

## Post-Grant Review Is Becoming Increasingly Popular

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When patents issue with questionable validity, it reflects negatively on the patent system and undermines the confidence businesses have in their investments.<sup>[1]</sup> Post-grant review allows invalid patents that were mistakenly issued by the U.S. Patent and Trademark Office to be disposed of early in their life, before they disrupt an entire industry or result in expensive litigation.<sup>[2]</sup> Because PGR has a relatively short, nine-month period for filing a petition, the new proceedings strike a balance between weeding out patents that should have never issued in the first place and protecting the rights of patent owners against endless challenges over the life of a patent.<sup>[3]</sup>

As more patents issue under the America Invents Act's first-inventor-to-file system, PGR proceedings at the Patent Trial and Appeal Board are being filed with increasing frequency. A counterpart to the widely used inter partes review, PGRs allow a petitioner to challenge nearly all grounds of patentability. Post-grant review proceedings are designed to be quick, lasting no more than 12-18 months, and the PTAB's decision regarding patentability is immediately appealable to the Federal Circuit. A PGR challenge invoked wisely can be a powerful tool to resolve patent disputes favorably.

This article compares PGR and IPR proceedings, exploring the reasons underlying their differences. It then considers all PGR petitions filed as of the date of this writing to provide a contextual overview of the types of patents, parties and patentability challenges that are being argued before the PTAB. Finally, we conclude with strategic considerations for using PGR as part of a comprehensive patent legal strategy.

### A Comparison: Post-Grant Review vs. Inter Partes Review

#### *Similarities*

As counterparts under the AIA, PGR and IPR share some similarities:

1. Short duration: Once initiated, PGR and IPR operate under the same timeline, typically lasting 12 months from the institution of a proceeding, with an additional 6 month extension for good cause.<sup>[4]</sup>
2. Review barred/stayed by civil actions: If the petitioner files a civil action challenging the validity of a patent claim before it files a petition for PGR or IPR, the review will not be instituted.<sup>[5]</sup> Additionally, if



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the petitioner files a civil action on or after it files a petition for PGR or IPR, the civil action shall be automatically stayed.[6]

3. Broad claim construction: Claims are construed by giving them their “broadest reasonable interpretation” in light of the patent specification.[7]

4. Amendment allowed: The patent owner may file a motion to amend its patent to address patentability challenges.[8]

5. Estoppel: After a final written decision, a petitioner is estopped from asserting that a patent claim is invalid on any ground that the petitioner “raised or reasonably could have raised” during the PGR or IPR. Estoppel extends to district court cases and proceedings before the U.S. International Trade Commission.[9]

While the statutory language related to estoppel is virtually identical for PGR and IPR, this fact was not Congress’ intent. PGR was intended to remove disincentives to current administrative processes and provide a narrower estoppel for PGR.[10] By including the “could have raised” language in the estoppel provisions PGR, it “unintentionally creates a higher threshold than intended by Congress.”[11] This mistake appears to be an “inadvertent scrivener’s error.”[12]

6. Proof by a preponderance: Petitioners have the burden of proving that a patent claim is unpatentable by a “preponderance of the evidence.”[13]

### ***Differences***

Post-grant review differs from IPR in some key respects:

1. Mutual exclusivity: A petition for PGR may be filed within the first nine months after patent grant or issuance of a reissue patent. During this nine-month period, a petition for IPR cannot be filed.[14] Inter partes review is available nine months after the patent grant date, or if a PGR was instituted, after the date of termination of such post-grant review.[15]

2. Patent eligibility: PGRs are limited to patents granted under the AIA’s first-inventor-to-file system, generally patents with an effective filing date on or after March 16, 2013.[16] Patents that predate the first-inventor-to-file system may raise discovery-intensive invention-date and secret-prior-art issues that would be difficult to address in an administrative proceeding.[17] Although IPRs are available for patents that predate the AIA, they do not allow these discovery-intensive challenges to patentability.[18]

3. Institution thresholds: To institute a PGR, the petitioner must show that it is “more likely than not” that at least one of the challenged claims is unpatentable.[19] In contrast, an IPR may be instituted if the petitioner shows that there is a “reasonable likelihood” that it would prevail.[20]

