



Patent Reviews: Alternatives to Litigating Patent Validity



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INTRODUCTION

THE LEAHY-SMITH AMERICA INVENTS ACT—*i.e.*, the patent reform enacted on Sept. 16, 2011—has expanded the tool kit for defending against patents on validity grounds.¹ This article highlights the Act's addition of two U.S. Patent & Trademark Office proceedings: *inter partes* review, which this fall replaces *inter partes* reexamination, and post-grant review, which will become available later.² In the proposed implementing rules, the Patent Office refers to the proceedings as “trials,” with the stated goal of providing within the Patent Office “a timely, cost-effective alternative” to litigating the validity of patents in federal court.³

These new reviews are likely to be relatively expensive—the proposed filing fees alone are \$27,200 and \$35,800 for *inter partes* and post-grant reviews, respectively, at the low end, depending on the number of claims at issue.⁴ Nevertheless, as focused proceedings, they should be substantially less expensive than trying validity in federal court. In some circumstances, however, an *inter partes* review will not result in cost savings. For instance, if a party is already in district court litigation but believes that the judge is unlikely to grant a stay regardless of the status of an *inter partes* review, then such an *inter partes* review would not make sense purely as a cost-saving measure.

The Patent Office has proposed combined procedural rules for both reviews. These rules foresee limited discovery including depositions. Competitive with the speed of litigation in federal district court, from the time a petition is filed, a review would be completed

within one-and-a half to two years including an oral hearing and a written final decision. An adverse ruling can be appealed only to the United States Court of Appeals for the Federal Circuit. Thus, these reviews should be credible alternatives for attacking the validity of patents.

OVERVIEW OF POST-GRANT REVIEW

Within nine months of a patent's issue, a petition can be filed requesting a post-grant review. The review can seek cancellation of claims based on a broad range of grounds, including novelty, obviousness, and problems with the specification, such as lack of written description and indefiniteness.⁵ For a post-grant review to be instituted, it must be more likely than not that at least one of the challenged claims is invalid.⁶

To ultimately obtain cancellation of a claim, the petitioner must show a claim to be invalid by “a preponderance of the evidence.”⁷ To the petitioner's advantage, this is a lower burden than in federal court, where invalidity must be shown by the higher standard of “clear and convincing evidence.”⁸ However, the impact of post-grant reviews will be delayed because they are only available for a claim with an effective filing date starting eighteen months after passage of the Act, *i.e.*, claims with an effective filing date after March 16, 2013.⁹

OVERVIEW OF INTER PARTES REVIEW

Sooner, as of September 16, 2012, *inter partes* review is available for “any patent issued before, on, or after that effective date,” and where that patent has also been issued for at least nine months. In addition, once post-grant reviews become available, an *inter partes* review can be instituted only after completion of a pending post-grant review.¹⁰

In contrast to a post-grant review, the scope of an *inter partes* review is limited to novelty and obviousness based only on patents and printed publications.¹¹ The PTO will institute an *inter partes* review, if there is “a reasonable likelihood” that at least one of the claims at issue is invalid.¹² To eventually succeed in invalidating a claim, the petitioner here too must show a claim to be invalid by “a preponderance of the evidence.”¹³

Importantly, a party having been served with a complaint for patent infringement, must file a petition for an *inter partes* review within a year of such service, or else the party will have waived its right to do so.¹⁴ Consistent with the *inter partes* review as an alternative to litigation, a party that files an action seeking to invalidate a patent in federal court cannot avail itself of the *inter partes* review.¹⁵



But a party's counterclaim for invalidity in response to a suit for patent infringement does not bar that party from petitioning for *inter partes* review.¹⁶

CLAIM CONSTRUCTION

Petitions for both proceedings must include proposed claim constructions.¹⁷ The proposed rules do not place a limit on the number of terms whose construction the parties dispute. Thus, in practice this may mean that in some cases, claim construction will be a significant part of the proceeding.

In contrast to federal district court, where claims are construed more narrowly and may in some circumstances be construed to avoid prior art,¹⁸ in an *inter partes* or post-grant review, a claim "shall be given its broadest reasonable construction in light of the specification...."¹⁹ Accordingly, the patent owner's advantage of being able to offer claim amendments to avoid the prior art, as further discussed below, is balanced somewhat by the petitioner's advantage of a broader claim construction that may make the claims read on more prior art.

