

Single-Judge Institution May Undermine Purpose Of IPR

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The U.S. Patent and Trademark Office recently proposed a nonvoluntary pilot program under which a single patent judge would decide whether to institute an inter partes review.[1] This program's approach (currently open to public comment), however, could undermine a key purpose of IPRs, to reduce expensive federal district court litigation. It could also undercut fairness for both sides in an IPR, for the petitioner and the patent owner.

Under current rules of the Patent Trial and Appeal Board, a panel of three judges is involved from the beginning and collectively decides whether to institute an IPR. But in the pilot program, two additional judges would join the proceeding only if the single judge actually institutes the IPR.[2] In this way, the pilot program intends to guard against potential bias by instituting judges, who, the thinking is, may be biased against the patent because they already would have had to have found that there is a reasonable likelihood of invalidity, as required under the rules.[3] Presumably then, single-judge decisions on institution would be less predictive of the PTAB's ultimate decisions on patentability. This change would be welcomed by some.[4] But if this approach increases IPR-outcome uncertainty, some federal district court judges may become less likely to consider a stay of concurrent litigation at the time of the IPR's institution and may wait until the PTAB's final decision — at least one year later — thereby significantly increasing litigation expense.

The purpose of IPRs was “to create a timely, cost-effective alternative to litigation.”[5] In this, IPRs have succeeded. Typically petitions for IPRs are filed because there already is pending litigation in federal district court where the patent owner asserts infringement and the petitioner asserts invalidity. District court judges have been willing to stay litigation once the PTAB institutes an IPR.[6]

With the pilot program, the patent office intends to address the concern about possible bias by its judges toward invalidity by providing two pairs of “fresh eyes” for the final decision on patentability.[7] But if the PTAB's single-judge decision on institution would become less predictive of the ultimate outcome on patentability, going forward a district court judge may be swayed against granting a stay of litigation at the time of an IPR's institution. Then the litigation cost would go up because the parties would have to fight about patent validity in two fora at the same time.

In fact, a degree of predictability is good. Businesses tend to prefer predictability. Here, however, the patent office proposes to not only decrease overall predictability but to do so potentially unfairly at a



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critical stage of IPRs: Decisions to institute or not institute are not subject to review, barring perhaps exceptional circumstances.[8] Therefore, the PTAB's current approach of three judges together deciding on institution seems more fair and efficient because it reduces the likelihood of error.

Wrong decisions on institution cut both ways. An improperly denied petition forces the petitioner to litigate in federal district court patent claims that are reasonably likely invalid.

Incorrect decisions on institution are also disadvantageous for patent owners. On the one hand, an improperly instituted petition on one or more grounds burdens the patent owner with an unnecessary defense of the patent before the PTAB. If, however, the PTAB correctly decides not to institute an IPR, the patent owner will have saved the expense and time of contending with a full proceeding (including potential appeals). On the other hand, if the PTAB correctly proceeds with an IPR on one or more grounds, the patent owner will have already received a preliminary evaluation by three patent judges of the patent's validity and can plan accordingly.

Before possible full implementation for all IPRs, the patent office plans to study the results of the pilot program on a limited number of IPRs. But participation in the pilot program would be involuntary, since the patent office is concerned about the statistical validity of the program's results if parties can opt out of the program.[9] However, even a limited pilot program would be unfair because it would impose its potential problems and risks on the unfortunate draftees into the program.

The patent office does have an additional reason for proposing the pilot program. Given the increasing popularity of IPRs, the patent office is worried that in the future its patent judges may be unable to timely handle the demand for IPR proceedings.[10] This is of course a valid future concern. But the proposal did not suggest that currently the patent office cannot hire qualified judges. To the contrary, in its proposal of the pilot program the patent office notes that it plans for "continued hiring." Thus, at least for now, one can hope that after all the comments are in, the patent office will conclude it need not experiment with the potentially problematic single-judge institution of IPRs. Instead, the patent office will avoid reducing the credibility of those decisions by continuing to have three judges make them for all.

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[1] Request for Comments on a Proposed Pilot Program Exploring an Alternative Approach to Institution Decisions in Post Grant Administrative Reviews, 51540 Fed. Reg. Vol. 80, No. 164, Aug. 25, 2015.

[2] Id. at 51541, mid. col.

[3] Director's Forum: A Blog from USPTO's Leadership, PTAB'S Quick-Fixes for AIA Rules Are to Be Implemented Immediately, Blog by Under Secretary of Commerce for Intellectual Property and Director of the USPTO Michelle K. Lee, Mar 27, 2015; 35 U.S.C. § 314(a).

[4] AIPLA Response to the Request for Comments on "Trial Proceedings Under the America Invents Act

Before the Patent Trial and Appeal Board,” Oct. 16, 2014, at 20, ¶ E (expressing concern about the impact on final decisions on patent validity by the same patent judges’ earlier decisions instituting IPRs on “an incomplete and preliminary record.”)

[5] Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 48680 Fed. Reg. Vol. 77, No. 157, Aug. 14, 2012, Rules and Regulations, mid. col.

[6] Stays to Litigation Pending IPR and CBM Review: Statistics, Trends, and Key Issues, Intellectual Property Today, R. Arcamona & D. Cavanaugh, Mar. 2014, at 9, right col.

[7] Blog by Under Secretary of Commerce for Intellectual Property and Director of the USPTO Michelle K. Lee, Mar 27, 2015.

[8] 35 U.S.C. § 314(d) (“No appeal. – The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”); *In re Dominion Dealer Solutions*, 749 F.3d 1379, 1380 (Fed. Cir. 2014) (“[T]he relevant statutory provisions make clear that we may not hear an appeal from the Director’s decision not to institute an inter partes review.”); *In re Cuozzo Speed Tech.*, 793 F.3d 1268, 1271, 1274 (Fed. Cir. 2015) (“[W]e hold that we lack jurisdiction to review the PTO’s decision to institute IPR.”), (“[M]andamus may be available to challenge the PTO’s decision to grant a petition to institute IPR after the Board’s final decision in situations where the PTO has clearly and indisputably exceeded its authority.”).

[9] U.S. PTO, Request for Comments on a Proposed Pilot Program at 51541, mid. col. (“Due to the inter partes nature of IPR trials and the need to avoid selection bias during the evaluation of the results, it is not practical to allow petitioners or patentees to request participation in, or exclusion from, the pilot program.”)

[10] U.S. PTO, Request for Comments on a Proposed Pilot Program at 51541, left. col. (“Even with continued hiring, however, increases in filings and the growing number of cases may strain the PTAB’s continuing ability to make timely decisions and meet statutory deadlines.”)