

# The Proposed Post-Grant Challenge – Quality Control Or Quagmire?

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# It Happens: The Patent & Trademark Office Issues Invalid Patents

## ▶ But why?

- Insufficient time spent examining an application?
  - ▶ The Office is overwhelmed with patent applications
- Different people think differently?
  - ▶ It is human nature for one person (such as an examiner) to think a patent should be issued and another person (such as a judge) to later think that same patent should never have issued
- Examiner qualifications perhaps too low?
  - ▶ Basic qualifications for chemical patent examiners:
    - “Have at least a bachelor's degree in physical sciences, life sciences, or engineering that included 30 semester hours in chemistry, supplemented by course work in mathematics through differential and integral calculus, and at least 6 semester hours of physics.”

# The Current Landscape

- ▶ Patents are issued with a presumption of validity
- ▶ But they can be lost in post-grant proceedings
  - District court litigation
  - Interferences
  - Reexamination
    - ▶ *Inter Partes*
    - ▶ *Ex Parte*

# The Current Landscape: Invalidity Raised in District Court

- ▶ Proceeding designed to determine infringement liability
  - A challenge to invalidity is almost always raised in patent infringement law suits
- ▶ Restricted class of challengers
  - Only a party that is sued, or threatened with a suit, for infringement can challenge patent's validity
- ▶ High burden of establishing invalidity
  - Party attempting to prove invalidity (e.g. accused infringer) must do so by clear and convincing evidence
- ▶ Who decides?
  - Federal judge
    - ▶ Not required to have any specialized knowledge of patent law
    - ▶ Not required to have any education in science or engineering
- ▶ Very expensive
  - Massive discovery
  - Several additional issues may be involved (e.g., infringement, inequitable conduct, damages, antitrust, breach of contract, etc.)

# The Current Landscape: Invalidity Raised In Interference

- ▶ Proceeding designed to determine who was first to invent
  - Invalidity can be raised during preliminary motions phase
- ▶ Restricted class of challengers
  - Only an applicant with a pending claim that is both allowed and declared to be interfering can challenge patent's validity
- ▶ Lower burden of establishing invalidity
  - Invalidity can be established by a preponderance of the evidence
- ▶ Who decides?
  - A panel of three administrative patent judges
    - ▶ APJs have specialized knowledge of patent law
    - ▶ APJs will typically have at least a bachelor's degree in engineering or science
- ▶ Moderately expensive
  - Very limited discovery
  - Somewhat limited issues (limited to validity and priority)

# The Current Landscape: Invalidity Raised In Reexamination

- ▶ Proceeding designed to determine patentability
  - Claims can be amended in response to patentability challenge
- ▶ Unrestricted class of challengers
  - Anyone can file petition for reexamination
- ▶ Lower burden of establishing invalidity
  - No presumption of validity
  - Patent owner must persuade examiner that his/her claims are patentable anew
- ▶ Who decides?
  - An examiner
    - ▶ Examiners will typically have at least a bachelor's degree in engineering or science but no formal training in law
- ▶ Inexpensive (particularly for *ex parte* reexams)
  - No discovery
  - Very limited issues (limited to prior art-based validity challenges)
    - ▶ Cannot seek invalidity based upon indefiniteness, lack of written description, enablement, etc.

# The Perceived Problems With The Current System

- ▶ Competitors have tough choices in dealing with patents of questionable validity
  - District court litigation
    - ▶ Very expensive and lengthy
    - ▶ Highly unpredictable results
    - ▶ Must make yourself vulnerable to a lawsuit before you can initiate process
  - Interference
    - ▶ Very hard to get standing--must have a claim that is both allowable and declared to be interfering
  - Reexamination
    - ▶ Limited to validity challenges based upon prior art
    - ▶ *Ex Parte*: Petitioner excluded from proceeding with no right of appeal
    - ▶ *Inter Partes*: Very broad estoppel
- ▶ The Result: Some competitors will be deterred from pursuing economically beneficial activity on account of patents of questionable invalidity

