The impact of inter partes review on patent litigation

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By: Joseph Lavelle

The America Invents Act (AIA) created a new post-grant review proceeding in the USPTO, the inter partes review or IPR. On September 16, 2012, the USPTO stopped accepting petitions for inter partes reexamination and the IPR took its place.

IPR overview

IPR, like inter partes reexamination before it, allows the USPTO to reconsider the patentability of a patent. There are some key differences between an IPR and prior post-grant proceedings, including:

- For an IPR to be instituted, the USPTO must conclude there is “a reasonable likelihood that the petitioner would prevail” in at least one of the claims; a more stringent standard than the old “significant new question of patentability”
- An IPR is conducted before the new USPTO Patent Trial and Appeal Board (PTAB), not an examiner, eliminating one layer of proceedings
- Invalidity need only be proven by preponderance of the evidence, a lower standard than the federal court “clear and convincing” standard. The PTAB can permit discovery, but it is more limited than in federal court
- The PTAB must complete the proceeding within one year from the IPR’s institution, with a six-month extension for good cause
- PTAB decisions may be appealed to the Federal Circuit

Has IPR affected patent litigation?

Many predicted IPR proceedings would revolutionize patent litigation. In reality, the initial impact has been modest. That may change as practitioners become more familiar with the process and as the PTAB issues decisions after IPR trials. In the first six months after the USPTO began accepting IPR petitions, about 170 petitions were filed. The PTAB granted, at least in part, 22 of the 24 requests it acted on. In several cases, the PTAB ordered review on less than all of the claims for which the requestor had sought review. To date, there have been no final decisions in IPR proceedings, but the PTAB has issued orders on procedural matters, including an important decision limiting the scope of permissible discovery in IPR proceedings.¹

More than 60 percent of IPR requests filed in the first six months related to patents already being litigated. It is common for requestors to file multiple requests for IPR proceedings. Sometimes multiple requests are filed on the
same patent by the same requestor, a tactic apparently driven by the page limits on IPR requests.

**Will courts stay pending litigation?**

It is not yet clear how amenable courts will be to stay pending litigation while a defendant pursues IPR proceedings. The few decisions to date tend to grant such stays, though the treatment is far from uniform and in several cases the parties agreed to the stay.

**Why have there been so few IPRs?**

IPRs have been requested in only a small fraction of patent cases since the process became available. There are likely several reasons for IPR’s slow adoption.

First, the procedure is new and untested. Given this novelty and uncertainty, it is not surprising many litigants are not early adopters.

Second, cost may be a factor: a hefty US$20,000 filing fee, plus the expense of preparing a 60-page petition, often accompanied by a 100+ page expert report. Further, while some say IPR costs compare favorably with those of federal court litigation, for defendants already in court, IPR costs are often incremental. Litigation costs are still being incurred while the petition is prepared and pending. Stays of district court litigation pending an IPR are uncertain. Discovery on validity issues will likely be pursued in federal court, as will many validity defenses. Thus, at least at the front end, IPR may increase costs. Many smaller cases cannot justify the additional expense. Likewise, many cases filed by non-practicing entities are likely to settle, often quickly, so that IPR might not be warranted.

Third, the 60-page limit may be a deterrent. While 60 pages sounds lavish, in reality the IPR request page limit may be forbiddingly scant. The space-gobbling large font requirements and mandatory (non-argumentative) parts of the petition, for instance, take up significant space and limit the number of arguments.

**What about IPR’s estoppel effects?**

The AIA provides that after a decision by the PTAB, the petitioner in an IPR may not assert in court or the ITC that a patent claim involved in the IPR “is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” 35 USC § 315(e)(2). The estoppel attaches at the time of the PTAB decision. This is a significant change. In the old inter partes reexamination regime, estoppel provisions attached only after all appeals were exhausted; a typical reexamination proceeding could be pending in the USPTO for three years.² Because the risk of an estoppel coming into effect prior to trial was low, litigants could file an inter partes reexamination with a high degree of confidence they could still challenge validity at trial.

The IPR regime is different. The PTAB is required to complete a proceeding within 12-18 months once the IPR is declared.³ Because the board is supposed to act on a request for IPR within three months, the applicant can expect a final decision within 15-21 months of filing the petition.

In many federal courts, time to trial can exceed two years. Thus, apart from any stay, if the patent survives the IPR, there is a significant chance the IPR estoppel provision could preclude a litigant from challenging validity at trial based on prior art that could have been raised in the IPR. If the litigation is stayed, this outcome is nearly certain. Also, the AIA gives a patent owner the right to stay litigation once an IPR is instituted, unless the district court judge determines a stay would not be in the best interests of justice.⁴ The date on which the stay becomes effective can be delayed somewhat by delaying the IPR request filing. The IPR proceeding can be filed up to one year after the applicant, or a party in privity with the applicant, has been sued in court. Even so, in many district courts where time to trial is approaching three years, a defendant has no assurance it will not be estopped from challenging validity at trial if it files an IPR.

The possibility of a worst-case outcome – failure to prevail in the IPR and estoppel from asserting invalidity at trial – has made some litigants reluctant to initiate an IPR.
What is in IPR’s future?

Attitudes toward IPR will likely change as litigants gain experience with the process. If litigants can assess their likelihood of success in IPR with a reasonable degree of predictability, then willingness to use the tool will likely increase. At this stage, however, lack of data about the IPR process is hindering its adoption.

For more information about inter partes review, please contact Joe Lavelle.

FROM THE ARCHIVE

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2 Inter Partes Reexamination Filing Data, available at www.uspto.gov/patents/stats Reexamination_Information.jsp.
4 Id. § 318.

AUTHORS

Joseph Lavelle
Partner
Washington, DC | T: +1 202 799 4000
joe.lavelle@dlapiper.com