

INTELLECTUAL PROPERTY patent & trademark

Tools for Challenging Patents Grow in Popularity

PROCEDURES FASTER, LESS EXPENSIVE THAN FEDERAL COURT CASES

By **ANDREW RYAN** and
CHAD A. DEVER

Sept. 16 marked the two-year anniversary of the implementation of the America Invents Act (AIA), which introduced multiple new tools for challenging the validity of issued patents at the U.S. Patent and Trademark Office. Specifically, the AIA ushered in three new procedures known as inter partes review (IPR), postgrant review (PGR) and covered business method (CBM) review. These three procedures allow a petitioner to challenge the validity of one or more patent claims after they have been granted by the PTO.

The popularity of the IPR procedure in particular has grown rapidly since its inception. (An IPR can be filed to challenge any patent issued on, before or after Sept. 16, 2012, unlike a PGR, which cannot be filed unless the challenge is against a patent that issued under the new first-to-file rules that went into effect on March 16, 2013, or a CBM, which can only be filed by a challenger after being accused of infringement.) For example, fewer than 40 petitions for IPR were filed per month during the first six months that IPR was available. That number has more than tripled to an average of well more than 120 petitions per month through the second quarter of 2014.

IPR was designed to be a faster and less expensive alternative to patent litigation in the federal courts. In fact, the AIA's legislative

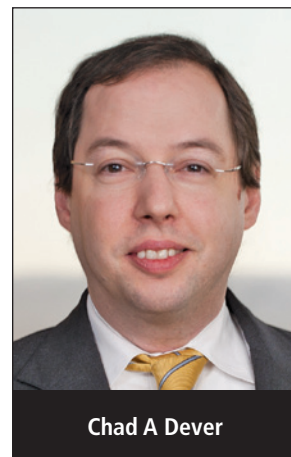
history states that the IPR procedure "will allow invalid patents that were mistakenly issued by the USPTO to be fixed early in their life, before they disrupt an entire industry or result in expensive litigation." See 157 Cong. Rec. S1326 (daily ed. March 7, 2011, statement of Alabama Sen. Jeff Sessions). IPR proceedings are conducted by a panel of three administrative law judges on the Patent Trial and Appeal Board (PTAB). Once a petition to institute an IPR is granted, the proceeding is analogous to a shortened litigation. The grant will include a scheduling order setting the time line for the trial, including the final written decision of the board. Once instituted, an IPR follows an extremely rigid schedule that will typically see a final written decision within 16 to 18 months, compared with three to five years in federal district court.

Another major advantage of IPR proceedings for patent challengers is that invalidity need only be proved by a preponderance of the evidence, a lower standard than the federal court's "clear and convincing" standard. Indeed, in federal litigation, patents are entitled to a presumption of validity. This presumption does not apply in IPR (or PGR and CBM) proceedings.

Further, the standards for claim construction in an IPR are much more favorable to the petitioner than in the federal courts. The PTAB construes claims using the broadest reasonable interpretation in light of the patent specification. In contrast, in federal litigation, claims are generally given their "ordi-



Andrew Ryan



Chad A. Dever

nary and customary meaning" as understood by a person of ordinary skill in the art. The broader claim construction in an IPR exposes the challenged claims to a wider scope of prior art.

In addition, discovery in PTAB proceedings is much more limited than in the federal courts. Routine discovery in PTAB proceedings includes: (1) any exhibit cited in a paper or in testimony; (2) cross-examination of any declarant; and (3) noncumulative information that is inconsistent with a position advanced by a party. Additional discovery may be allowed only if it is "in the interests of justice." Direct testimony is submitted by affidavit, while all other testimony must be in the form of deposition transcripts with all objections made at the time of the deposition. It should also be noted that the patent challenger is given an early advantage in IPR proceedings with respect to expert testimony. A petitioner may include one or more expert reports with its petition whereas a patent owner

Cantor Colburn partner Andrew Ryan chairs the firm's postgrant proceedings practice group. He and associate Chad A. Dever are members of the firm's litigation department.

may not provide expert reports until after the petition has been granted.

Considering Prior Art

Yet another advantage of IPR proceedings for the patent challenger is the willingness of the PTAB to reconsider prior art previously considered by the patent examiner when the patent was originally issued. As mentioned above, there is no presumption of patent validity in an IPR. Therefore, it makes little or no difference whether art was previously considered by the examiner. Previously considered art is currently cited in 66 percent of IPR petitions and does not seem to affect the PTAB's decision as whether to proceed with the IPR.

Additionally, the popularity of IPR proceedings has grown among patent challengers—particularly those facing or already involved in litigation—because district judges have consistently demonstrated a willingness to stay concurrent litigation. A decision to stay litigation lies within the sound discretion of the court, which involves considering whether a stay would unduly prejudice the patent owner, whether a stay would simplify the issues in the litigation, whether discovery is complete and whether a trial date has been set. In granting stays pending an IPR, district courts have often cited the relatively brief amount of time that the litigation will be stayed (12 to 18 months). The courts have also been persuaded to grant stays because an IPR will typically simplify issues in the litigation. Essentially, either the patent claims will be rendered unpatentable, effectively ending the litigation, or the patentability of the claims will be affirmed and validity issues at the district

court will be significantly streamlined by virtue of the estoppel placed on the patent challenger (discussed below). Therefore, filing an IPR petition early in litigation and ensuring that the IPR covers all of the asserted claims can increase the likelihood of obtaining a stay. A stay of the litigation can be a powerful tool for the patent challenger. Shifting to the more cost-effective and streamlined IPR procedure, while at the same time halting the substantial costs and fees associated with discovery, motion practice and trial preparation, can put power back into the hands of the accused infringer and may assist in leveraging a favorable settlement.

The popularity of inter partes review proceedings has grown among patent challengers—particularly those facing or already involved in litigation—because district judges have consistently demonstrated a willingness to stay concurrent litigation.

Notwithstanding the numerous advantages offered by IPR proceedings, patent challengers considering an IPR must be extremely mindful of the potential for estoppel. If the PTAB issues a final written decision upholding some or all of the challenged patent claims, the

petitioner and its privies are estopped from raising the same arguments in a later district court proceeding against the patentee. The petitioner is also estopped from raising in later proceedings any arguments they reasonably could have made in an IPR. Unlike inter partes reexaminations, where estoppel attached after all appeal rights, including appeals to the U.S. Court of Appeals for the Federal Circuit, have been exhausted, IPR estoppel attaches once the PTAB issues a final written decision. Accordingly, if the parties settle before a final written decision, no such estoppel exists. A party that is dissatisfied with the final written decision of the PTAB may appeal to the decision to the Federal Circuit.

That said, the potential for estoppel has not dampened the rising popularity of IPR proceedings. This is largely because the factors discussed above have contributed to a high success rate for IPR petitioners. According to the PTO, there have been a total of 361 decisions on IPR petitions, with 288 trials instituted in 2013 and the first month of 2014. There have been 11 cases that have been joined and only 62 petitions denied, which corresponds with an 83 percent IPR petition grant rate. Having said this, the IPR grant rate during 2013 was 87 percent, while so far during 2014 the IPR grant rate has been 77 percent. Despite this drop, the overall grant rate remains very high.

Since its implementation two years ago, an IPR has proved to be a powerful tool for challenging issued patents. As expected, its popularity has grown rapidly, and will likely continue to do so into the foreseeable future. ■



Cantor Colburn LLP

Intellectual Property Attorneys