

America Invents Act and the Implementation of Post Grant Review

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I. INTRODUCTION

On September 16, 2011, President Obama signed the Leahy-Smith America Invents Act (“AIA”) into law making sweeping changes to U.S. patent law. Among the many provisions of the AIA is the introduction of a new Post Grant Review procedure. The new Post Grant Review procedure will allow third parties to challenge issued patents in the U.S. Patent and Trademark Office (“Patent Office”) within nine months of issue. Unlike the present reexamination procedures, challenges under Post Grant Review will not be limited to anticipation and obviousness in view of prior patents and printed publications. Post Grant Review is intended to provide a complete avenue to challenge patents in a more cost effective manner than litigation, but only time will tell if it is a worthy substitute for challenging validity in district court.

The AIA specifies that the statutory amendments to institute Post Grant Review will take effect on September 16, 2012, but only for patents filed on or after March 16, 2013. Leahy-Smith America Invent Act, Pub. L. No. 112-29, §6(f), 125 Stat. 284, 311 (2011). Therefore, while the provisions will be in place soon, we likely will not see any petitions for Post Grant Review filed for the next several years.¹

II. POST GRANT REVIEW STATUTES IN AMERICA INVENTS ACT

Post Grant Review is outlined in Section 6, Chapter 32, of the AIA includes adds nine new patent statutes, 35 U.S.C. §§ 321 to 329. According to the new statutes, a Post Grant Review may be initiated by a person who is not the patent owner, within nine months after the grant of a patent, to cancel one or more claims on any ground of patent invalidity except best mode. 35 U.S.C. § 321. Post Grant Review can be used to challenge both issued patents and reissued patents, provided that the reissued claims being challenged are not identical to or narrower than a claim in the original patent. 35 U.S.C. §§ 321(c), 325(f).

¹ A modified post grant review proceeding, called Covered Business Method Patent Review, will be available beginning September 16, 2012 to challenge patents, irrespective of their filing or issue date, which claim a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service. *See* Section 18 of the AIA. These proceedings will provide helpful insight into the effectiveness of Post Grant Review.

To request a Post Grant Review, a petition must be filed identifying the real party in interest and specifying, with particularity, each claim being challenged, the grounds under which the challenge is based and the evidence supporting the challenge. 35 U.S.C. § 322. The grounds are not limited to challenges under Sections 102 and/or 103 and may include any ground except failure to disclose the best mode. 35 U.S.C. § 321. Furthermore, the evidence submitted with the petition may include patents, printed publications, and other evidence, including expert opinions, in the form of affidavits or declarations. 35 U.S.C. § 322(a)(3).

After a petition is filed, the patent owner will be given the opportunity to file a preliminary response setting forth reasons why Post Grant Review should not be instituted. 35 U.S.C. § 323. Within three months of the patent owner's preliminary response, or the deadline to submit a preliminary response if none is filed, the Patent Office will determine whether to institute Post Grant Review. 35 U.S.C. § 324. The standard for instituting Post Grant Review is higher than the current standard for reexamination proceedings. To institute a Post Grant Review the Patent Office must determine whether the information presented in the petition, if not rebutted, demonstrates that it is more likely than not that at least one of the challenged claims is unpatentable. 35 U.S.C. § 324(a). Alternatively, the Patent Office may choose to institute a Post Grant Review if the petition raises a novel or unsettled legal question that is important to other patents or patent applications, regardless of whether the above standard is met. 35 U.S.C. § 324(b).

During Post Grant Review, the petitioner will have the burden of proving unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). Unlike a reexamination, which is assigned to a sole examiner, Post Grant Review will be conducted by a three-member panel of administrative law judges from the new Patent Trial and Appeal Board ("Trial Board"). 35 U.S.C. §§ 6(a)-(c), 326(c).