FOCUSED AND TIMELY PROCEDURE FOR POST-GRANT AND INTER PARTES REVIEWS

The post-grant and *inter partes* reviews take place before a board of patent judges of the Patent Trial and Appeal Board. At least a three-judge panel will hear a review.²⁰ These "patent judges shall be persons of competent legal knowledge and scientific ability...."²¹ Both reviews will follow the same general procedure and should finish within a year after a petition is granted but may be extended by six months for good cause.²² The Patent Office will rule on a petition within three months after a preliminary response, which the patent owner has two months to file. Thus, overall it will take between about a year-and-a-half to two years to complete either review, at which point it will be ready for appeal.²³

Initial Stage: A Focused Start in Pursuit of Timeliness

The petition for either review must include a showing on a claim-by-claim basis under the appropriate standard, discussed above, that the claims are invalid.²⁴ To maintain the focus and timeliness of the proceedings, there are page limits on the petitions, 50 and 70 pages for *inter partes* and post-grant reviews, respectively. There are also page limits for other submissions.²⁵ Partly these limits are in response to the excessive lengths of requests for *inter partes* reexaminations that averaged most recently 246 pages.²⁶ Permission to exceed the page limit must be sought and will be granted only in exceptional cases.²⁷ To guard against padding of argument through separate claim charts or expert declarations, the proposed rules prohibit incorporation by reference of argument from other documents.²⁸

Once the petition is filed, the patent owner has two months to file an optional preliminary response to show why a review should

not be instituted.²⁹ Within three months thereafter, the Board must decide on a claim-by-claim and ground-by-ground basis with which claims and grounds, if any, to proceed.³⁰ The Patent Office's determination whether to institute a proceeding is not appealable.³¹

Sequential Discovery in Support of Further Briefing but Limited Compared to Federal Courts

Both sides can take discovery but must conduct it in sequence with the patent owner going first, as described further below. Discovery is limited to "relevant" information, such that the proceedings remain "timely, inexpensive, and fair."³² Although in federal court, discovery is also limited to "relevant" information, in practice this standard tends to allow for broad—and expensive—discovery.³³ Compared to federal courts, one should expect more narrow discovery in the Patent Office because of further express statutory limits on discovery that are absent in federal court and because of the Patent Office's emphasis on focused discovery.³⁴ Indeed, the Patent Office considered allowing discovery as practiced in federal court but rejected it as too broad, inefficient, and costly.³⁵ Thus, discovery in the Patent Office should be substantially less expensive than in federal district court.

The proposed rules foresee two categories of discovery: discovery as of right and additional discovery with the Board's permission. But "authorization for additional discovery is expected to be rare."³⁶

Briefing and Discovery by Patent Owner

If the Board institutes an *inter partes* or post-grant review, the Board is statutorily required to complete the review and issue its final decision within one year, with the possible extension by six months.³⁷ In a sample schedule under the proposed rules, first the patent owner may have up to four months to further respond to the petition and propose amendments to the claims at issue.³⁸ But amendments cannot enlarge the scope of any claims.³⁹ If the Board actually allows amendments, the petitioner may have intervening rights.⁴⁰

As a practice tip in responding to the petition, to the extent that a patent owner intends to rely on the correctness of the patent's data or drawings, the patent owner may need to supply declarations that establish their correctness.⁴¹ The patent owner can also take discovery, as described below.

Routine Discovery

Without Board permission, the patent owner can probe the petitioner's arguments through so-called "routine discovery" that includes the following three categories: "(1) Production of any exhibit cited in a paper or testimony, (2) the cross examination of the other sides [sic] declarant, and (3) information that is inconsistent with a position advanced during the proceeding."⁴²



Discovery within the first category should be straightforward. Addressing the other two categories in reverse order, it will be interesting to see how broadly the Patent Office will implement discovery within the third category. The rule requires not only production of documents but also an identification of the relevance of those documents.⁴³ Therefore, the rule has the potential to be onerous depending on how it is applied. For instance, given that extrinsic evidence can be used in claim construction and that both types of reviews envision claim construction,⁴⁴ it remains to be seen if this rule would require searching for, reviewing and explaining, *e.g.*, a party's technical dictionaries or treatises that may be inconsistent with that party's claim construction. More generally, would this rule require a party to search its related litigation files (*e.g.*, files from a co-pending litigation involving a patent under review) for potentially inconsistent information? An unintended consequence of this rule may be that parties will inundate the Board with marginal or useless information.

