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GRANT'S TAKE ON IP LAW

Congress' enactment of the America Invents Act in 2012 — the first significant revision since the Patent Act of 1952 — was a sea change in the practice of patent law. One of

its most significant features was its implementation of several adversarial patent challenge proceedings in the Patent and Trademark Office, known as Inter Partes Review, Post-Grant Review and Covered Business Method proceedings.

These trial proceedings, which are conducted before three-judge panels in the Patent Trials and Appeals Board, have resulted in the invalidation of a large number of patents and forced every patent plaintiff to re-evaluate their litigation strategy. There have been some recent changes, however — some made by the PTO on its own, and some forced by decisions of the Supreme Court — that confirm that these proceedings are evolving in a more balanced way and may result in better, and more predictably enforceable, patents.

To date there have been more than 9,170 IPR petitions filed, 4,714 IPR trials instituted, resulting in the invalidation of one or more claims in 1,888 patents.

From the outset, patent owners found a lot to dislike about these PTAB proceedings. Some perceived negatives were built-in to the AIA statute. Even though issued patents are being challenged, the PTAB applies no presumption of validity to these patents; unlike patent litigation, the challenger's burden of proof is simply the preponderance of evidence, not clear and convincing.

Other perceived negatives, however, were designed in by the PTO itself, applying the broad rule-making authority Congress gave to the PTO in the AIA. Together, these negatives and the resulting high invalidation rate led many, including most notably the then-chief judge of the Court of Appeals for Federal Circuit, Judge Randall Ray Rader, to describe the PTAB as "death squads killing property rights."

Time has softened some of the rhetoric, however. The institution rate of IPR trials has dropped from 97 percent in 2013 to 60 percent in 2018.

Of those patents where trial was instituted and a final written decision was rendered, the invalidation rate (of at least one or more claims) has also dropped somewhat over time, from 87 percent in 2015 to 80 percent in 2018. Several studies have shown that the overall invalidation rates in these PTAB trials are now approximating those in Europe and U.S. District Court litigation.

One change was required, at least in part, by the Supreme Court's holding in *SAS Institute Inc.*



A VIEW FROM THE INSIDE

How PTAB proceedings impact litigation strategy

By GRANTLAND DRUTCHAS

v. Iancu, U.S. (April 24, 2018). Early on, the PTO adopted regulations that limited the PTAB's review in IPRs as to only those patent claims where the petitioner had demonstrated a reasonable likelihood that it would prevail, and further, as to only those particular grounds that the PTAB decided, in its initial determination, had a reasonable likelihood of success.

Although this meant less work for the PTAB, it also eviscerated much of the effect of the estoppel provisions of the AIA and gave patent challengers a second bite at the apple. Challengers are estopped from challenging claims in litigation on grounds that they could have raised in the proceeding, but only where the PTAB has issued a final written decision on those claims under 35 U.S.C. Section 315(e)(2); without the PTAB considering and rejecting these less-merited challenges in a final written decision, patent challengers were free to raise them again in litigation without fear of being estopped.

On Nov. 13, the PTO took another step forward, by implementing a revised claim construction standard. An early PTO regulation required the PTAB to apply a different claim construction standard than courts are required to apply in litigation, a standard that was more likely to result in invalidity findings. Under the revised regulations, the PTAB is now required to apply the same standard as applied by courts, under *Phillips v. AWH*

Corp., 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

Another change proposed by the PTO is in procedures for motions to amend claims. Conditional motions to amend challenged claims are a staple of European opposition practice, the procedure on which these PTAB trials were roughly modeled. In the U.S., although patent owners filed more than 350 motions to amend, only a handful have been allowed. In October, the PTAB proposed that patent owners be allowed to submit amendments early in the process; the parties have a meaningful opportunity to revise and oppose proposed amendments; and the PTAB still conclude the amendment process within the 12-month statutory timeline for PTAB trials. Comments to the new proposal were due on Dec. 21.

In the end, although one can argue how significant any single change may be, the combined weight of these changes, along with the lower institution and invalidation rates that we have seen in these PTAB trial proceedings, suggest that the PTAB is starting to evolve into a more balanced forum for resolution of patent validity disputes. CL

Grantland Drutchas, a founder and current managing partner of McDonnell Boehnen Hulbert & Berghoff, currently serves as chair of the firm's patent trial and appeals board trials practice group and of the litigation and appeals practice group. He also teaches in the IP program at IIT Chicago-Kent College of Law.
drutchas@mbhb.com