The legislative history sheds some light on the differences between these thresholds: “more likely than not” is a slightly higher threshold than “reasonable likelihood.”[21] Because some of the issues that can be raised in PGR (e.g. enablement and § 101 invention issues) may require development through discovery, Congress wanted to ensure petitioners raising such issues present a complete case at the outset and not rely on discovery to satisfy their ultimate burden of showing invalidity.[22]

4. Scope of patentability challenge: Post-grant review provides for broad patentability challenges. A

petitioner may request a patent claim on any ground that can be raised under 35 USC § 282(b)(2)-(3),[23] which includes § 101 (patentable subject matter), § 102 (prior use, sales, public availability, and printed publications), § 103 (obviousness), § 112 (written description, enablement, indefiniteness, but not best mode), and § 251 (new matter in reissue patents).

In contrast IPR provides for relatively narrow grounds for patentability challenges. A patent's validity may only be challenged on any ground that could be raised under § 102 and § 103, and only based on patents and printed publications.[24]

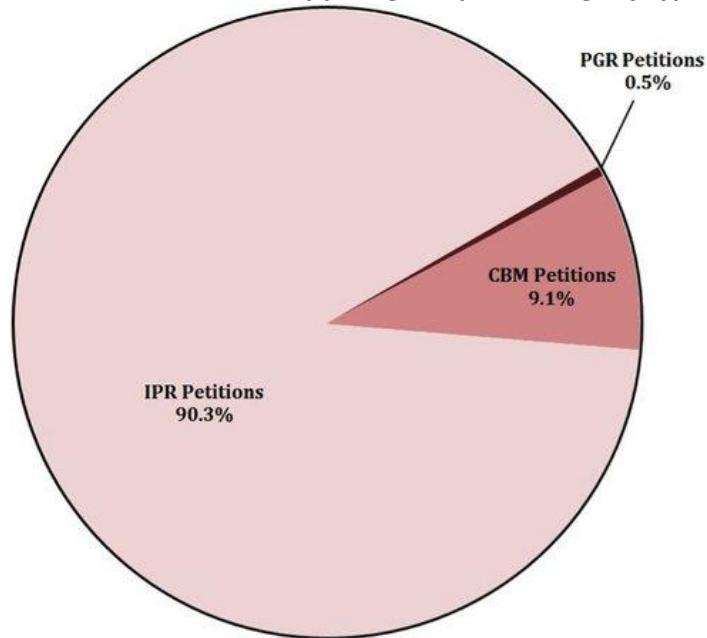
5. Cost: Currently the filing fee for an instituted PGR is \$30,000, with additional fees if the number of patent claims exceeds 20.[25] The filing fee for an instituted IPR is \$23,000, with additional fees if the number of patent claims exceeds 15.[26]

Data on the total cost of PGRs is limited, but they are expected to be more costly than IPR, in part because of the increased number of grounds on which a patent may be challenged. Estimated total costs for IPR proceedings through completion have been reported in the range of \$200,000 to as high as \$800,000,[27] with the median cost likely around \$300,000–\$350,000, depending on the complexity of the matter. As a general guideline, IPR proceedings are approximately 10 times cheaper, and one-and-a-half times faster than litigating validity in district court.[28]

### **Current Trends in PGR Proceedings**

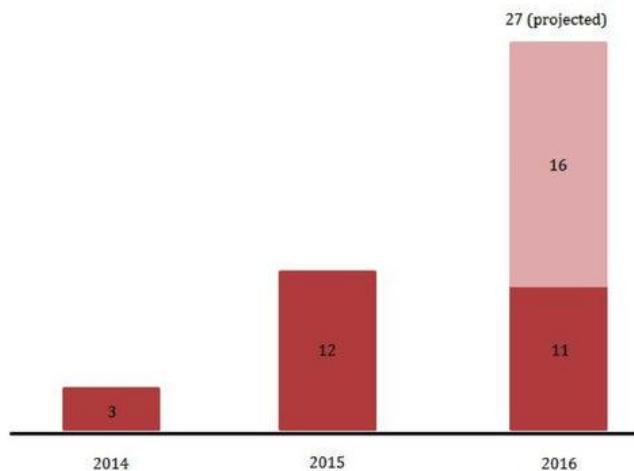
To date,[29] PGR petitions have accounted for a small percentage of the post-grant proceedings created by the AIA. When compared to IPRs and covered business method reviews, PGRs only account for roughly one-half of one percent of total post-grant proceedings.[30] The fact that only 26 PGR petitions have been filed is not surprising given that eligible patents — those subject to the first-inventor-to-file provision of the AIA — are just beginning to issue out of the U.S. Patent and Trademark Office in significant numbers.

