The Leahy-Smith America Invents Act of 2011 (AIA) created several new post-grant proceedings to facilitate challenges to the validity of US patents outside of litigation in district courts. Those new proceedings are increasingly becoming viable alternatives to litigation in US federal court, because they are more efficient than district court declaratory judgment litigation. For example, as of January 31, 2017, a total of 6,380 AIA post-grant petitions have been filed, and statistics released by the US Patent and Trademark Office (USPTO) indicate that, if current trends continue, more than 2,000 petitions could be filed in 2017 alone. In comparison, more than 6,000 patent suits were filed in federal courts in 2016. In some cases, post-grant proceedings also may be preferable to litigation because they do not raise constitutional personal jurisdiction concerns posed by court litigation.

However, these new proceedings are still in flux. For example, recent US federal circuit and district court decisions have redefined the scope of statutory estoppel under 35 U.S.C. § 315(e), and narrowed the scope of patents that qualify for Covered Business Method Review under the AIA.
Background

The AIA, which went into effect on September 16, 2012, created new post-grant proceedings that take place at the USPTO before the Patent Trial and Appeals Board (PTAB), an administrative body created by the AIA.

As prescribed by the AIA, the PTAB oversees three new administrative proceedings: Inter Partes Review (IPR), Post-Grant Review (PGR), and the transitional program for Covered Business Method Review (CBMR). Each of these proceedings is subject to different rules and requirements, including limitations on when a petition may be filed, who may file a petition, and the grounds on which a petition may be filed.

Notably, unlike in district courts, there is no personal jurisdiction requirement for filing a petition for a post-grant proceeding. Accordingly, foreign owners of US patents are subject to post-grant proceedings even if they would not be subject to personal jurisdiction (and thus could not be sued) in district court. Similarly, foreign parties can petition for these post-grant proceedings without necessarily submitting to personal jurisdiction in the US. Post-grant proceedings before the PTAB can therefore present a particularly attractive option for foreign parties that do not wish to litigate in district court, or to attack patents owned by non-US entities that may be subject to personal jurisdiction for a US declaratory judgment suit.

To take full advantage of these post-grant proceedings it is important to have a general understanding of the specifics of each type of review.

Inter Partes Review (IPR)

Inter partes reviews are by far the most popular of the new post-grant proceedings, with more than 90% of the total number of petitions filed with the PTAB to date requesting inter partes review. Petitioners may seek inter partes review of any granted United States patent based on alleged invalidity under 35 U.S.C. § 102 (lack of novelty) and § 103 (obviousness) based on prior art patents and/or printed publications. However, for patents filed after March 15, 2016, a petitioner cannot request an IPR until nine months after issuance, or until after any instituted PGR proceeding against the patent has been terminated.

The IPR begins with a petition laying out the grounds of unpatentability and seeking the institution of review on these grounds. The PTAB generally must issue a decision on that petition within six months of filing. The AIA then requires that the PTAB issue a final written decision on the patentability of
any challenged claim within one year. For good cause, the PTAB may extend this one-year period by up to six months. A final written decision will issue within 12 to 18 months of the petition date, which is typically much shorter than district court litigation, which averages about two and a half years, or longer.

Notably, there is no requirement that a petitioner have standing to petition the PTAB for inter partes review. Rather, the only limits are that the petitioner cannot be the owner of the patent, and cannot have been sued for infringement of the patent more than one year before filing a petition. As a result, IPR proceedings present an attractive option to parties that cannot obtain personal jurisdiction over a patent holder in district court or lack standing to challenge validity in district courts. For example, foreign parties contemplating entering US markets to compete with patented products can petition the PTAB for inter partes review of a competitor’s patent in advance of entering the US market.