The AIA requires the Trial Board to complete Post Grant Review proceedings in a relatively short period of time. A final determination must be given within one year from the date on which the Post Grant Review is initiated, although up to a six month extension of time may be granted for good cause. 35 U.S.C. § 326(a)(11). Unlike current reexamination proceedings, Post Grant Review may also be terminated prior to the Trial Board's final decision if the parties reach a settlement. Termination will require the parties to submit a joint request with a copy of the settlement agreement. 35 U.S.C. § 327.

After the Trial Board issues a final written decision, either party may appeal the decision to the United States Court of Appeals for the Federal Circuit ("Federal Circuit"). 35 U.S.C. §§ 141, 329. If no appeal is filed, a certificate will

be published which cancels, amends or confirms the claims of the challenged patent. 35 U.S.C. § 328(b).

The AIA also includes provisions to prevent conflicts with civil litigations, including automatic stay and estoppel provisions. In particular, a Post Grant Review will not be instituted if the petitioner has already filed a civil action challenging the validity of the patent. 35 U.S.C. § 325(a)(1). If the petitioner files a civil action after filing a petition for Post Grant Review, the civil action will be automatically stayed until the patent owner asserts a claim for infringement or either party moves to have the stay lifted. 35 U.S.C. § 325(a)(2). Finally, estoppel will apply in civil actions that follow a Post Grant Review. After a final written decision is rendered by the Trial Board, the petitioner will not be able to assert the same grounds, or any grounds that could have reasonably been raised in the Post Grant Review, in any later proceedings before the Patent Office or district court. 35 U.S.C. § 325(e). However, if a Post Grant Review is terminated by settlement, estoppel will not apply. 35 U.S.C. § 327(a).

The conduct of Post Grant Review proceedings was largely left up to the Patent Office to promulgate in regulations, subject to minimum requirements set by Congress. *See* 35 U.S.C. § 326. For example, the AIA specifies that the Patent Office must provide procedures for discovery of evidence and for sanctions in instances of abuse of discovery, abuse of process, or improper use of the proceeding. 35 U.S.C. §§ 326(a)(5)-(6). The Patent Office must also provide procedures for allowing the patent owner to move to cancel or substitute claims. 35 U.S.C. §§ 326(a)(9), (d). However, amendments must be limited to those that do not enlarge the scope of the claims, and only one motion to cancel or substitute claims may be granted unless the subsequent amendment is jointly requested by the parties to advance settlement or good cause is shown. 35 U.S.C. § 326(d)(2).

III. REGULATIONS TO IMPLEMENT POST GRANT REVIEW

As directed by the AIA, the Patent Office has promulgated a proposed set of new regulations concerning the conduct and procedures for Post Grant Review. A Notice of Proposed Rulemaking to Implement Post Grant Review Proceedings was published in the Federal Register on February 10, 2012. 77 Fed. Reg. 7060. In addition, a related Notice of Proposed Rulemaking for the Rules of Practice for Trials Before the Patent Trial and Appeal Board, which will govern trials in Post Grant Review, Inter Partes Review, and Derivative Proceedings, was published on February 9, 2012. 77 Fed. Reg. 6879. A Practical Guide for Proposed Trial Rules was also published on February 9, 2012. 77 Fed. Reg. 6868.

The Patent Office accepted public comments on the proposed rules through April 10, 2012, and will publish a set of Final Rules before Post Grant Review goes into effect on September 16, 2012.

A. Filing A Petition And Instituting Post Grant Review

Consistent with the AIA, the Patent Office's proposed rules specify that a petition for Post Grant Review may be filed by a person who is not the patent owner no later than nine months after the date a patent is granted or the issuance of a reissue patent. Proposed §§ 42.201-42.202.² The petition to request Post Grant Review must include a statement of the petitioner's grounds for standing and an identification of the challenge, including an identification of the challenged claims and the specific grounds on which the challenge is based. Proposed § 42.204. Most notably, the identification of the challenge must also describe how the challenged claims are to be construed and how the construed claims are unpatentable under the identified grounds. Proposed §§ 42.204(b)(3)-(4). The petitioner's supporting evidence must also be submitted with a statement of the relevance of the evidence including references to specific portions of the evidence that support the challenge. Proposed § 42.204(b)(5).