# What Is Being Proposed

- ▶ Eliminate interferences (due to proposed adoption of first-to-file patent system)
- ▶ Eliminate *inter partes* reexaminations
- ▶ Eliminate the current requirement that the Director decide whether to grant a petition for *ex parte* reexamination within 90 days
- ▶ Create a new “post-grant review” proceeding and place it in the jurisdiction of the newly named Patent Trial and Appeal Board (which will replace the current Board of Patent Appeals & Interferences)

# The Proposed Post-Grant Review

- ▶ Proceeding designed to determine patentability
- ▶ Unrestricted class of challengers
  - Anyone can petition so long as it is within one year of the patent's issuance
  - Petitioner can fully participate
- ▶ Lower burden of establishing invalidity
  - No presumption of validity so long as it is within one year of the patent's issuance
- ▶ Who decides?
  - A panel of three administrative patent judges
- ▶ Moderately inexpensive
  - Very limited discovery
  - Somewhat limited issues (limited to validity generally)

# Initiating Post-Grant Review

- ▶ Time for filing petition for post-grant review
  - 35 USC § 322(1): Petitions within 12 months of the issuance of a patent
    - ▶ Can be filed by anyone
    - ▶ No presumption of validity; lower burden of proof
  - 35 USC § 322(2): Petitions within 12 months of receiving an explicit or implicit notice of infringement
    - ▶ Can be filed only by those who can establish a reasonable belief of significant economic harm should the claims not be invalidated
    - ▶ Presumption of validity; increased burden of proof
  - 35 USC § 322(3): At any time with the patent owner's consent
    - ▶ Can be filed only by those having the patent owner's permission
    - ▶ Presumption of validity; increased burden of proof

# Post-Grant Review Should Be Quick

## ▶ Quickly Commenced

- The Director of the Patent & Trademark Office must decide whether to commence a proceeding within 90 days of the filing of a petition
  - ▶ Standard will be the same as already employed by 35 U.S.C. §§ 303 and 313 for granting a request for reexamination (i.e., whether a substantial new question of patentability affecting any claim of the patent is raised by the request).

## ▶ Quickly Decided

- A final determination must be issued within one year of the commencement of the proceeding
  - ▶ The Director may extend this deadline by a maximum of six months and only “for good cause”

# Good For Those Challenging Patents?

- ▶ The proposed post-grant review incorporates certain aspects of the various current ways in which to challenge a patent's validity and avoids certain other aspects
  - Incorporates the lower burden of proof set forth in reexaminations and interferences
    - ▶ avoids the higher burden of proof and the presumption of validity in litigation
  - Incorporates the limited discovery and limited issues of an interference
    - ▶ avoids the complexity and costs of litigation
  - Incorporates the right to fully participate and the right to appeal in litigation and interferences
    - ▶ avoids the extremely limited participation and lack of appeal rights of *ex parte* reexamination
    - ▶ avoids the broad estoppel of *inter partes* reexamination
- ▶ **BUT**, challengers must vigilantly monitor for issued patents

# Bad For Those Owning Patents?

- ▶ Lowers hurdle for challenging patent validity
  - Reduces requirements for standing
  - Reduces costs
  - Reduces complexity
  - Reduces time
- ▶ Lowers stakes for challenging patent validity
  - Can challenge without risking infringement liability
  - Can challenge without risking broad estoppel
  - Can challenge without forfeiting right to participate or to appeal
- ▶ Removes presumption of validity
- ▶ Reduces closure for patent owners
- ▶ **BUT**, surviving patents will be strengthened

# The Future Landscape

- ▶ No more interferences or *inter partes* reexaminations
- ▶ *Ex parte* reexamination and district court litigation still available but still with disadvantages
- ▶ New post-grant review proceeding likely to dominate the review processes of issued patents
  - The petitioner can:
    - ▶ raise any validity issue (e.g. anticipation, obviousness, indefiniteness, lack of written description, lack of enablement)
    - ▶ avoid the presumption of validity and the associated higher burden of proof
    - ▶ obtain relatively quick decision
    - ▶ have validity issues resolved by specialized patent judges
    - ▶ fully participate in proceeding and can appeal an adverse decision
    - ▶ avoid estoppel on grounds not raised during the proceeding

# Discussion Questions & Answers

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# Thank you!

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