***Figure 1: Percent allocation of post-grant proceedings by type.[31]***



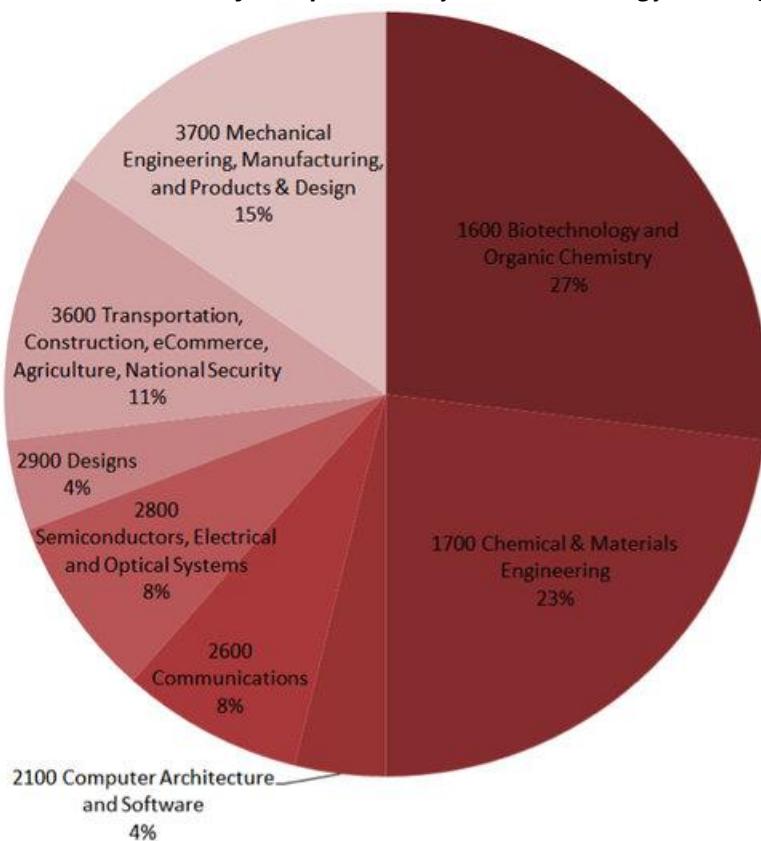
Although the sample set is still quite small, there is a clear trend that more PGR petitions are being filed.

**Figure 2: Number of PGR petitions filed by year. Note that 2016 includes a projection (27) based on the actual number of filings filed already this year (11).[32]**



More than half of all PGR petitions challenge patents relating to biotechnology, pharmaceuticals and chemical and materials engineering.[33] The remaining petitions involve a wide variety of technologies from livestock breeding to services at correctional facilities to dental instruments to toys. Notably, only one PGR has been assigned to the computer architecture and software technology center at the PTAB, even though litigation activity in this area remains strong.

**Figure 3: Breakdown of PGR petitions by PTAB technology center.[34]**



Although several large pharmaceutical corporations, like Becton Dickinson & Co., Mylan Pharmaceuticals Inc. and Arkema SA, have participated in PGRs, the more common PGR petitioners are small to medium-sized, privately held companies that are practicing entities.

Of the four main grounds for challenging a patent via petition for PGR — 35 U.S.C. §§ 101, 102, 103 and 112 — the least common is a challenge based on patentable subject matter, occurring in 30 percent of petitions.[35] The most common challenge is obviousness (85 percent of petitions) followed by anticipation (58 percent) and § 112 challenges (50 percent). Roughly one-fifth of all PGR petitions choose not to include challenges under either §§ 101 or 112.

Over the last three years, the PTAB has instituted PGRs approximately 83 percent of the time, significantly higher than the IPR institution rate of approximately 60 percent over the same period.[36] When obviousness was challenged, it was granted 90 percent of the time. Challenges under §§ 101 or 112 were granted 50 percent of the time. Though anticipation is the second most common challenge in PGR petitions it is the least successful ground, resulting in institution one-third of the time it is challenged.