There is a downside to IPR—the potentially broad scope of statutory estoppel under 35 U.S.C. § 315(e). Section 315(e) prevents a petitioner in an inter partes review from asserting in a civil action or before the USPTO any ground of invalidity which the petitioner “raised or reasonably could have raised” during the inter partes review. However, recent court cases interpreting 35 U.S.C. § 315(e) have shown a trend towards a narrow interpretation. For example, the Federal Circuit has held that Section § 315(e) does not estop IPR petitioners from raising grounds of invalidity in district court or at the USPTO which were raised in the IPR petition but not instituted by the PTAB. (See Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc., 817 F.3d 1293, 1300 (Fed. Cir. 2016)). District courts are starting to follow. (See Intellectual Ventures I, LLC et al. v. Toshiba Corp. et al. (“IV”), Civ. No. 13-453-SLR (D. Del. Jan. 11, 2017)).

For the foreseeable future, IPRs will continue to be an expeditious and powerful tool for challenging the validity of US patents.

Post-Grant Review (PGR)

Post-grant reviews allow broad invalidity arguments, but for a brief window of time. Thus far, PGRs have been the least popular post-grant proceeding, with only about 1% of the petitions filed seeking post-grant review. Petitioners may seek post-grant review of any US patent which has at least one claim having an effective filing date on or after March 16, 2013, and has been granted or reissued within the last nine months. Consequently, relatively few patents are eligible for PGR at any given time. Petitions for post-grant review may be based on any statutory provision for invalidity: 35 U.S.C. § 101 (ineligible subject matter), § 102 (lack of novelty), § 103 (obviousness), and § 112 (lack of enablement or written description).

The timeline for a PGR proceeding is similar to that of IPRs. Once the PTAB has issued a final written decision granting a petition to institute a PGR, the AIA requires that the PTAB issue a final written decision on the patentability of any challenged claim within one year.

Similar to IPRs, there is no requirement for standing by the petitioner, or personal jurisdiction over the patent to petition the PTAB for post-grant review. Rather, the only limits are that the petitioner cannot be the owner of the patent, and cannot have already sued in district court to invalidate the patent.

As with IPRs, prospective petitioners should consider the potentially broad scope of statutory estoppel, which parallels the IPR estoppel provision.
Covered Business Method Review (CBMR)

To date, about 8% of the petitions filed with the PTAB have been petitions seeking CBMR. CBMR is a temporary procedure created by the AIA which, unless it is extended, will expire on September 16, 2020. Until it expires, petitioners can seek CBMR of any “Covered Business Method” patent, which the AIA defines as patents claiming a method or apparatus for “performing data processing or other operations used in the practice, administration, or management of a financial product or service.” (AIA § 18(d)(1)). Similar to PGR proceedings, CBMR petitioners can argue invalidity under 35 U.S.C. § 101 (ineligible subject matter), § 102 (lack of novelty) § 103 (obviousness), and § 112 (lack of enablement or written description). For patents with a filing date after March 15, 2016, a petitioner cannot request CBMR until nine months after issuance, or until after any instituted PGR proceeding against the patent has been terminated.

Unlike the other post-grant proceedings, to petition for CBMR, a petitioner must have been sued for infringement of the patent or have been charged with infringement of the patent, such that the petitioner would have standing to bring a declaratory judgment action in district court. Moreover, a petitioner cannot petition for CBMR if the petitioner has filed a civil action challenging patent validity.

Petitioners find CBMR particularly attractive because it offers the opportunity to argue invalidity on any ground, while only being estopped from asserting in a civil action or before the USPTO grounds of invalidity which the petitioner “actually raised” during the CBM review. However, recent Federal Circuit decisions have drastically narrowed which patents qualify as covered business method patents, rejecting the PTAB’s initial broad application. Specifically, in order to be a covered business method patent, at least one claim of the patent must claim a “financial activity element.” (Secure Axcess, LLC v. PNC Bank Nat’l Ass’n et al., No. 2016-1353, 2017 WL 676601 (Fed. Cir. Feb. 21, 2017). Prior to the recent ruling, the PTAB had been more flexible, allowing CBM review of patents if the specification identified financial uses, for example.

Looking Forward

Both domestic and foreign companies can take advantage of post-grant proceedings to cost-effectively challenge issued US patents. We expect that IPRs will continue to be the dominant post-grant proceeding before the PTAB, for both domestic and international patent challengers. Whether the PTAB or the courts impose additional restrictions or relax recent restrictions on procedural aspects will further impact the utility of post-grant proceedings.
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