

# **THE AMERICA INVENTS ACT NEW POST-ISSUANCE PATENT OFFICE PROCEEDINGS**

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## **I. Introduction**

The recently enacted Leahy-Smith America Invents Act (“AIA”)<sup>1</sup> marks the most sweeping change to the United States’ patent laws since the Patent Act of 1952, including switching the United States from a “first-to-invent” patent system to a “first-inventor-to-file” system, effective for all patent applications filed on or after March 16, 2013. This switch will undoubtedly have many consequences for how businesses decide to protect their core intellectual property, many of which are still unforeseeable.

Among its other notable changes, the AIA introduced new administrative proceedings at the United States Patent and Trademark Office (“USPTO”) for challenging and correcting patents. The new administrative procedures became available on September 16, 2012. These proceedings provide new options for a company looking to challenge patents that may pose a risk to its core business as well as for a company looking to strengthen its own patents. This article addresses some of the implications of these new proceedings and provides additional details about how they work.

## **II. Patents – Why One Company’s Assets Are Another Company’s Risks**

A patent gives its owner the right to prevent others from making, using, selling, offering to sell, or importing an invention covered by a patent.<sup>2</sup> Inventions are not limited to any particular field; there have been patents on everything from semiconductor fabrication to internet commerce to board games. Patents can play a role in nearly any industry.

Each industry, however, and each player in each industry, may view patents differently. Companies focused on research and development may seek patents that protect specific products that took years to develop. A strong patent can prevent others from selling a competing product for many years. For example, drug companies often seek patent protection to recoup their large investment required to obtain FDA approval, while keeping competitors at bay.

But for every patent owner, there are other companies who might view the patent as a risk or a hurdle to their business. Generic drug companies, for example, often challenge the validity of drug patents in order to be the first to bring a competing generic drug to market. And during the tech bubble, many start-ups received patents on now-common Internet applications. When some of those start-ups went bankrupt, their patents were sold, and those patents are viewed by many as a nuisance, or even a substantial business risk. For example, someone claiming patent rights on secure online financial transactions can cause serious headaches for companies that have a significant volume of online retail sales.

And when a patent owner believes its right to prevent others from practicing its invention is being infringed, it can demand that the perceived infringer stop or pay a royalty for a patent license to continue with its business. Of course, the accused infringer may not want to either stop or pay, and the patent owner can only force the issue by suing.

### **III. Invalidity as a Defense to Patent Infringement**

Once one company accuses another of infringing its patent, whether by sending a letter, making a phone call, or filing a lawsuit, the accused infringer can use the court system to challenge the patent's validity. Such a challenge is, in essence, a claim that the patent should never have been issued in the first place. Some situations in which a patent might be invalid would be:

- someone other than the inventor described the invention in a scientific journal article before the inventor made the invention (under the "first-to-invent" system) or before the inventor filed the patent application (under the "first-inventor-to-file" system);
- the inventor or the inventor's business sold the product covered by the patent or published a description of the invention more than one year before filing the patent application; or
- the patent application did not sufficiently describe the invention.

This list is by no means exhaustive, and there are several variations of the listed situations, as well. For example, when arguing that the invention was part of the "prior art,"<sup>3</sup> one may be able to show that the invention was completely described in one place (*i.e.*, the invention was "anticipated"). Or one might argue that the prior art needs only a routine modification or combination of pieces to make the invention (*i.e.*, the invention was "obvious"). A company sued for patent infringement might answer with any of these arguments in asserting the patent is invalid. In addition, an accused infringer can assert that the patent owner intentionally deceived the USPTO in order to obtain the patent, which, if true, might render the entire patent unenforceable.

If the patent owner did not file a lawsuit, however, the accused infringer may still be able to raise invalidity arguments by invoking the jurisdiction provided by the Declaratory Judgment Act.<sup>4</sup> But litigation in a federal district court is not always the most attractive way to resolve a dispute.

