practicing IP law at Jones Day very exciting and, of course, more satisfying for our lawyers.

MCC: We see a lot of headlines regarding the PTAB,* inter partes *review, and the changing face of key aspects of patent practice and litigation in the wake of the AIA. Help our readers sort out what's going on in the patent trenches.

Cochran: The PTAB is the name for what used to be called the Board of Patent Appeals and Interferences, or BPAI. In 2012, when the AIA

went into effect, part of the Patent Office, the BPAI, was renamed the PTAB. At the same time, the AIA effectively did away with interferences in the U.S. Under either name, it is a group of administrative patent judges who handle appeals from the patent office – appeals of decisions by examiners and, after the AIA, *inter partes* review and post-grant review matters. There are many similarities between the old board and the PTAB, but there are differences too. The main one is that there are a lot more administrative law judges now – more than 200 – and they are hiring new judges all the time to deal with the dramatic increase in workload caused by PTAB litigation. No question that patent litigation has completely changed in the wake of the AIA and in particular *inter partes* review at the PTAB. It is now routine, and expected, that if there's a patent litigation, there will be at least some consideration of a parallel action at the PTAB. It's become an integral aspect of patent litigation in the district courts and a key differentiator when it comes to selecting counsel to handle patent disputes.

MCC: How frequently are PTAB trials being held? Do you expect current trends to continue?

Cochran: It changes month to month. If you look at it over the last year and a half, the range is between 100 and 150 new PTAB matters each month. The expectation following the AIA was that there would be between 300 and 400 of these matters per year. That expectation was way low. There are going to be 2,000, or even more, per year going forward. There's no question that PTAB matters have become very popular because the PTAB is finding patents unpatentable at a dramatically higher rate than in a validity challenge at the district court – by a factor of two to three times more likely. My expectation is that the frequency of use will continue at its current pace, if not increase.

MCC: Does it vary by sector?

Insogna: It's interesting to break this down by industry. My area, life sciences, accounts for between 10 and 20 percent of the total cases. In electronics, software and telecommunications, the percentage of the overall total is much higher. Generally, those cases have taken a bite out of patent troll litigation in the district courts. I think we'll see continued use of the PTAB as a venue for patent litigation in a wide variety of industries.

The AIA seems to have created a whole new type of patent litigation:* inter partes *review trolls.
–Anthony M. Insogna

MCC: Jones Day has been on top of PTAB trials since the very first day they became available in September 2012. What steps have you taken to position yourselves as leaders in the field?

Insogna: We were quite excited about the opportunity even before the AIA took effect. The diversity of our practice – expertise in the Patent Office with, for example, interferences and appeals, significant patent litigation experience in the district courts – meant we could combine those strengths and help our clients. We formed a specialized PTAB practice and worked hard to train our lawyers on the law and the regulations, and to help our clients understand the AIA and the PTAB rules. Dave was put in charge of that practice, and he is its leader today.

Cochran: In addition to forming a group, which other firms have also done, we focused on the nature of this distinct kind of patent litigation. It requires lawyers with highly technical skills in patent prosecution and lawyers who can advocate. We are getting as many of our lawyers as possible involved in our PTAB litigation practice, publishing as much as we can – alerts when important cases come out, more in-depth analysis of trends in PTAB litigation to provide context for clients. We're constantly educating ourselves and also our clients, so they know what's going on and that Jones Day is actively involved.

MCC: Let's turn to the bio/pharma sector. What kind of PTAB filings are you seeing, and what are the trends?

Insogna: We're seeing three types of filings, at least two of which, arguably, were expected. One category is competitor versus competitor filings. We're seeing this in the biosimilar space, where biological drugs are being created to compete with branded drugs. The biosimilar developers are attacking branded product patents. We did expect competitor versus competitor patent attacks.

The second category is comprised of PTAB fillings adjacent to Hatch-Waxman filings. This also was an expected scenario, but there were some questions about how generic companies might use PTAB proceedings. Generally, generic filers, after they get sued in a Hatch-Waxman case (where generic drug companies challenge the patents of branded pharmaceutical patents in the district courts), are taking some of that battle to the PTAB. In some instances, they're actually challenging patents before a Hatch-Waxman case begins.

The last category is the most interesting because I don't think anyone expected it: *inter partes* review trolls. The AIA seems to have created a whole new type of litigation exemplified by what hedge fund manager Kyle Bass and an infamous patent troll named Erich Spangenberg have teamed up to do: challenge branded pharmaceutical company patents in an attempt to move the stock price so they can profit.

MCC: Jones Day represents both petitioners and patent owners in PTAB proceedings. Given the differences between the PTAB and the district courts, and perceptions of fairness or unfairness, how does Jones Day advise clients seeking to protect patent assets?

Cochran: One difference between the PTAB and the district courts is that there's no presumption of validity at the PTAB, so it's easier to challenge a patent in an *inter partes* review matter. Also, because of the way a PTAB matter is structured, the petitioner goes first, the patent owner responds and the petitioner goes last. In a sense, the petitioner gets the first word and the last word, which can tip the scale in their direction. It's not, however, entirely accurate to say the process is unfair to either side. There is an opportunity for both the petitioner and the patent owner to make their case, and it's a matter of how persuasive they are.

We advise patent owners, for the most part, to focus on the early part of the PTAB process because the data demonstrates that if the patent owner does not stop the proceeding at the pretrial phase, and the PTAB institutes the *inter partes* review trial, then the chances of the patent owner prevailing are quite low.

MCC: How does estoppel fit into the calculus of advising whether a client should pursue a remedy at the board?

Insogna: The provisions for *inter partes* review basically say that if you bring a particular defense in the PTAB, you're estopped from

bringing that same defense in district court. If a client has good non-infringement defenses and good attacks against the patents that don't relate to whether the invention is novel or obvious, you'd be more willing to go to the PTAB with your novelty or obviousness attacks, knowing that the PTAB's rates of finding against the patent are quite high. That makes the estoppel issues a little less risky, particularly when you have other defenses that you could still bring in the district court.

MCC: It certainly sounds like an exciting and momentous time for patent litigation generally and at Jones Day in particular.

Insogna: The institution of the AIA and the creation of the PTAB have dramatically changed the way companies should look at their IP strategy. It impacts the way we practice law and the way we give advice. I consider the U.S. to be a very anti-patent environment today. The Supreme Court, Congress and the Federal Circuit are, for the most part, devaluing patents. Hopefully, the Patent Office will, over time, become more expert at what it does and maybe more balanced in its evaluation of patent claims.

Cochran: If you wind back to 2011 or 2012, when the AIA was passed, there was substantial lobbying to deal with the perceived problem of patent trolls. PTAB challenges were a part of the solution to that problem. But there have been a number of judicial decisions from around that time and since that have hindered the patent trolls fairly dramatically. The net effect is that we now have this PTAB proceeding, which is not only affecting patent troll litigation but all forms of patent litigation, including competitor versus competitor cases. There is no question that PTAB litigation has changed the balance of power in patent fights, and although it wasn't put in place entirely for that purpose, clients now realize that the playing field is much different than it was before the AIA.