

## ***Friend or Foe: the New Patent Challenge Procedures at the Patent Trial and Appeal Board***

Asserting patent rights are no longer the province of pencil-pushing technology companies. Many businesses, big and small alike, have recognized the tremendous value derived from patents and have incorporated them into their revenue-generating strategies. Those strategies often lead to patent infringement disputes. Although patent disputes between patent owners and their challengers are typically resolved in federal court, Congress recently established alternative forums within the US Patent and Trademark Office (PTO)—forums which have become a heavily-contested battleground.

On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act. This so-called AIA amended the Patent Act, for example, by establishing a first-inventor-to-file system and empowering the PTO to establish new mechanisms for resolving patentability disputes through a newly-created Patent Trial and Appeal Board or PTAB. A year later, comprised of over 200 administrative patent judges, the PTAB began to review petitions challenging the patent validity under four separate proceedings.<sup>1</sup> These proceedings generally differ by the patent's subject matter, permissible arguments to challenge validity, and timing of the challenge.

The first proceeding is *Inter Partes* Review (IPR). IPR is essentially a reincarnated version of the previous *inter partes* reexamination procedure and now is the hottest means for challenging patent validity. Under the IPR procedure, at any time between the issuance and expiration of the patent, a challenger may base their attack on publications or issued patents called "prior art".<sup>2</sup> The second proceeding is Post-Grant Review (PGR). PGR is a new way to challenge a patent's validity, but it is only available for patents issued under the present first-inventor-to-file system under the AIA. And the challenger must seek review within nine months of issuance of the patent.<sup>3</sup>

The third proceeding is called Covered Business Method Patent Review (CBM). The CBM is a transitional program that addresses only certain types of "covered business method patents"<sup>4</sup>, with restrictions on a petitioner's qualifications<sup>5</sup> and self-repeal provisions of the program.<sup>6</sup> Oftentimes, patents subject to CBM challenges are financial in nature. The fourth proceeding is called Supplemental Examination. Supplemental Examination is only applicable to patentees who are seeking another opportunity to correct their patent.<sup>7</sup>

These proceedings have two stages: the petition stage and trial stage. The PTAB possesses the power to institute these proceedings, and the criteria for instituting the proceeding vary depending on the type (*e.g.*, IPR, PGR, CBM or Supplemental Examination). For example, for IPR, the criteria is whether there is a "showing that there is a reasonable likelihood that a petitioner would prevail with respect at least one of the claims challenged".<sup>8</sup> Based on the latest statistics, more than 2200 IPR

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<sup>1</sup> The AIA didn't eliminate the previously existed *Ex Parte* Reexamination, which has been a commonly used procedure to challenge the validity of a patent under the pre-AIA Patent Act.

<sup>2</sup> 35 U.S.C. § 312; or, for patents issued based on first-inventor-to-file, between nine month after its issuance (or termination of the PGR, whichever is later) (see also HR 6621: To correct and improve certain provisions of the Leahy-Smith America Invents Act, enacted on January 14, 2013).

<sup>3</sup> 35 U.S.C. § 321.

<sup>4</sup> AIA § 18, (d)(1).

<sup>5</sup> AIA § 18, (a)(1)(B).

<sup>6</sup> AIA § 18, (a)(3), repealing this proceeding 8 years from September 16, 2012.

<sup>7</sup> 35 U.S.C. § 257.

<sup>8</sup> 35 U.S.C. § 314.

petitions have been filed as of November 30, 2015, with about 49% rate for a petition being instituted in the trial stage.<sup>9</sup> By contrast, the criteria for PGR and CBM is “it is more likely than not that at least one of the claims challenged in the petition is unpatentable or a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”<sup>10</sup> Similar to IPR, CBM petitions currently enjoy about a 49% chance advancing to the trial stage.<sup>11</sup> Due to the small amount of patents issued under the first-inventor-to-file system, no PGR petitions have been instituted.<sup>12</sup> Notably, the PTAB’s decision whether to institute the proceedings is not appealable.<sup>13</sup>

Once the PTAB has instituted a review proceeding, in the trial stage, an IPR, PGR, or CBM will proceed in an adversarial fashion presided over by a three-judge panel having a heavy hand on the conducts of the parties. The AIA requires that the PTAB must complete these proceedings within twelve months from institution, with a six-month good cause exception possible.<sup>14</sup> As such, the PTAB has since issued rules to streamline procedures and parties’ conducts. For example, the PTAB sets page limits to the parties’ briefs, restricts the number of expert witness’s declarations or live testimonies, and limits motion practice. The PTAB’s judges are arguably more involved than federal district court judges by their willingness to conduct frequent telephone conferences on short notice. On the substantive side, a petitioner in the these proceedings has the burden of proving unpatentability based on a preponderance of the evidence<sup>15</sup> – a *lower* standard than the clear and convincing evidence standard before a federal district court. Another key difference from litigation is that the standard of reviewing patent claims is the “broadest reasonable interpretation,”<sup>16</sup> not the “plain and ordinary meaning” standard employed before district courts. These result in about 72% of all instituted claims found unpatentable in IPR trials reaching final written decisions<sup>17</sup> and about 81% of all instituted claims found unpatentable in CBM trials reaching final written decisions.<sup>18</sup> As for the supplemental examination, if the PTAB determines that there is a “substantial new question of patentability” raised from the information presented by the patentee, an *ex parte* reexamination (a pre-existing procedure before the enactment of the AIA) will be instituted.