The patent owner's preliminary response will be due within two months. Proposed § 42.207(b). While the patent owner may not amend the claims in the preliminary response, the patent owner may file a statutory disclaimer disclaiming one or more claims. Proposed §§ 42.207(d)-(e). If such a disclaimer applies to all the challenged claims, it will end the Post Grant proceedings. *Id.*

The Trial Board can institute Post Grant Review based on some or all of the grounds raised in the petition subject to the standard provided in the AIA. Proposed § 42.208.

B. Post Grant Review Trial Procedures

After Post Grant Review is instituted, a twelve-month trial period will begin. The Trial Board will issue a Scheduling Order setting out deadlines for the patent owner's response, discovery, and any motions the parties contemplate filing. Guide for Proposed Trial Rules, 77 Fed. Reg. 6868, 6874 (proposed Feb. 9, 2012). Discovery may begin once the proceeding is instituted. *Id.* at 6869. Absent an agreement among the parties or relief granted by the Trial Board, discovery will be limited to cross examination of affidavit testimony and discovery of noncumulative information that is inconsistent with a position advanced by the patent owner or petitioner during the proceeding. Proposed §

² Citations to Proposed §§ 42.200-42.224 refer to proposed rules in Changes To Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42).

42.51.³ The Patent Office contemplates having sequenced discovery whereby the patent owner will first take discovery on the evidence submitted in the petition followed by the petitioner taking discovery on any issues raised or evidence submitted by the patent owner. Guide for Proposed Trial Rules, 77 Fed. Reg. 6868, 6869 (proposed Feb. 9, 2012).

While uncompelled direct testimony may be offered in the form of an affidavit, all other testimony must be in the form of a deposition transcript. Proposed § 42.53(a). The proponent of deposition testimony must serve a deposition notice, which will limit the scope of any testimony, and must include, *inter alia*, a list of exhibits to be relied upon during the deposition as well as a general description of the scope and nature of the testimony to be elicited. Proposed § 42.53(c)(5). Expert testimony will also be permitted, with the exception of expert testimony on U.S. patent law or patent examination practice. Proposed § 42.65. As in civil litigation, experts will be required to disclose the underlying facts or data supporting their opinion, or risk their testimony being given little or no weight. *Id.*

Following a period of discovery and depositions by the patent owner, the patent owner will file an opposition to the petition addressing all the grounds accepted by the Trial Board and providing any evidence upon which the patent owner intends to rely. Proposed § 42.220; 35 U.S.C. § 326(a)(8). At this time, the patent owner may also request relief to amend the claims of the challenged patent. Proposed § 42.221. The patent owner's amendments must be responsive to a ground of unpatentability raised by the petitioner and cannot enlarge the scope of the claims. *Id.*

The petitioner will be given an opportunity to take discovery and depositions on any issues raised or evidence submitted in the patent owner's opposition. Guide for Proposed Trial Rules, 77 Fed. Reg. 6868, 6869 (proposed Feb. 9, 2012). Thereafter, the petitioner will file a reply to the patent owner's opposition, and an opposition to any motion to amend the claims. *Id.*

Either party may request an oral argument before the Trial Board on issues raised during the proceedings. Proposed § 42.70(a). Prior to the oral hearing, the parties will be given an opportunity to file motions *in limine* to exclude evidence offered by the opposing party. Proposed § 42.64(d). The oral hearing will be heard by a three-member panel of the Trial Board and will include arguments by the petitioner, a response by the patent owner, and rebuttal by the petitioner.

³ Citations to Proposed §§ 42.1-42.80 refer to proposed rules in Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879 (proposed Feb. 9, 2012) (to be codified at 37 C.F.R. pt. 42 and 90).

Guide for Proposed Trial Rules, 77 Fed. Reg. 6868, 6875 (proposed Feb. 9, 2012). Oral arguments will be limited to evidence that was previously submitted in the proceedings, and live testimony is not expected. *Id.* At the conclusion of the trial, or twelve months after Post Grant Review is instituted, the Trial Board will render a final decision on the patentability of the challenged claims.

