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Inter Partes Review: A Multi-Method Comparison for Challenging Patent Validity

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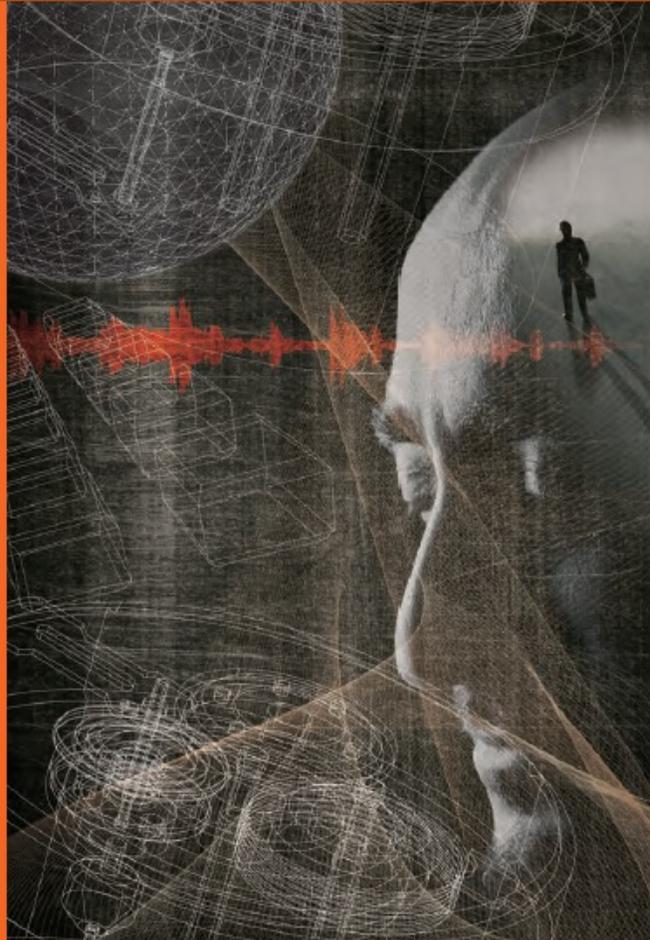
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INTER PARTES REVIEW: A MULTI-METHOD
COMPARISON FOR CHALLENGING PATENT VALIDITY

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I. INTRODUCTION	109
II. INTER PARTES REVIEW: THE DETAILS.....	114
<i>A. Filing the inter partes review petition</i>	114
<i>B. Standard to institute a trial proceeding</i>	116
<i>C. Trial proceedings</i>	116
<i>D. Duration</i>	120
<i>E. Cost</i>	120
III. INTER PARTES REEXAMINATION: THE DETAILS	121
<i>A. Filing the inter partes reexamination petition</i>	122
<i>B. Standard to institute a reexamination</i>	122
<i>C. The reexamination</i>	123
<i>D. Duration</i>	126
<i>E. Cost</i>	126
<i>F. Rates of institution and claim invalidation</i>	127
IV. PATENT LITIGATION: THE DETAILS	128

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<i>A. Patent litigation defenses</i>	128
<i>D. Cost</i>	132
<i>E. Rates of patent litigation and patent invalidation</i>	132
V. COMPARING INTER PARTES REVIEW, INTER PARTES REEXAMINATION, AND PATENT LITIGATION	134
<i>A. Procedural comparison</i>	134
<i>B. Durational comparison</i>	141
<i>C. Cost comparison</i>	142
<i>D. Rates of institution and claim cancelling</i>	144
<i>E. Conclusions of method comparison</i>	146
VI. CONCLUSION.....	147
<i>A. If patents are going to be invalidated, what is the best method to use?</i>	147
<i>B. The future of inter partes review</i>	149

I. INTRODUCTION

On September 16, 2011, President Obama signed the Leahy-Smith America Invents Act into law.¹ The most transformative feature of the America Invents Act (AIA), the most significant patent reform legislation since the original patent legislation of 1790,² shifts priority for patent applications from first to invent to first-to-file.³ Since this change took effect on March 16, 2013,⁴ judging the shift's impact, at the time of writing this article, is difficult; however, other components of the AIA have already made a considerable first impression.⁵

In particular, a new form of patent litigation before the United States Patent and Trademark Office⁶ ("Patent Office") has arguably had the most dramatic and immediate impact.⁷ This new patent litigation procedure is the inter partes review.⁸ When implemented on September 16, 2012,⁹ inter partes review replaced

¹ Bruce Y.C. Wu & Stephen B. Maebius, *Examining AIA's High-Speed Inter Partes Review System*, LAW360 (Nov. 15, 2011, 12:17 PM), <http://www.foley.com/files/Publication/1d2e694e-555e-4fed-9248-8a3b73d2f8ee/Presentation/PublicationAttachment/6782af99-2360-4c7b-ab59-8cea5de06ae8/IPL360Nov15.pdf>.

² See David Kappos, *Re-Inventing the U.S. Patent System, Director's Forum: A Blog from USPTO's Leadership*, USPTO (Sept. 16, 2011, 5:45 PM), http://www.uspto.gov/blog/director/entry/re_inventing_the_us_patent.

