

Client Advisory | July 2012

New Post-Grant Review Procedures for Challenging Patent Validity Go into Effect September 16, 2012

Beginning September 16, 2012, two new procedures under The America Invents Act (AIA) will be available to allow third party post-issuance challenges to a patent. The new procedures are called Post-Grant Review (PGR) and Inter Parties Review (IPR) and offer the opportunity to challenge the validity of patents in the PTO in a streamlined, cost-effective alternative to district court litigation. The new hybrid procedures combine litigation and trial practice with patent prosecution strategy and practice in an administrative proceeding before the PTO's newly created Patent Trial and Appeal Board (PTAB). The decision making process for considering whether to institute a PGR or IPR proceeding, or defend against one, will require an understanding of the PTO's implementing regulations and the similarities and differences between the two regarding availability, timing, invalidity grounds, discovery, burdens of proof, and estoppel implications. The key aspects are pointed out below.

Post Grant Review (PGR)

PGR allows a third party to challenge a patent on a broader scale of issues than what will be available under IPRs. A PGR petition must be filed within 9 months after the issuance of the patent. Because PGRs are only available for patents issuing from the first-to-file system (patents with priority dates on or after March 16, 2013), the earliest PGRs that can commence will likely be in 2014, followed by a ramp up period of several years.

Any ground of invalidity that can be asserted in patent litigation can also be raised as a basis for a PGR challenge. Unenforceability challenges, such as inequitable conduct, cannot be raised. This means that a PGR challenge is not limited to patents and printed publications (as will be the case with IPRs) but can also include prior art challenges based on prior public use or on sale. A unique feature not previously available to challenges in the PTO is that written description, enablement and claim indefiniteness under 35 U.S.C. §112 may be raised in PGRs.

The petition must identify the claims challenged and present the supporting evidence upon which the PTO will base its determination of whether the petition will be granted. All issues and supporting evidence must be presented at this initial stage, including all necessary expert affidavits. Thus, early preparation is essential and care must be taken to investigate and develop the evidence supporting invalidity grounds thoroughly before filing the petition. If the petitioner has met its burden of proving that it is "more likely than not" that at least one claim is invalid, the petition for review is granted. An order is issued setting out the issues to be decided and the schedule for discovery, claim amendments, briefing and trial to ensure the completion of the trial and entry of a written decision by the PTAB within 12 months from the date of petition grant.

PGR Distinct from EPO Oppositions

PGRs have certain elements in common with European Opposition proceedings, in that they must be filed within 9 months of issuance and any grounds of invalidity can be raised, but there are some notable differences. While a reasonable number of amended claims may be submitted once as a matter of right during a PGR proceeding prior to trial, Opposition proceedings permit an unlimited number of claim amendments up through and during the hearing before the Opposition Board. Other PGR distinctions are that, unlike European Oppositions, routine discovery is permitted and the case is tried before three Administrative Patent Judges instead of patent examiners. The PGR proceeding is very fast, akin to an ITC-type "rocket docket," and will be concluded within 12 months (18 months only for "good cause"), while Oppositions typically take 2-4 years. However, contrary to Oppositions, PGR petitioners cannot remain anonymous and all real parties in interest must be disclosed in the petition.

Inter Partes Review (IPR)

IPR replaces the present *inter partes* reexamination proceedings with changes that allow for routine discovery, trial, and a limited opportunity to make claim amendments. IPRs cannot be filed until 9-months **after** the patent is granted or at the conclusion of any pending PGR proceeding, whichever is later. IPR petitions can be filed for any patent regardless of their priority date and will be available starting

September 16, 2012. However, unlike PGRs, petitioners can only raise Section 102 and/or 103 invalidity issues based on prior patents and printed publications. The burden of proof is a “reasonable likelihood” that the petitioner will prevail with respect to at least one of the challenged claims. The time line for completion of IPRs will now be much faster than *inter partes* reexaminations. IPRs, like PGRs, will be concluded within 12 months from the date of petition grant (18 months only for “good cause”).

Administrative Aspects

Both PGR and IPRs have common administrative aspects. Claim amendments may be made once as a matter of right and the broadest reasonable interpretation of the claims such as applied during prosecution (“preponderance of the evidence”) will be used. As in the current *ex parte* reexamination proceedings (which remain intact), there is no presumption of validity in either PGR or IPRs.

Litigation Aspects

Because both PGRs and IPRs are adjudicative review proceedings, they will be conducted before three Administrative Patent Judges from

the PTAB and appealable only to the Federal Circuit. The Federal Rules of Evidence shall apply and parties will have an opportunity to conduct more rigorous discovery than has been allowed in *inter partes* reexamination proceedings. Routine discovery will be permitted in both proceedings and include 1) any exhibit cited in a paper or in testimony; 2) cross examination of any declarant and 3) non-cumulative information that is inconsistent with a position advanced by a party. Additional discovery may be allowed, but the scope will vary depending on whether it is a PGR or IPR proceeding. During PGRs, a showing of “good cause” is required for additional discovery, while IPRs require the higher standard of “in the interests of justice” before additional discovery is granted. Direct testimony will be submitted in the form of affidavits, while all other testimony must be in the form of deposition transcripts where all objections must be made at the time of deposition and preserved shortly thereafter. The PTAB may also authorize or require live or video recorded testimony. Both proceedings will likely be shorter (and less expensive) than any district court proceeding, with a 12-18 month time line to final judgment.

Petitioner Estoppel will apply once the PTAB issues a written opinion. The estoppel ramifications are significant, and the petitioner and its privies will not be able to participate in any PTO proceeding or district court action challenging the validity of the patent “on any ground that the petitioner raised or reasonably could have raised” during PGR or IPR. How far the estoppel effect of the phrase “reasonably could have raised” will extend remains to be seen (and litigated). However, if the parties settle and terminate the proceeding, estoppel can be avoided.

Conclusion

Whether to seek to invalidate a patent in the PTO through a PGR or IPR proceeding will rest on several strategic considerations including the grounds for alleged invalidity, the burden of proof, timing, cost, and estoppel implications. The lower cost and shorter time period compared to federal court litigation is clearly an incentive for potential challengers to consider. Thus, petitioners and patent holders alike must be prepared for the possibility of an early post-grant challenge to an issued patent under either PGR or IPR rules.

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