Whether you are a challenger or patent owner, these new proceedings should be part of your overall IP planning and strategy. For example, if your business is accused of infringing a patent issued before March 16, 2013,<sup>19</sup> you may consider launching an IPR or a CBM, because the burden of proof is lower and claim construction threshold for patent invalidity is lower. On the other hand, if you are

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<sup>9</sup> See USPTO AIA Trial Statistics, FY2016 (November 2015), p. 9, available at <http://www.uspto.gov/sites/default/files/documents/2015-11-30%20PTAB.pdf> (accessed on January 5, 2016).

<sup>10</sup> 35 U.S.C. § 324.

<sup>11</sup> See USPTO AIA Trial Statistics, FY2016 (November 2015), p. 10, available at <http://www.uspto.gov/sites/default/files/documents/2015-11-30%20PTAB.pdf> (accessed on January 5, 2016).

<sup>12</sup> See USPTO AIA Trial Statistics, FY2016 (November 2015), p. 11, available at <http://www.uspto.gov/sites/default/files/documents/2015-11-30%20PTAB.pdf> (accessed on January 5, 2016).

<sup>13</sup> This issue, as well as the non-appealable nature of the institution of IPR, is currently on writ of *certiorari* to the US Supreme Court: *Cuozzo Speed Technologies, LLC v. Michelle K. Lee*, No. 15-446.

<sup>14</sup> 35 U.S.C. §§ 316 & 326.

<sup>15</sup> 35 U.S.C. § 316.

<sup>16</sup> 37 C.F.R. § 42.100(b). This issue is also currently on writ of *certiorari* to the US Supreme Court, see note 13.

<sup>17</sup> See USPTO AIA Trial Statistics, FY2016 (November 2015), p. 9, available at <http://www.uspto.gov/sites/default/files/documents/2015-11-30%20PTAB.pdf> (accessed on January 5, 2016).

<sup>18</sup> See USPTO AIA Trial Statistics, FY2016 (November 2015), p. 10, available at <http://www.uspto.gov/sites/default/files/documents/2015-11-30%20PTAB.pdf> (accessed on January 5, 2016).

<sup>19</sup> The date of first-inventor-to-file system according to the AIA.

defending your patent in an IPR, you may launch an *ex parte* reexamination proceeding to enjoy somewhat more relaxed rules to amend your patent if needed. At the same time, you should always consider both financial and strategic costs. The financial cost of these proceedings are front-loaded, where the USPTO fees and associated attorney fees are significant. But those costs are still likely less than in a typical federal district court, and parties could always settle in the petition or trial stage. Other strategic costs may include whether the estoppel effects created by these proceedings may result in strategic disadvantages in later USPTO, district court, or ITC actions.<sup>20</sup>

Since the first IPR petition<sup>21</sup> was filed on September 16, 2012, the PTAB has received a combined 4232 petitions for IPR, PGR and CBM review as of November 2015.<sup>22</sup> As with any new proceeding and a new administrative board, questions as to legality and rule-making authority of the PTAB are bound to happen. In fact, the Supreme Court might be entertaining one such question later this year.<sup>23</sup> Once the dust settles, these proceedings are certainly here to stay and the PTAB could become another mainstream patent dispute forum. For anyone recognizing the increasing importance and value of patents, being well-versed in these proceedings could be critical for building a well-rounded, robust patent portfolio or for strategizing how to bust one.

*Adam Kelly* of Loeb & Loeb LLP is a nationally-acclaimed counsellor in intellectual property law with extensive experience in the U.S. and abroad. Outside of the courtroom, Mr. Kelly frequently assists clients with due diligence, strategic procurement of new technologies, and contract and license negotiations. He frequently counsels corporate executives on how to competitively use intellectual property to increase revenues and market share.

*Arthur Yuan* of Loeb & Loeb LLP focuses his practice on advising clients on Chinese intellectual property matters, including patent and trademark, and general business practices in China and Taiwan for international corporations as well as advised Chinese and Taiwanese clients on U.S. IP laws matters.

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<sup>20</sup> See also 35 U.S.C. § 315 for IPR, 35 U.S.C. § 325(e) for PGR, and AIA § 18(a)(1)(A) for CBM.

<sup>21</sup> *Garmin USA Inc. v. Cuozzo Speed Technologies, LLC*, IPR2012-00001 (September 16, 2012).

