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Invalidating Patents Through Inter Partes Review

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In the nine and a half months since its creation, the U.S. Patent and Trademark Office's (USPTO's) new inter partes review proceedings have become a popular way to attempt to invalidate a patent. As of June 25, 2013, at least 317 inter partes reviews have been requested. What is making this new procedure for invalidating patents so popular? Perhaps it is the game-changing effect for businesses accused of infringing a questionably invalid patent, or the ability to invalidate a competitor's surprisingly broad patent. Regardless of the particular reasons, the new inter partes review procedure provides a less expensive and quicker way to invalidate a patent than through traditional patent litigation.

What Is It?

Inter partes review is a procedure requested from the USPTO to invalidate a patent by showing that the invention claimed by the patent was already known or obvious based on earlier patents and publications. This new procedure went into effect on September 16, 2012, and was created under the America Invents Act to replace and improve upon an old procedure called inter partes reexamination which was widely criticized for taking too long to reach a decision on patent validity.

Benefits for Patent Challengers

According to a 2011 survey by the American Intellectual Property Law Association, a patent lawsuit where \$1 million to \$25 million is at risk will cost each party on average \$1.6 million through the end of discovery and will cost each party on average \$2.8 million through trial not including any damages awarded. In comparison, total costs for each party in an inter partes review are currently estimated at around \$150,000 to \$300,000.

In addition to a lower cost, challenging the validity of a patent in an inter partes review at the USPTO should have a higher likelihood of success than challenging the validity of a patent in federal court because the USPTO uses a lower evidentiary standard when determining invalidity and it uses a broader interpretation of patent claims (i.e., the legal description of the invention) when assessing whether the invention was already known or obvious.

With respect to the lower evidentiary standard, a challenged patent at the USPTO is not presumed to be valid as it is in federal court. Due to this presumed validity, a challenger in federal court must prove that the patent is invalid by "clear and convincing evidence" which is often thought of as requiring the challenger to show that it is substantially more likely than not that the patent is invalid. On the other hand, a challenger in an inter partes review only has to show that it is more likely than not that the patent is invalid, which can be thought of as more than 50% likely.

With respect to the broader interpretation of patent claims, the USPTO gives the language used in the patent claims its "broadest reasonable interpretation" which usually gives the patent claims a broader interpretation than the interpretation given by a federal court. This broader interpretation of the patent claims makes it easier for challengers to show that the invention was already known or obvious since a larger number of earlier patents and publications can be used to show that the features claimed in the challenged patent were already known or obvious.

In addition, the timeframe for an inter partes review is shorter than typical patent litigation or the previous inter partes reexamination. Once the USPTO decides to institute an inter partes review, a final decision must be rendered within 12 months with a possible extension by the USPTO of up to six months for good cause. Since the USPTO has generally taken about five months to decide whether to institute inter partes reviews, patent challengers can expect to have a decision on the validity of a patent within 1.5 to 2 years from filing the initial request for inter partes review. In comparison, the average patent litigation is reported to take 2.5 years to get to trial and the average proceeding under the previous inter partes reexamination took 3.5 years to reach a decision on patent validity.

Due to the quicker decision provided by an inter partes review, patent challengers who are already involved in patent litigation are now more likely to obtain a stay (i.e., suspension) of the patent litigation until the outcome of an inter partes review. The quicker decision offered by inter partes review makes it more difficult for a patent owner to argue to a federal court that they would be prejudiced by a delay caused in staying the litigation while the patent's validity is determined by the USPTO.

The decisions of inter partes reviews will also likely be given more weight by federal courts than prior decisions of the previous inter partes reexaminations. In contrast to the previous inter partes reexaminations, each inter partes review is handled by a panel of three administrative law judges who generally have greater legal training than the patent examiners who individually handled the previous inter partes reexaminations. These administrative law judges all have technical

backgrounds and specialized patent law experience which makes them well suited to identify an invalid patent.

In addition, inter partes review relieves challengers of the significant amount of discovery usually required early on in patent litigation cases which can consume large amounts of time and money. The large up-front costs of discovery in litigation can often influence a business to settle with a patent owner even when the validity of the patent is questionable. In an inter partes review, the initial burden on the patent challenger is significantly less due to the limited nature of discovery in inter partes review. Unlike discovery in federal court, discovery in an inter partes review is generally limited to depositions of witnesses submitting declarations or affidavits.

Caveats for Patent Challengers

After being served with a complaint for infringing a patent, the accused infringer has one year to request an inter partes review. This deadline is not limited to specific products alleged to have infringed and the one year deadline applies to parties in privity with the party served with the complaint. For example, a complaint served on a subsidiary company for allegedly infringing a patent with product A may prevent its closely related parent company from requesting an inter partes review more than a year later when accused of infringing the same patent with product B.

In addition, a patent challenger in an inter partes review must not have previously filed a civil action in court challenging the validity of the patent. However, under the America Invents Act, an accused infringer's counterclaim challenging the validity of a patent in court does not prevent the accused infringer from also requesting an inter partes review.

One concern for patent challengers is that they are prevented from later asserting defenses which could have been "reasonably raised" during the inter partes review. This is referred to as estoppel and it means that if a patent challenger fails to make a particular argument about how a prior patent or publication invalidates the challenged patent, the patent challenger will not be able to make that argument in federal court or in another proceeding before the USPTO. However, it is important to note that although a patent challenger can later become barred from making arguments which could have been "reasonably raised," the patent challenger can still pursue invalidity arguments that are not available in an inter partes review. Since an inter partes review is limited to using prior patents and publications to invalidate a patent, an unsuccessful patent challenger can later challenge the patent's validity in a different proceeding such as litigation based on other grounds that were not available in the inter partes review. These other grounds to invalidate the patent can include prior acts that invalidate the patent, a failure of the patent to sufficiently describe the invention, and arguments that the subject matter of the invention is not eligible for patent protection (e.g., abstract ideas are not patentable).

There is also a risk that a patent may come out of an inter partes review being perceived as stronger than when it entered due to a confirmation of the patent's validity by the USPTO.

Conclusion

Despite the downside of estoppel and possible confirmation of a challenged patent, a patent challenger in many cases may be better served by making its invalidity arguments in the generally more favorable forum of an inter partes review before the USPTO where a patent is not presumed to be valid. Moreover, inter partes review can be a valuable tool for invalidating a patent given its shorter timeframe and lower cost when compared with patent litigation.

The above examples are just some of the developing benefits and drawbacks of inter partes review. It is a potentially powerful tool on which parties looking to invalidate a patent should seek legal counsel early in the strategy development process.

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