³ See Richard G. Braun, Note, *America Invents Act: First-to-File and a Race to the Patent Office*, 8 OHIO ST. ENTREP. BUS. L.J. 47, 47 (2013).

⁴ Examination Guidelines for Implementing the First Inventor to File Provisions of the Leahy-Smith America Invents Act, 78 Fed. Reg. 11059, 11059 (Feb. 14, 2013) (codified at 37 C.F.R. pt. 1).

⁵ See Robert M. Siminski et al., *6 Reasons Inter Partes Review Was Popular In 2013*, LAW360 (Dec. 17, 2013, 11:24 PM), <http://www.law360.com/articles/495709/6-reasons-inter-partes-review-was-popular-in-2013>.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ Alison J. Baldwin & Aaron V. Gin, *Inter partes Review and Inter partes Reexamination: More Than Just a Name Change*, INTELL. PROP. TODAY (Feb.

inter partes reexamination, a similar, yet distinct, Patent Office proceeding.¹⁰ Inter partes review provides certain grounds for a petitioner to challenge the validity of a patent before the Patent Trial and Appeal Board, a recently formed adjudicative body replacing the Board of Patent Appeals and Interferences, which is composed of judges with vast experience in dealings of patent law and technology.¹¹ Inter partes review was designed to be a speedy and relatively inexpensive mechanism to prove a patent's invalidity based on the use of a different legal standard than is used during district court proceedings.¹²

Given some of the similarities between inter partes reexamination and inter partes review¹³ combined with the historically slow rate at which clients have adopted new procedures which risk their intellectual property,¹⁴ many individuals thought that the use of inter partes review would be initially slow.¹⁵ Furthermore, some practitioners believed that the perceived inflation of the burden of proof required to initiate a

2014), <http://www.iptoday.com/issues/2014/02/inter-partes-i-review-and-inter-partes-i-reexamination-more-than-just-name-change.asp>.

¹⁰ Robert A. Kalinsky & Linhda Nguyen, *Obtaining Your Stay During InterPartes Review*, LEXOLOGY (Sept. 18, 2013), <http://www.lexology.com/library/detail.aspx?g=fc6627c9-8ba3-4707-8322-11df1861083d>.

¹¹ Ryan Davis, *5 Tips for Killing Patents In AIA Reviews*, LAW360 (Apr. 17, 2014, 7:57 PM) [hereinafter Davis, *Tips for Killing Patents*], <http://www.law360.com/articles/525242/5-tips-for-killing-patents-in-aia-reviews>.

¹² Aarti Shah, *Choosing Wisely: Practical Considerations for Choosing Venues for IP Disputes*, INSIDE COUNS. (July 2014), <http://www.insidecounsel.com/2014/07/07/choosing-wisely-practical-considerations-for-choos>.

¹³ Andrew J. Lagatta & George C. Lewis, *How Inter Partes Review Became a Valuable Tool So Quickly*, LAW360 (Aug. 16, 2013, 12:01 PM), <http://www.law360.com/articles/463372/how-inter-partes-review-became-a-valuable-tool-so-quickly>.

¹⁴ See *id.* (noting only twenty-six inter partes reexaminations were filed in the first four years).

¹⁵ *Id.*

proceeding in inter partes review compared to under inter partes reexamination would deter the use of the new patent litigation proceeding.¹⁶ They were wrong.

Inter partes reviews are being filed at an extraordinary rate. In the first ten months that inter partes review was available, 377 inter partes review petitions were filed.¹⁷ This is more inter partes review petitions filed than the 374 inter partes reexamination petitions filed in the 2011 fiscal year.¹⁸ In 2013, 514 inter partes review petitions were filed.¹⁹ In 2014, 1,310 inter partes review petitions were filed.²⁰ AIA petitions, which are composed of inter partes review and a small percentage of covered business method petitions, have been especially popular for electrical/computer technologies (63.8% of petitions) and mechanical technologies (24.1% of petitions).²¹ A few individuals have been especially active in inter partes review proceedings.²² It is unclear whether

¹⁶ *See id.* (discussing the shift from the “substantial new question” of patentability standard used in inter partes reexamination to the “reasonable likelihood” of prevailing standard used in inter partes review).

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD AIA PROGRESS STATISTICS 1 (Feb. 5, 2015) [hereinafter AIA STATISTICS], *available at*

http://www.uspto.gov/sites/default/files/documents/aia_statistics_02-05-2015.pdf.