<sup>22</sup> See also USPTO AIA Trial Statistics, FY2016 (November 2015), p. 2, available at <http://www.uspto.gov/sites/default/files/documents/2015-11-30%20PTAB.pdf> (accessed on January 5, 2016).

<sup>23</sup> As of January 6, 2016, the Supreme Court has not issued its decision yet.

Comprehensive Comparison Among Different Post Grant Proceedings with the Patent Trial and Appeal Board of the USPTO

	<b>Reissue</b>	<b>Broadening Reissue</b>	<b>Supplemental Examination</b>	<b>Ex Parte Reexamination</b>	<b>Inter Partes Review</b>	<b>Post-Grant Review</b>	<b>Covered Business Method Patents</b>
Effective Date	Pre-AIA	Pre-AIA	AIA (9/16/2012)	Pre-AIA	AIA (9/16/2012)	AIA (9/16/2012)	AIA (9/16/2012)
Patentee Filing Only?	Yes	Yes	Yes	No.	No.	No.	No (persons or their privies that have been sued or charged with infringement of a "covered business method patent," which does not include patents for "technological inventions.")
Third Party Involvement?	No.	No.	No.	Very limited	Yes.	Yes.	Yes.
Current Fees (undiscounted) (1/1/2016)	3040	3040	4400 + 12100	12000	9000 (20 claims) + 14000 (15 claims)	12000 (20 claims) + 18000 (15 claims)	12000 (20 claims) + 18000 (15 claims)
Filing Time Restriction		Before 2 years from issuance				before 9 months from issuance	The provisions are self-repealed 8 years from effective date
What types of patent?	Utility and plant	Utility and plant	Utility and plant	7/1/1981	Issued before, on or after 9/16/2012	Issue Patents that have a priority date on or after 3/16/2013	Issued patents before, on or after 9/16/2012
Amendments	Yes	Yes	No (in some ways,	Yes	Yes to an	Yes.	No.

nts to Claims allowed?			this supplemental examination is merely an evaluation or a pre-reexamination approval process).		opportunity to submit substitution claims, which is narrower and no new matter, but contested.		
What information to be considered?	specification	Broader claims	<b>information</b> believed to be relevant to the patent	Patent or publication on 102 or 103 only	Only on a ground that could be raised under section 102 or 103 <b>and</b> only on the basis of prior art consisting of patents or printed publications.	any question regarding the validity of at least one issued claim	any question regarding the validity of at least one issued claim
Criteria for granting/initiating the Proceeding	Error without deceptive intent	Error without deceptive intent	consider, reconsider, or correct <b>information</b> believed to be relevant to the patent	Substantial new question of patentability	showing that there is a <b>reasonable likelihood that the petitioner would prevail</b> with respect to at least one of the claims challenged	it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable	it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable
Nature of determination	Reissue patent	Broadening reissue	a certificate indicating whether there is a substantial new question of patentability raised from the information presented	Claims rejected; validity affirmed; or newly amended claims allowed	Claims rejected; validity affirmed; or newly amended claims allowed	To proceed with post-grant review	To proceed with covered business method patent proceeding

Is determination appealable?	N/A	N/A	No.	No.	No	No.	No.
Burden of Proof	N/A	N/A	N/A	N/A	<b>Preponderance of the Evidence</b>	<b>Preponderance of the Evidence</b>	<b>Preponderance of the Evidence</b>
Claim construction standard	Broadest reasonable interpretation	Broadest reasonable interpretation	Broadest reasonable interpretation	Broadest reasonable interpretation	Broadest reasonable interpretation	Broadest reasonable interpretation	Broadest reasonable interpretation
Standard of Review	To the satisfaction of the examiner	To the satisfaction of the examiner	a substantial new question of patentability	To the satisfaction of the examiner	<b>a reasonable likelihood that the petitioner would prevail</b>	the information presented in the petition “ <b>would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable;</b> ” or the petition “raises a novel or unsettled legal question that is important to other patents or patent application.”	the information presented in the petition “ <b>would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable;</b> ”
Estoppel effect?	N/A	N/A	No	No	Yes: (in USPTO, district court, or ITC action): Raised or reasonably could	Yes: (in USPTO, district court, or ITC action): Raised or reasonably could have raised.	Yes: (in USPTO): Raised or reasonably could have raised and (in district court or

					have raised.		ITC action): Raised.
Timing of Decision	N/A	N/A	Determination within 3 months; if there is a substantial new question of patentability, then ex parte reexam starts	No set timeline	One year within institution; 6 more months with good cause.	Determination within 3 months; decision within a year	Determination within 3 months; decision within a year
Where to appeal final decision	N/A	N/A	No.	Yes	Yes	Yes to CAFC only	Yes to CAFC only

Substantial new question of patentability: just a question that was never raised but not always raise to the level of rejection.

Reasonable Likelihood of prevailing: **about 50-50 chance of prevailing!**