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Patent Litigation Strategies Handbook

Fourth Edition

CHAPTER 35 PATENTABILITY CHALLENGES AT THE U.S. PATENT AND TRADEMARK OFFICE

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CHAPTER 35

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ABBREVIATIONS

Following are abbreviations used throughout this chapter.

ACP	Action Closing Prosecution
AIA	Leahy-Smith America Invents Act
AIPA	American Inventors Protection Act of 1999
ALJ	Administrative Law Judge
ANDA	Abbreviated New Drug Application
APA	Administrative Procedure Act
APJ	Administrative Patent Judge
BPAI	Board of Patent Appeals and Interferences
BRI	Broadest Reasonable Interpretation
CBM Review	Covered Business Method Review
CRU	Central Reexamination Unit
FDA	U.S. Food and Drug Administration
FITF	First Inventor to File
FTI	First to Invent
IPR	Inter Partes Review
M.P.E.P.	Manual of Patent Examination Procedure
OPLA	Office of Patent Legal Administration
PGR	Post-Grant Review
POPR	Patent Owner Preliminary Response
PTAB	Patent Trial and Appeal Board
PTO	U.S. Patent and Trademark Office
RAN	Right of Appeal Notice
RPI	Real Party in Interest
SNQ	substantial new question of patentability
SPE	Supervisory Patent Examiner
USITC	U.S. International Trade Commission

I. Proceedings At The U.S. Patent And Trademark Office

The patent world changed forever on September 16, 2012 as provisions of the Leahy-Smith America Invents Act (AIA)² dealing with patent enforcement became effective. Anyone involved with patent enforcement, licensing, sale, monetization, valuation, securitization, or transfer of patent rights, or securities of public companies, must understand how the AIA contested proceedings before the new Patent Trial and Appeal Board (PTAB)³ operate on U.S. patents. Patent litigation and licensing, in particular, are fundamentally changed by these new contested proceedings. The AIA's full impact is starting to be understood because the first wave of proceedings are now completed at the PTAB with final written decisions, while the number of filings is four to five times higher than contemplated when the AIA was legislated.⁴

Prior to 1981, the determination of patent validity was exclusively the domain of the federal district courts and the U.S. International Trade Commission (USITC). There was no avenue to challenge the patentability of issued patents in the U.S. Patent and Trademark Office (PTO).⁵ With the enactment of the Bayh-Dole Act,⁶ a way was established to improve the quality of issued patents through the ex parte reexamination procedure. Either a requester (who could remain anonymous—see 37 C.F.R. §1.510(f)⁷) or the patent owner could file a request for an ex parte reexamination. Since July 1, 1981, when the proceeding became available, 13,144 ex parte reexamination requests have been filed and 10,367 reexamination certificates have been issued.⁸ Twenty-two percent of the certificates issued had all claims confirmed; 12% had all claims cancelled, and 66% had some claims changes.⁹ A requester will most likely not participate after filing the request and the procedure has been viewed by many as biased in favor of the patent owner.¹⁰

With the enactment of the American Inventors Protection Act of 1999 (AIPA),¹¹ the inter partes reexamination proceeding was created.¹² The goal was to create an improved proceeding

²Pub. L. No. 112-29, 125 Stat. 284 (Sept. 16, 2011). Editor's note: The abbreviation "AIA" and the short-form citation is used throughout from this point on in the chapter.

³Editor's note: The abbreviation "PTAB" is used in the text and notes in the chapter.

⁴Unless otherwise indicated, statistics in this chapter are current as of June 4, 2015.

⁵Editor's note: The abbreviation "PTO" is used in the text and notes in the chapter.

⁶Pub. L. No. 96-517, 94 Stat. 3015 (Dec. 12, 1980). The ex parte reexamination proceeding is available for all unexpired patents.

⁷This anonymity seems to have encouraged many filings.

⁸As of June 30, 2014 (the most recent data that the USPTO has made available). See http://www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf. See also http://www.uspto.gov/sites/default/files/patents/stats/Reexamination_operational_statistic_F_14_Q3.pdf

⁹See http://www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf.

¹⁰If the patent owner does not file a patent owner statement (which most forgo), the requester is out of the proceeding. The patent owner is allowed substantive communications with the PTO in an ex parte reexamination, including interviews with the examiners in the Central Reexamination Unit (CRU) assigned to the proceeding. The patent owner can amend or add new claims if certain requirements are met.

¹¹Pub. L. No. 106-113, 113 Stat. 1501 (Nov. 29, 1999).

at the PTO in which a requester could challenge the patentability of an issued patent. Both the patent owner and the requester have equal standing in the proceeding, which is conducted through written submissions. No substantive communications are permitted beyond written submissions. The procedure has resulted in a higher success rate for requesters¹³ than the ex parte reexamination, but the process was not embraced by requesters until a dramatic increase in filings beginning around 2006 until the proceeding was abolished effective September 15, 2012.¹⁴ There have been 1,919 requests for inter partes reexaminations since November 29, 1999. Inter partes reexaminations typically take a long time to complete (some have been going for more than 10 years)¹⁵, and have other perceived weaknesses.¹⁶ The new contested patent proceedings under the AIA were created to correct these deficiencies.¹⁷

A. A Radically Different Enforcement World After September 16, 2012

The AIA contested patent proceedings have created a radically different enforcement and licensing world. Effective September 16, 2012, the new inter partes review (IPR) replaced the legacy inter partes reexamination. A new proceeding called a covered business method review (CBM review) also became operational to cover a class of patents involved with financial products and services. Effective March 16, 2013, the post-grant review (PGR) proceeding became operational for challenge of patents filed under the new AIA “first inventor to file” (FITF) regime during the first nine months after issuance. A derivation proceeding became available, replacing the legacy interference proceeding.

¹²The proceeding was available only for patents filed on or after the date of enactment, November 29, 1999. Thus, many unexpired patents at the time were shielded from such proceeding.

¹³See http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf. Certificates that have issued after inter partes reexaminations have confirmed all claims in 8% of reexaminations, cancelled all claims in 31% of reexaminations, and changed or cancelled some claims in 61% of reexaminations.

¹⁴See *id.* Only 5 inter partes reexaminations were filed from FY2000–FY2002. A total of 182 had been filed by the end of FY2006. 1,737 were filed from FY2007 through FY2012, the last year of availability for the proceeding. In the last two months before they became unavailable, 213 were filed, which was almost the same amount that than been filed in the previous 12 months. This bulge in filings is working its way through the CRU, the PTAB, and the Federal Circuit as these legacy inter partes reexamination proceedings are processed to completion.

¹⁵Over 1,000 inter partes reexaminations were pending when the USPTO released its most recent data in late 2013. See http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf

¹⁶Neither party has any interview right before the CRU, so there is no ability for the examiners to ask questions or obtain clarification on any issue. On appeal to the PTAB, each side has the opportunity to orally argue the case on the official record, but the arguments are confined to what was created in the CRU record previously. There are three stages in the proceeding: CRU, PTAB, and Federal Circuit. The new contested proceedings have only two stages: PTAB and Federal Circuit.

¹⁷See Joseph D. Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 FED. CIR. B.J. 435, available at http://www.uspto.gov/aia_implementation/guide-to-aia-p1.pdf; Matal, Part II of II, 21 FED. CIR. B.J. 539, available at http://www.uspto.gov/aia_implementation/guide_to_aia_part_2.pdf.

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