Depositions

An example will illustrate the second category of routine discovery. If, for instance, the petitioner submitted an expert declaration explaining aspects of the prior art, the patent owner could—as in federal court—depose that expert and use any helpful testimony to support the patent owner's response to the petition. The cost of making the witness available for the deposition would be borne by the side submitting the witness's declaration.⁴⁵ Unlike federal court practice, however, the party deposing the witness must identify any deposition exhibits before the deposition.⁴⁶

Additional Discovery

Additional discovery may be had upon a showing to the Board that it would be in the “interests of justice” (for *inter partes* reviews) or upon a lower threshold showing of “good cause” (for post-grant reviews).⁴⁷ For instance, discovery may be needed when information on an issue “is uniquely in the possession of the party that raised it.”⁴⁸ One could imagine a post-grant review petition arguing for an on-sale bar of the patent based on the petitioner's own product, where the patent owner would argue an inability to obtain additional product and sale information other than through discovery from the petitioner. To the extent information is confidential, the proposed rules provide for a protective order, including a default protective order.⁴⁹

Additional discovery may also be needed if a witness's credibility is at issue. In particular, the Board may order live testimony before a patent judge, if the Board considers the witness's demeanor critical to assessing her/his credibility.⁵⁰

Discovery and Further Briefing by Petitioner

According to the above sample schedule, a petitioner would have two months to reply to the patent owner's response and to oppose

any proposed claim amendments with supplemental evidence, including expert declarations.⁵¹ In practice, that may mean that in the same two months, the petitioner would need to attempt to locate additional prior art directed to foreclosing the patentability of the proposed claims. Within the same time frame, the petitioner could begin routine discovery and seek permission for additional discovery, as discussed above.⁵²

Reply and Final Discovery by Patent Owner

Thereafter, the patent owner might have another month to reply to the petitioner's opposition to any claim amendments and to take discovery, *e.g.*, depose any witness that submitted a declaration in support of the petitioner's opposition to the amendments.⁵³ The patent owner's reply concludes the discovery period.⁵⁴

Pre-Hearing Motions

Leading up to the oral hearing, as in federal court, both sides can file motions to further narrow the issues, including motions *in limine* to exclude inadmissible evidence. For example, motions *in limine* could be used to exclude unsupported expert testimony, subject to timely and preserved objections.⁵⁵ The rules of evidence applicable in federal court would govern here as well.⁵⁶

Hearing & Ruling

The parties' arguments are heard by a panel of at least three patent judges.⁵⁷ Demonstrative exhibits are expected but live testimony is not.⁵⁸ The final written decision must issue within one year of instituting the review (or six months later, if there is “good cause”).⁵⁹

Although this completes the review, the actual completion date may be uncertain because a party could request a rehearing. While the request must come within thirty days of the final decision and does not toll the time for appealing the Board's decision, the proposed rules do not specify a time by which the Board needs to rule on the request for a hearing.⁶⁰

Appeals Only to Federal Circuit

Appeals of *inter partes* and post-grant reviews are only to the Federal Circuit.⁶¹ A party must file the notice of appeal within about two months after the Board's final decision.⁶²

ESTOPPEL

Under the proposed rules, *estoppel* can apply against the petitioner and the patent owner and their privies.

Estoppel Against Petitioner

The Act provides for two kinds of *estoppel*. First, a petitioner of a review will be *estopped* from “request[ing] or maintain[ing] a proceeding” in the Patent Office on any claim that the Board finally



decided on grounds “the petitioner raised or reasonably could have raised.”⁶³ Second, a petitioner will be *estopped* from asserting invalidity in federal court or the International Trade Commission on grounds that the petitioner raised or reasonably could have raised in the review after the Board issues its final decision.⁶⁴

The potential impact of the *estoppel* is not remote since the Board can reach its final decision relatively quickly, as discussed above. But the scope of the *estoppel* remains to be seen. Here are two hypotheticals. First, would the *estoppel* bar an *ex parte* reexamination request on grounds that could have been previously raised? A proponent of *estoppel* might argue that since an *ex parte* reexamination is a “proceeding,” *estoppel* should apply. In a second hypothetical of a patent being litigated in federal court and also reviewed in the Patent Office, after a Board’s final decision adverse to the petitioner, would the petitioner no longer be able to maintain invalidity arguments in federal court that he/she also made in the review?⁶⁵

Estoppel Against Patent Owner

Without similar explicit statutory authority, the proposed rules *estop* the patent owner from “taking action inconsistent with the adverse judgment” in a review, such as seeking a claim in another patent application that the patent owner could have proposed during the review.⁶⁶ For instance, subsequent to the conclusion of a patent’s review, the patent owner may continue to prosecute related patent applications. The patent owner, however, would be blocked from seeking claims of the same scope that the patent owner cancelled in the review.