**Figure 4: Comparison of most common grounds challenged and most common grounds granted by the PTAB.[37]**



Finally, PGR petitions are often filed in conjunction with patent litigations, CBMs, IPRs and even other PGRs to create multifront patent disputes between the petitioner and the patent owner. Roughly 46 percent of all PGR petitions arise where a petitioner challenges either a patent that has been asserted against it in a patent litigation or a family member of that patent.

## **Strategic Considerations for PGR Filings**

As with any sound litigation strategy, pursuing a PGR should be considered carefully. While PGR carries the risk of estopping a subsequent invalidity challenge, it also presents a number of desirable benefits. It is relatively fast, cost effective, requires a lower burden of proof compared to district court, and uses a broader claim construction standard.<sup>[38]</sup> Furthermore, adjudication by a panel of judges,<sup>[39]</sup> most of whom have a degree in an engineering or scientific discipline<sup>[40]</sup> and whose final written decision is directly appealable to the Federal Circuit,<sup>[41]</sup> may make the PTAB an ideal place to resolve disputes relating to complex technical subject matter.

Our analysis above shows that PGR is becoming an increasingly popular component of overall litigation strategy. It undoubtedly places pressure on the patent owner to carefully consider whether its patents can withstand adjudication by a technically adept panel of judges under arguably more unfavorable terms compared to civil litigation. Post-grant review may also be particularly effective in the following circumstances:

1. Driving efficient and expeditious settlements: Post-grant review can help drive resolution of patent disputes. Given the speed and large number of grounds for challenging patentability, a PGR can provide significant pressure on a patent owner to resolve disputes under reasonable terms, especially when its most newly issued patents are at risk of invalidation.
2. Challenging patents related to an ongoing litigation: When pending patent applications related to an ongoing patent litigation issue, they may be immediately challenged using post-grant review. A petitioner may in many circumstances leverage the additional time and discovery already completed in a civil action to meet its burden (“more likely than not”) to institute PGR and prove unpatentability by a preponderance of the evidence.
3. Reducing disruption to business activities: Companies that monitor their competitors’ intellectual property activity through “patent watch” programs may become aware of recently granted patents they believe were mistakenly granted by the USPTO. Before these patents have the chance of disrupting an entire business or industry, post-grant review is an opportunity to have the PTAB dispose of these patents quickly.

## **Conclusion**

Post-grant review practice will continue to evolve as more AIA patents issue and practitioners develop their tool chest of sophisticated approaches to patentability challenges that complement IPR and district court proceedings.

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[1] Patent Quality Improvement: Post-Grant Opposition Before the Subcomm. on Courts, the Internet & Intellectual Prop. of the H. Comm. on the Judiciary, 118th Cong. Sess. 2 (2004) (statement of Rep. Lamar Smith, Chairman, Subcomm. on Courts, the Internet & Intellectual Prop.).

[2] 157 Cong. Rec. S1325–26 (daily ed. Mar. 7, 2011)(statement of Sen. Sessions).

[3] See 157 Cong. Rec. S951–52 (daily ed. Feb. 28, 2011)(statement of Sen. Grassley).

[4] 35 U.S.C. §§ 316(a)(11), 326(a)(11) (2014).

[5] 35 U.S.C. §§ 315(a)(1), 325(a)(1) (2014). Note that a counterclaim challenging the validity of a patent claim neither bars a PGR or IPR nor causes an automatic stay. §§ 315(a)(3), 325(a)(3).

[6] 35 U.S.C. §§ 315(a)(2), 325(a)(2).

[7] 37 C.F.R. §§ 42.100(b), 42.200(b); but see *In re Cuozzo Speed Tech., LLC*, 778 F.3d 1271 (Fed. Cir. 2015), cert. granted (on appeal to US Supreme Court to consider whether BRI is the correct standard).

[8] 37 C.F.R. §§ 42.121(a), 42.221(a).

[9] 35 U.S.C. §§ 315(e), 325(e).

[10] See H.R. Rep. No. 112-098, pt. 1 at 46 n.42 (2011).

