



PTO Alternatives to Full Litigation Under the Patent Reform Bills

By: James W. Gould

Instead of a Texas jury, how would you like to challenge patent validity in the Patent and Trademark Office (PTO) before three judges, each of whom has “competent legal knowledge and scientific ability?” With discovery limited to depositions of affiants/declarants and “as justice requires?” With a decision within one year of filing, 18 months at the outside? And with your burden preponderance of the evidence rather than clear and convincing evidence? And with appeal to the Federal Circuit?

If this sounds too good to be true, then you should read the pending S. 23 and H.R. 1249 patent reform bills which passed the Senate and House by wide margins and is very likely to be enacted in similar form. These bills provide (in what will be 35 U.S.C. §§ 321-329) for an “*Inter-Partes Review*” (IPR), which is a conversion of existing Inter-partes reexams. Petitions are limited to patents and printed publications under §§ 102 and 103. A petition for IPR can be filed any time after nine months from patent issue. A “reasonable likelihood of success” on at least one claim of the patent must be shown to have the petition granted. This procedure will apply to all patents, not just ones issued after the new law is enacted. If a party has filed a declaratory judgment of invalidity, he is barred from seeking an IPR. (A declaratory judgment counterclaim to an infringement suit is not a bar.) Oral hearings are contemplated.

Are there any potential downsides? The petitioner must identify the real party in interest. Estoppel will apply in later litigation to what is actually raised or what “reasonably” could have been raised. An accused infringer must file its petition for IPR within six, nine or 12 months (differing bills and amendments) of being sued for infringement of a patent. If the accused infringer does that, stay of the pending district court litigation is not required, but may well happen more often in deference to the three judge panel.

Overall, an IPR proceeding seems an attractive alternative to district court litigation that should be given serious consideration whenever invalidity under §§ 102 and 103 based on patents and printed publications is a strong defense.

If an IPR is not for you, still consider a “Post Grant Review” (PGR) (35 U.S.C. §§ 321-329 in the bills), a new administrative (vs. the IPR adjudicative) procedure. A PGR must be filed within nine months of patent issue. Discovery is permitted, but must be related to the parties’ factual assertions.



Estoppel is narrower than in an IPR — it only applies to what is actually submitted and decided. Again, the PTO must decide within 12 months, 18 months at the outside.

Whether IPR or PGR, these new procedures offer a cheaper, faster and likely more predictable route than a jury trial to challenge validity of a patent. The IPR “preponderance of evidence” standard for invalidity (§ 316), specialized judges and appealable findings alone are reason enough. Once Congress acts and the PTO sets up the Patent Trial and Appeal Board (the members will be the Director, Deputy Director, Commissioners for Patents and Trademarks and the Administrative Law Judges) which will decide IPRs, expect a shift in cases to this new procedure.

One other new provision (what will be 35 U.S.C. § 301) provides an *ex parte* vehicle to challenge a patent. Under this, any person at any time may submit to the PTO patents and publications, as well as patent owner statements and pleadings in a Federal Court in the PTO. If a written submission establishes pertinence to at least one claim, the citation and submission become part of the file history. However, the PTO can only consider statements of a patent owner for the scope of a claim. In any later litigation, you can argue that the PTO decided your new prior art is relevant and non-cumulative to art cited during prosecution. This should provide a strong foundation for your invalidity expert and resonate with a jury.

A final note: while interference practice generally is eliminated by the switch to “first-to-file,” a remnant remains in a new § 135 Derivation Proceeding. This allows an applicant in the PTO to file a petition that the inventor in an earlier application derived the invention from the petitioning applicant. This will help protect against a fleet-footed thief who files first.

In summary, when the reform “America Invents” law is finally adopted, study the provisions beyond first-to-file. In essence, they provide multiple opportunities for Alternative Dispute Resolution to full litigation on certain grounds of invalidity.

For more information on the matters discussed in this *Locke Lord QuickStudy*, please contact the author:

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