Strong Incentives to Settle

The proceedings are structured to promote settlement. Indeed, the reviews “shall be terminated” upon settlement, unless the Board has already decided the merits.⁶⁷ But without a settlement, the Board may choose to terminate the proceeding or continue through a final decision, even if the petitioner stops participating, for instance, because of financial reasons.⁶⁸

Consistent with the intent to favor settlement, the statutes are explicit that there is “no *estoppel*,” if the parties settle before a Board’s final decision.⁶⁹ Thus, both sides will have further incentive to settle.

CONCLUSION

For parties with sound invalidity arguments, *inter partes* reviews and to some extent post-grant reviews have real potential to become the *fora* of choice for invalidating patents. As required by statute, the reviews will be relatively fast and allow for key discovery including depositions of important witnesses. By limiting the available discovery, the cost and intrusion upon the operation of affected businesses will be comparatively lower than in federal court.

In general, post-grant reviews may ultimately prove less popular than *inter-partes* reviews, even though post-grant reviews can be in-

stituted over a broader range of prior art and other invalidity arguments. Yet, a party would face a correspondingly broader potential *estoppel* and would need to become aware promptly of a problematic patent—perhaps through monitoring of issued patents in a particular area of technology. And then the party would need to file its petition for post-grant review within the required first nine months after that patent’s issuance. Not an easy task.

To some extent the popularity of both types of reviews will depend on the willingness of district court judges to stay patent litigation involving the patents under review. Given the statutorily required speed of the reviews, in general, but dependent on specifics, *e.g.*, timing of a request for a stay and scope of the review, one would expect district court judges to be increasingly willing to enter stays. ◀◀

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Endnotes

1. Pub. L. No. 112-29, 125 Stat. 283 (2011) (“AIA”).
2. *Id.* at § 6; *see also* 77 Fed. Reg. 7041, 7044 (Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42).
3. 77 Fed. Reg. 6879 (Feb. 9, 2012) (to be codified at 37 C.F.R. pts. 42 & 90) (Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions) (“Rules of Practice and Judicial Review”).
4. *Id.* at 6879, 6909 (§ 42.15).
5. AIA, *supra* note 1, § 6 (35 U.S.C. § 321(b), (c), as amended).
6. *Id.* (35 U.S.C. § 324(a), as amended). Grounds for instituting a post-grant review include the following: “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.” *Id.* (35 U.S.C. § 324(b), as amended).
7. *Id.* (35 U.S.C. § 326(e), as amended).
8. *Microsoft v. i4i Ltd.*, 131 S. Ct. 2238, 2242 (2011).
9. 77 Fed. Reg. 7060, 7063 (Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42). The Act also creates transitional post-grant review proceedings, which, however, are not addressed here. *Id.* at 7080.
10. AIA, *supra* note 1, § 6 (35 U.S.C. §§ 311(c), 319(c)(2)(A) (emphasis added), as amended). Making available an *inter partes* proceeding for all patents represents a major departure from *inter partes* reexaminations, which were available only for patents with a filing date post Nov. 28, 1999.
11. *Id.* (35 U.S.C. § 312(a)(3)(A), as amended).