Prior to changes made by the AIA, an alternative to litigation for someone interested in challenging a patent was to request a reexamination of the patent by the USPTO. Unlike district court litigation, the challenger would not need to invoke declaratory judgment jurisdiction to obtain reexamination; but there were drawbacks to reexamination. For example, the reexamination process could be very lengthy, often taking 3-5 years, not counting a possible appeal to the U.S. Court of Appeals for the Federal Circuit. Also, the process was essentially the same as the one patent applicants go through to get a patent in the first place. This means that most of the process is a long sequence of written statements between the patent owner and a patent examiner at the USPTO; and if the requesting party wanted even limited involvement in

the reexamination,<sup>5</sup> the process would typically take even longer. Also, the grounds of invalidity that could be raised in reexamination were limited to challenges on certain kinds of prior art.<sup>6</sup>

#### **IV. The New Post-Issuance Proceedings**

The enactment of the AIA created three new pseudo-litigation proceedings for challenging patents after they issue, which offer additional alternatives to those above: (a) post-grant review, (b) *inter partes* review, and (c) the transitional program for covered business method patents (“covered business method review” or “CBM”).<sup>7</sup> These proceedings take place before a panel of administrative patent judges of the Patent Trial and Appeal Board (the “Board”) at the USPTO and operate under the same umbrella rules, which are designed to make for a faster, more efficient alternative to litigation.

The AIA also created a new proceeding—supplemental examination<sup>8</sup>—which allows patent owners the opportunity to address, at the USPTO, any potential grounds for challenging a patent’s validity without an adverse party involved in the process. Supplemental examination gives a patent owner the opportunity to address potential challenges to and strengthen its patents before those challenges may cause a business risk during enforcement.

##### **A. Post-grant Review, *Inter Partes* review, and Covered Business Method Review**

The three new review proceedings are all initiated when a challenger files a petition with the Board.<sup>5</sup> The petition should contain any evidence on which the petitioner will rely in its affirmative case because the rules impose significant limits on the ability to supplement. Within six months, including time for the patent owner to file an initial response, the Board will decide whether to institute a trial on the petition.<sup>9</sup> From the time the trial starts, the Board has twelve months to reach its final decision.<sup>10</sup>

The process is designed to be streamlined. There will be some limited discovery allowed, but nothing close to the scope of discovery in district court litigation. Also, all of the evidence and arguments likely will be submitted within eight or nine months of the beginning of the trial, so the process moves fairly quickly.

The speed of the process is one marked difference from reexamination. As already mentioned, reexamination often takes several years to reach an appealable decision. The new review proceedings will likely reach that point in 18 months or less. At least as significant is the fact that the ultimate decision will be made by a panel of three administrative patent judges—all likely to be experienced patent lawyers with relevant technical education and/or work experience. These administrative patent judges should be quite capable of reaching a well-reasoned decision on the matters raised in the review.

The review process shares at least one similarity with reexamination, however. In both proceedings, the patent owner has the opportunity to propose amendments to save its patent.<sup>11</sup> Also, the challenger has the opportunity to use expert testimony to argue that even the amended claims do not save the patent.<sup>12</sup>

The following chart shows some, though not all, of the differences among the review proceedings.

	<b>Post-Grant Review</b>	<b><i>Inter Partes</i> Review</b>	<b>CBM Review</b>
<b>Basis for Challenge</b>	No limits	Limited to challenges on certain kinds of prior art	Few limits – some prior art excluded
<b>Time for Filing</b>	Within 9 months after issue of challenged patent	More than 9 months after issue of challenged patent*	Any time after being sued for or charged with infringing the challenged patent
<b>Other limits</b>	Only for “first-inventor-to-file” patents	Petitioner may not file more than 1 year after being served with a complaint for infringement	Limited to certain methods and apparatuses relating to financial products and services  Sunset provision: CBM effective until September 15, 2020

\* For “first-to-invent” patents, which may not be the subject of a post-grant review petition, *inter partes* review is available immediately when the patent issues.