C. Proposed Fees For Post Grant Review

The AIA gives the Patent Office authority to set fees based on their cost of recovery. Leahy-Smith America Invent Act, Pub. L. No. 112-29, §10, 125 Stat. 284, 316-320 (2011). According the Patent Office's proposed rules, the filing fees for a Post Grant Review will be dependent on the number of claims challenged. The proposed base fee to challenge up to twenty claims is \$35,800. Proposed §42.15(b). Increasing fees, ranging from \$8,950 to \$35,800, will be required for each additional group of ten claims. *Id.* For example, the fee to challenge up to forty claims will be \$53,700 and up to seventy claims will cost \$125,300. The proposed fees present a significant increase over the current fees for reexamination but, according to the Patent Office, a Post Grant Review will still present a cheaper alternative to civil litigation.

IV. SUGGESTIONS FOR PATENT PRACTITIONERS

The Patent Office, in promulgating its proposed rules for Post Grant Review, seeks to create a timely, cost-effective alternative to litigation. While the proposed fees are substantial, the cost will likely be significantly less than the cost to obtain a ruling on an invalidity challenge in a district court. The timing to receive a final decision in Post Grant Review, within one year, is also far less than the average time to obtain a decision in a district court. While we will need to wait to see the quality and consistency of the decisions by the Trial Board, petitioners can expect that their case will be handled by judges with technical or scientific backgrounds and a focused understanding of patent law. Moreover, decisions by the Trial Board will be appealable directly to the Federal Circuit.

Despite its potential benefits, Post Grant Review may not be suitable for every situation due to the swift timing, limitations on discovery and estoppel provisions. If your invalidity arguments are not completely developed, or full discovery is desired to identify or confirm "on sale" and other prior art, Post Grant Review may not be advisable. Furthermore, given the fact that a patent owner may make amendments during Post Grant Review, it may not be advisable if the challenged patent includes support for amendments that may lead to valid and infringed claims. However, if you have strong prior art for all of the challenged claims, Post Grant Review will be an attractive option to resolve a validity challenge.

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2

Overview of Post Grant Review

- New trial proceeding conducted by the Patent Trial and Appeal Board to review the patentability of recently granted patents.
- All grounds of unpatentability may be raised except best mode.
- Final decision received within one year.



Implementation of Rules by PTO

- Notice of Proposed Rule Making published on February 10, 2012.
 - Comments accepted until April 10, 2012.
 - Final Rules expected in July 2012.
- Rules go into effect on September 16, 2012.
 - But challenged patents must have an effective filing date on or after March 16, 2013.

3



Petition to Request Post Grant Review

- Anyone who is not the patent owner may request a Post Grant Review.
- A petition must be filed within 9 months of patent issuing or reissuing.
 - Must identify real parties in interest, challenged claims, grounds, how the claims are to be construed, & evidence.
- Patent owner may file a preliminary response before PTO's decision on the petition.

4



Instituting Post Grant Review

- PTO decides whether to institute Post Grant Review within 3 months of preliminary response.
- Standard: whether “it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”
- PTO may also grant petition if it “raises a novel or unsettled legal question that is important to other patents or patent applications.”



Proposed Patent Office Fees

- AIA gives Patent Office fee setting authority.
- Proposed base fee is \$35,800 for Post Grant Review of 20 or fewer claims.
- Up to 60 claims will cost \$89,500.
- Additional groups of 10 claims will cost \$35,800.



Post Grant Review Proceedings

- Petitioner has burden to prove unpatentability by “a preponderance of the evidence.”
- Limited discovery, depositions, and expert testimony permitted.
- All requests for relief by motion practice.
 - Patent owner may move to amend claims once, but cannot broaden claims.
- Oral hearing before three-member panel.
- Final decision appealable to the Federal Circuit.



Post Grant Review Timeline