[11] 158 Cong. Rec. S8517 (daily ed. Dec. 28, 2012) (statement of Sen. Leahy).

[12] *Id.*

[13] 35 U.S.C. §§ 316(e), 326(e).

[14] 35 U.S.C. § 321(c).

[15] 35 U.S.C. § 311(c). Note that IPR may not be instituted if the petition requesting the proceeding is filed more than one year after the petitioner is served with a complaint alleging infringement of the patent. 35 U.S.C. § 315(b).

[16] See 35 U.S.C. § 321(note)(1)(A).

[17] 157 Cong. Rec. S1366 (daily ed. Mar. 8, 2011)(summary of the Managers' Amendment).

[18] See 35 U.S.C. § 311(note).

[19] 35 U.S.C. § 324(a). This threshold may also be satisfied by showing that the petition raises a “novel or unsettled legal question” that is important to other patents or patent applications. 35 U.S.C. § 324(b).

[20] 35 U.S.C. § 314(a).

[21] 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement by Sen. Kyl).

[22] Id.

[23] 35 U.S.C. § 321(b).

[24] 35 U.S.C. § 311(b).

[25] See USPTO Fee Schedule, USPTO (Apr. 9, 2016), <http://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule>.

[26] Id.

[27] See, e.g., IPRs: Reality Amid the Pyrotechnics, RPX Corporation (July 2, 2015), <https://www.rpxcorp.com/2015/07/02/iprs-reality-amid-the-pyrotechnics>; Meaghan Hemmings Kent et al., 10 Reasons Every Defendant in Patent Litigation Should Consider Inter Partes Review, Mondaq (Apr. 26, 2014), <http://www.mondaq.com/unitedstates/x/309504/Patent/10+Reasons+Every+Defendant+in+Patent+Litigation+Should+Consider+Inter+Partes+Review>; How much does IPR cost?, Patent Trademark Blog (July 24, 2015), <http://www.patenttrademarkblog.com/how-much-does-ipr-cost/>; Andrew J. Lagatta & George C. Lewis, How Inter Partes Review Became A Valuable Tool So Quickly, Law360 (Apr. 16, 2013), <http://www.law360.com/articles/463372/how-inter-partes-review-became-a-valuable-tool-so-quickly>.

[28] Scott A. McKeown, CEO's Guide to Avoiding Patent Litigation Costs, Patents Post Grant (Jan. 9, 2013), <http://www.patentspostgrant.com/ceos-guide-to-reducing-patent-litigation-costs>.

[29] As of May 23, 2016.

[30] See Patent Trial and Appeal Board Statistics, USPTO (Apr. 30, 2016), <http://www.uspto.gov/sites/default/files/documents/2016-4-30%20PTAB.pdf>.

[31] Id.

[32] PTAB Trial Search, USPTO (May 25, 2016), <https://ptabtrials.uspto.gov/> (searching for "PGR" under "Case Number" and comparing results).

[33] Id.

[34] Id.

[35] Id.

[36] Compare PTAB Trial Search, USPTO (May 25, 2016), <https://ptabtrials.uspto.gov/> (searching for "PGR" under "Case Number" reveals that the PTAB instituted PGR in ten out of twelve opportunities), with Matt Blackburn, PTAB IPR Institution Rates Continue Decline, LinkedIn (Sept. 14, 2015), <https://www.linkedin.com/pulse/ptab-ipr-institution-rates-continue-decline-matt-blackburn>, and Tom Irving et al., The Latest Unsuccessful Inter Partes Review Petitions, Law360 (Oct. 30, 2015), <http://www.law360.com/articles/717123/the-latest-unsuccessful-inter-partes-review-petitions>.

[37] PTAB Trial Search, USPTO (May 25, 2016), <https://ptabtrials.uspto.gov/> (searching for "PGR" under "Case Number" and comparing results).

[38] 37 C.F.R. § 42.200(b); but see *In re Cuozzo Speed Tech., LLC*, 778 F.3d 1271 (Fed. Cir. 2015), cert. granted.

[39] 35 U.S.C. § 6(c).

[40] Introduction to PTAB and Requirements to be an APJ, USPTO,  
<http://careers.uspto.gov/Pages/APJPositions/section1-transcript.aspx> (last visited May 20, 2016).

[41] 35 U.S.C. § 319.

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