## **B. Supplemental Examination**

Just as a petitioner in a post-grant review can challenge a patent on any basis, a patent owner can request supplemental examination of its own patent to attempt to correct any issue (*e.g.*, potential prior art patents that were not previously considered by the USPTO).<sup>12</sup> Furthermore, by providing the USPTO with information in a supplemental examination request, the patent owner can bar future accusations of unenforceability on the basis that the same information allegedly was withheld from the USPTO when the application was examined initially. This benefit only applies if the supplemental examination proceeding is finished before the accusation is made.<sup>13</sup>

## **V. Strategic Implications of the New Proceedings**

The new procedures for challenging and correcting patents after they issue have the potential to change how companies use their own patents and mitigate the risk from others’ patents. The following are simply some examples of situations where these proceedings might be useful options:

- Your company is investigating a new product line and discovers that a competitor has a patent that the competitor might believe your product would infringe. An *inter partes* or post-grant review might cancel the patent or force the competitor to amend it in a way that would eliminate the risk.

- Your company is considering an acquisition or is being acquired and patents represent a substantial portion of the value of acquired assets. If due diligence uncovers potential problems with key patents, supplemental examination might provide the opportunity to correct them.
- Your company is sued for patent infringement and believes the patent in the case is invalid. Your company may be able to file a petition for review of the patent and have claims cancelled long before a trial date. You may even get a stay of the litigation once the review proceeding is instituted.

## VI. Conclusion

The new review proceedings introduced by the AIA represent an important new set of options for obtaining faster, high-quality decisions on whether existing patents were validly issued. And supplemental examination gives patent owners an important tool for correcting and improving key patents. While considering how the AIA will affect your company, these new developments should not be overlooked.

## ENDNOTES

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<sup>1</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>2</sup> 35 U.S.C. § 271(a).

<sup>3</sup> “Prior art” generally refers to the patents, articles, existing products, and other items that evidence what was known by people working in the relevant technical field prior to the date of a given invention (under “first-to-invent”) or to the date on which a given application was filed (under “first-inventor-to-file”), subject to statutory definitions and exceptions.

<sup>4</sup> 28 U.S.C. §§ 2201, 2202.

<sup>5</sup> Prior to September 16, 2012, there were two reexamination proceedings: *ex parte* reexamination, in which the requestor had no involvement, and *inter partes* reexamination, in which the requestor was allowed to respond to any statements by the patent owner, which increased the length of the process. *Ex parte* reexamination is still available, but *inter partes* reexamination is not, effective September 16, 2012.

<sup>6</sup> See 35 U.S.C. §§ 302, 301(a) (limiting grounds for *ex parte* reexamination to “patents and printed publications” and “statements of the patent owner filed in a proceeding before a Federal court or the [USPTO]”); *id.* at § 311(a) (as in effect on Sept. 15, 2012) (limiting *inter partes* reexamination to the grounds listed in section 301).

<sup>7</sup> See generally Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, §§ 6, 18; 37 C.F.R. §§ 42.1 *et seq.* (general trial rules), 42.100 *et seq.* (*inter partes* review), 42.200 *et seq.* (post-grant review), 42.300 *et seq.* (covered business method patent review).

<sup>8</sup> 35 U.S.C. § 257 (as enacted by the Leahy-Smith America Invents Act).

<sup>9</sup> 37 C.F.R. §§ 42.107-108, 42.207-208, 42.300. While termed a “trial,” the proceeding principally consists of filing papers containing evidence and legal arguments concluding with an appellate-style hearing in front of three administrative patent judges.

<sup>10</sup> 37 C.F.R. §§ 42.100, 42.200, 42.300.

<sup>11</sup> See 37 C.F.R. §§ 42.121, 42.221, 42.300 (regarding motions to amend).

<sup>12</sup> 37 C.F.R. §§ 42.20-25 (regarding motion practice, including oppositions).

<sup>13</sup> 35 U.S.C. § 257(a) (as enacted by the Leahy-Smith America Invents Act).

<sup>14</sup> 35 U.S.C. § 257(c) (as enacted by the Leahy-Smith America Invents Act).

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