12. *Id.* (35 U.S.C. § 314(a), as amended).
13. *Id.* (35 U.S.C. § 316(e), as amended).
14. *Id.* (35 U.S.C. § 315(b), as amended).
15. *Id.* (35 U.S.C. § 315(a)(1), as amended).
16. *Id.* (35 U.S.C. § 315(a)(3), as amended).
17. 77 Fed. Reg. 7041, 7059, 7079 (Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (§§ 42.104(b)(3), 42.204(b)(3)).
18. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1327 (Fed. Cir. 2005).
19. 77 Fed. Reg. 7041, 7059, 7079 (Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (§§ 42.100(b), 42.200(b)).
20. Rules of Practice and Judicial Review, *supra* note 3, at 6880.
21. AIA, *supra* note 1, at § 7 (35 U.S.C. § 6(a), as amended).
22. *Id.* (35 U.S.C. §§ 316(a)(11), 326(a)(11), as amended).
23. *Id.* (35 U.S.C. §§ 314(b), 324(c)(11), as amended); 77 Fed. Reg. 6868, 6869 (Feb. 9, 2012) (to be codified at 37 C.F.R. pt. 42) (Practice Guide for Proposed Trial Rules) (“Practice Guide”).
24. AIA, *supra* note 1, at § 6 (35 U.S.C. §§ 312(a)(3), 321(a)(3), as amended).
25. Rules of Practice and Judicial Review, *supra* note 3, at 6910 (§ 42.24).
26. *Id.* at 6898.
27. *Id.* at 6899, 6910 (§ 42.24(a)(2)).
28. *Id.* at 6883, 6908 (§ 42.6(a)(3)).
29. 77 Fed. Reg. 7041, 7059, 7080 (Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (§§ 42.107(b), 42.207(b)).
30. *Id.* at 7060, 7080 (§§ 42.108, 42.208); AIA, *supra* note 1, at § 6 (35 U.S.C. § 314(b), § 324(c), as amended).
31. AIA, *supra* note 1, at § 6 (35 U.S.C. §§ 314(d), 324(e), as amended).
32. *Id.* (35 U.S.C. §§ 316(a)(5), 326(a)(5), as amended); Rules of Practice and Judicial Review, *supra* note 3, at 6887, 6910 (§42.51).
33. Fed. R. Civ. P. 26(b)(1).
34. AIA, *supra* note 1, at § 6 (35 U.S.C. § 316(a)(5)) (“[S]uch discovery shall be limited to—(A) the deposition of witnesses submitting affidavits or declarations; and (B) what is otherwise necessary in the interest of justice;...”)(emphasis added), as amended; 35 U.S.C. § 326(a)(5) (“[S]uch discovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceedings....”)(emphasis added), as amended).
35. Rules of Practice and Judicial Review, *supra* note 3, at 6900-01.
36. *Id.* at 6888.
37. AIA, *supra* note 1, at § 6 (35 U.S.C. §§ 316(a)(11), 326(a)(11), as amended).
38. Practice Guide, *supra* note 23, at 6869.
39. AIA, *supra* note 1, at § 6 (35 U.S.C. §§ 316(d)(3), 326(d)(3), as amended).
40. *Id.* (35 U.S.C. §§ 318(c), 328(c), as amended).
41. Rules of Practice and Judicial Review, *supra* note 3, at 6912 (§ 42.61(c)).
42. Practice Guide, *supra* note 23, at 6871; Rules of Practice and Judicial Review, *supra* note 3, at 6910 (§ 42.51(b)).
43. Rules of Practice and Judicial Review, *supra* note 3, at 6910 (§ 42.51(b)(3)).
44. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1322–23 (Fed. Cir. 2005).
45. Rules of Practice and Judicial Review, *supra* note 3, at 6911 (§ 42.53(f)).
46. *Id.* (§ 42.53(c)(5)(C)).
47. Practice Guide, *supra* note 23, at 6871.
48. *Id.*
49. Rules of Practice and Judicial Review, *supra* note 3, at 6911 (§ 42.54); Practice Guide, *supra* note 23, at 6877–79.
50. Practice Guide, *supra* note 23, at 6871–72.
51. *Id.* at 6869, 6875.
52. *Id.* at 6869.
53. *Id.*
54. *Id.*
55. Rules of Practice and Judicial Review, *supra* note 3, at 6912 (§§ 42.64, 42.65(a)).
56. *Id.* (§ 42.62).
57. Practice Guide, *supra* note 23, at 6875.
58. *Id.*
59. AIA, *supra* note 1, at § 6 (35 U.S.C. §§ 316(a)(11), 326(a)(11), as amended).
60. Rules of Practice and Judicial Review, *supra* note 3, at 6913 (§ 42.71(c)).
61. AIA, *supra* note 1, at § 7 (35 U.S.C. § 141(c), as amended).
62. Rules of Practice and Judicial Review, *supra* note 3, at 6914 (§ 90.3(a)) (notice of appeal due within 63 days).
63. AIA, *supra* note 1, at § 6 (35 U.S.C. §§ 315(e)(1), 325(e)(1) (emphasis added), as amended).
64. *Id.* (35 U.S.C. §§ 315(e)(2), 325(e)(2), as amended).
65. *Id.* (35 U.S.C. §§ 315(e)(2), 325(e)(2), as amended).
66. Rules of Practice and Judicial Review, *supra* note 3, at 6913 (§ 42.73(d)(3)).
67. AIA, *supra* note 1, at § 6 (35 U.S.C. §§ 317(a), 327(a), as amended); Practice Guide, *supra* note 23, at 6875 (“[t]here are strong public policy reasons to favor settlement between the parties to a proceeding.”)
68. AIA, *supra* note 1, at § 6 (35 U.S.C. §§ 317(a), 327(a), as amended).
69. *Id.*