

Patent Reform Legislation

POST-GRANT PROCEEDINGS

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On March 8, 2011, by a vote of 95-5, the U.S. Senate passed S. 23, the Senate's most recent attempt at patent reform. The bill, known as the "America Invents Act," represents the first time in six years of work on patent reform that the Senate has passed a patent reform bill. The House is working on its own bill (H.R. 1249) which includes provisions similar to those in S. 23. It is now up to the House to pass a bill and the two bodies to resolve any differences.

One area of focus of S. 23, as well as the current draft of H.R. 1249, is post-grant proceedings in the Patent and Trademark Office. This article will focus on how S. 23 changes the landscape of post-grant proceedings. The post-grant proceedings currently available include reissue, ex parte reexamination, and inter partes reexamination. S. 23 keeps reissue and ex parte reexamination substantially the same, but significantly revises inter partes reexamination, which is renamed "inter partes review," and introduces new "post-grant review," "supplemental examination," "transitional post-grant validity review of certain business method patents," and "derivation proceedings." Some notable differences between S. 23 and the current draft of H.R. 1249 will also be discussed.

Inter Partes Review

The inter partes review provisions in S. 23 are similar to the current inter partes reexamination

provisions provided in 35 U.S.C. §§ 311–318 in that a petitioner may request review only under § 102 or 103 (novelty and obviousness) and only on the basis of patents or printed publications. Similarly, inter partes review in S. 23 includes estoppel provisions as provided in inter partes reexamination and does not allow for broadening of the claims. But inter partes review includes a number of new features that will significantly change post-grant inter partes practice. For example, it:

- Limits the time period when a request can be filed to the later of nine months after the grant of a patent or after a post-grant review (discussed below) is terminated (in H.R. 1249, the period is twelve months).
- Allows a preliminary response to be filed by the patent owner to explain why the inter partes review should not go forward, in contrast to the present system, which only allows a patent owner response after the PTO determines that there is a substantial new question of patentability.
- Gives the PTO a new, higher threshold to determine whether a review should go forward, based on whether there is a "reasonable likelihood that the petitioner would prevail," as compared to the "substantial new question of patentability" threshold in current reexamination proceedings. The reasoning behind this change is that under the current threshold, requests for inter partes

reexamination are too easily granted – 95% of requests have been granted since the institution of this proceeding in 1999.

- Prohibits an inter partes review from being instituted or maintained if the petitioner has filed a civil action challenging the validity of the patent or if more than six months have passed since the petitioner was served with a complaint alleging infringement. This change makes it more difficult for patent challengers to get "two bites at the apple," i.e., two opportunities to invalidate a patent, one at the PTO and one in the parallel litigation.
- Gives the PTO the authority to stay, transfer, consolidate, or terminate a related interference, reissue, or ex parte reexamination. This provision will allow the PTO to focus on one submission at a time, not multiple post-grant filings involving the same patent.
- Allows limited discovery consisting of depositions of witnesses on their written testimony and what is otherwise necessary in the interests of justice. The "interests of justice" standard is the same standard used for discovery in interference proceedings.
- In an attempt to streamline the proceedings, gives the new Patent Trial and Appeal Board ("PTAB"), not the PTO's Central Reexamination Unit ("CRU"), the authority to conduct inter partes

reviews, and provides for appeal directly to the United States Court of Appeals for the Federal Circuit. Currently, inter partes reexaminations are heard by the CRU with appeals to the Board of Patent Appeals and Interferences (“BPAI”), and appeals from the BPAI to the Federal Circuit.

- Allows the parties to settle and therefore terminate an inter partes review based on a joint request by the petitioner and patent owner. Currently, inter partes reexaminations cannot be settled by the parties.
- Requires the final determination in an inter partes review be issued not later than one year after the institution of the review, except that for good cause shown, the period may be extended by not more than six months. For inter partes reexamination, it currently takes approximately thirty-eight months from filing a request to obtain an inter partes reexamination certificate.

Post-Grant Review

Post-grant review provides another way for a third party to challenge a patent. Post-grant review is similar to inter partes review in many ways. For example, it provides a similar estoppel provision and allows a preliminary response by the patent owner to explain why post-grant review should not go forward. In addition, a post-grant review cannot be instituted if the petitioner has filed a civil action that challenges the validity of the patent. Post-grant reviews will also be handled by the PTAB with decisions appealable to the Federal Circuit, and may be settled by the petitioner and patent owner. Post-grant reviews are also to be completed within one year after institution, with certain exceptions. Post-grant review and inter partes review differ, however, in several significant respects:

- **Timing:** A petition for post-grant review must be filed within nine months of patent issuance, whereas a petition for inter partes review cannot be filed until after the later of nine months from issuance or the termination of any post-grant review. (H.R. 1249 provides twelve months.)
- **Available arguments:** A petitioner in a post-grant review can request that the patent be invalidated on the basis of any provision of the patent statute, whereas a petitioner in an inter partes review can rely only on prior art patents and printed publications. This brings post-grant review more in line with European opposition proceedings.
- **Threshold for institution:** A post-grant review may be instituted only if “information presented in the petition, if not rebutted, would demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable,” whereas an inter partes review may be instituted if there is a “reasonable likelihood that the requester would prevail with respect to at least one of the claims challenged.”
- **Discovery:** “[D]iscovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceeding.” This appears to permit more discovery than an inter partes review, where discovery consists only of depositions of witnesses on their written testimony and what is otherwise necessary in the interests of justice.
- **Staying of preliminary injunction:** If an action alleging infringement is filed within three months of the granting of a patent, a court cannot stay consideration of a patent owner’s motion for preliminary injunction against infringement on the basis of the filing of a post-grant review or the institution of such a proceeding.

Supplemental Examination

While inter partes review and post-grant review provide ways for third parties to challenge a patent, S. 23 also provides a new way for a patent owner to request supplemental examination of his own patent. A patent owner can request supplemental examination to consider, reconsider, or correct information believed to be relevant to the patent. If the patent owner’s request raises “a substantial new question of patentability,” a reexamination similar to current ex parte reexamination is instituted. The effect of supplemental examination is that a patent will not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. H.R. 1249 bars supplementary examination in cases of fraud or attempted fraud in the original prosecution.

Transitional Post-Grant Validity Review of Covered Business Method Patents

S. 23 defines a “covered business method patent” as a “patent that claims a method or corresponding apparatus for performing data processing operations utilized in the practice, administration or management of a financial product or service, except that the term shall not include patents for technological inventions.” S. 23 provides for a post-grant review proceeding to determine the validity of these business method patents. The only eligible petitioners are individuals who have been sued for or charged with infringement of the business method patent.

Replacing Interference Proceedings with Derivation Proceedings

For issued patents, S. 23 replaces interferences with new “derivation” proceedings to determine if the inventor of an earlier-filed patent “derived” the invention from the inventor of a later-filed patent. A civil action can be filed only within one year of the issuance of the earlier-filed patent containing a claim to the allegedly derived invention and naming an individual alleged to have derived such invention as an inventor.

For pending patent applications, S. 23 also provides that an applicant may file a petition in the PTO to request the PTAB to institute a derivation proceeding on grounds that the inventor of an earlier-filed patent application derived the invention from an inventor named in the later-filed patent application. Any petition for such a derivation proceeding must be filed within one year of publication of a claim to an invention that is the same or substantially the same as the earlier application’s claim to the invention.

The Future of Patent Reform

The Senate has already passed S. 23, and the House Judiciary Committee approved an amended version of H.R. 1249 by a vote of 32-3. The President has announced his support for S. 23 and stated that he is looking forward to signing a patent reform bill into law. The likelihood of patent reform appears to be at a high point since Congress started this process more than six years ago. To the extent that a patent reform bill having the post-grant provisions described above is signed into law, the changes to post-grant proceedings will have a significant impact on how post-grant matters are handled at the PTO and how they affect parallel litigations involving the same patents.



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