²⁰ *Id.*

²¹ *Id.*

²² Ryan Davis, *Apple, Samsung Top Filers of AIA Review Petitions*, LAW360 (July 03, 2014, 7:40 PM),

<http://www.law360.com/articles/554393/apple-samsung-top-filers-of-aia-review-petitions> (noting the top ten filers were involved in more than twenty-five percent of the proceedings); Ryan Davis, *Intellectual Ventures Not Top of AIA Hit List*, LAW360 (June 10, 2014, 6:09 PM), <http://www.law360.com/articles/546488/intellectual-ventures-not-top-of-aia-hit-list> (noting Zond Inc. has been the patent owner in sixty-two inter partes reviews and most of the top ten patent owners of inter partes reviews are non-practicing entities).

inter partes review can continue with such unchecked popularity²³ or whether a cap on inter partes review petitions will need to be implemented.²⁴

Despite inter partes review's early popularity, some major concerns regarding the Patent Trial and Appeal Board's findings have developed.²⁵ To date, an inter partes review trial has been instituted for 78% of the filed petitions,²⁶ down from roughly 93% after the first ten months²⁷ and 96% after the first six months.²⁸ When a final written decision is then issued, patent claims are

²³ See 37 C.F.R. § 42.102(b) (2014) ("The Director may impose a limit on the number of inter partes reviews that may be instituted during each of the first four one-year periods in which the amendment made to chapter 31 of title 35, United States Code, is in effect by providing notice in the Office's Official Gazette or Federal Register. Petitions filed after an established limit has been reached will be deemed untimely.").

²⁴ To date, no limits have been placed on the number of inter partes reviews that may be filed in a fiscal year; however, some believed the limit was 270, the number of inter partes reexaminations filed in 2010, the fiscal year prior to the signing of the AIA. Robert G. Sterne et al., *America Invents Act: The 5 New Post-Issuance Procedures*, 13 SEDONA CONF. J. 27, 37 (2012); see also Wu & Maebius, *supra* note 1.

²⁵ The primary concern is that the method is too harsh on patent owners. See David A. Prange & Cyrus A. Morton, *Experts Rule in Rare Patent Owner IPR Wins*, INTELL. PROP. TODAY, June 2014, available at <http://www.iptoday.com/issues/2014/06/experts-rule-in-rare-patent-owner-ipr-wins.asp>; see Ryan Davis, *In Rare Feat, 2 Patents Emerge Unscathed From AIA Reviews*, LAW360 (Apr. 15, 2014, 9:44 PM) [hereinafter *Experts Rule*], <http://www.law360.com/articles/528526/in-rare-feat-2-patents-emerge-unscathed-from-aia-reviews>; Cyrus Morton & David Prange, *Patent Owners Beware, Your Patent Has a 15 Percent Chance (or Less) of Surviving the PTAB*, INSIDE COUNS. (Mar. 2014) [hereinafter *Patent Owners Beware*], <http://www.insidecounsel.com/2014/03/19/patent-owners-beware-your-patent-has-a-15-percent>.

²⁶ See AIA STATISTICS, *supra* note 19.

²⁷ See Lagatta & Lewis, *supra* note 13.

²⁸ David O'Dell & Thomas King, *Inter Partes Review: How Is It Going So Far?*, INTELL. PROP. TODAY (Sept. 2013), <http://www.iptoday.com/issues/2013/09/inter-partes-review-how-it-going-so-far.asp>.

being found invalid at a rate of roughly 91%.²⁹ Few final written decisions have been published without canceling at least one claim.³⁰ The high mortality rate of patent claims in inter partes review proceedings caused then-Chief Judge Randall Rader of the Federal Circuit, to equate the Patent Trial and Appeal Board judges with “death squads,”³¹ a characterization the judges refuted.³²

The United States Constitution set out the goal of “promot[ing] the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”³³ Given this goal, one must question whether the new inter partes review proceeding is too harsh on patent owners to accomplish the Constitution’s worthy goal. The primary way of determining whether inter partes review is exceedingly harsh in its invalidation of patent claims is to compare the proceeding to other methods used for invalidating patent claims, namely inter partes reexamination, inter partes

²⁹ See Prange & Morton, *supra* note 25.

³⁰ Those final written decisions that have published without cancelling any claims include: Avaya Inc. v. Network-1 Sec. Solutions, Inc., IPR 2013-00071, 2014 WL 2175370 (P.T.A.B. May 22, 2014); ABB Inc. v. ROY-G-BIV Corp., IPR2013-00063, 2014 WL 2112556 (P.T.A.B. May 16, 2014); Corning Inc. v. DSM IP Assets B.V., IPR2013-00045, 2014 WL 1917394 (P.T.A.B. May 9, 2014); Corning Inc. v. DSM IP Assets B.V., IPR2013-00049 (P.T.A.B. May 9, 2014); Corning Inc. v. DSM IP Assets B.V., IPR2013-0043, IPR2013-0044, 2014 WL 1783277 (P.T.A.B. May 1, 2014); Corning Inc. v. DSM IP Assets B.V., IPR2013-0047, 2014 WL 1783279 (P.T.A.B. May 1, 2014); ABB Inc. v. ROY-G-BIV Corp., IPR2013-00062, 2014 WL 1478218 (P.T.A.B. Apr. 11, 2014); ABB Inc. v. ROY-G-BIV Corp., IPR2013-00282 (P.T.A.B. Apr. 11, 2014); ABB Inc. v. ROY-G-BIV Corp., IPR2013-00074, IPR2013-00286, 2014 WL 1478219 (P.T.A.B. Apr. 11, 2014).

³¹ See Prange & Morton, *supra* note 25.

³² Erica Teichert, *PTAB Says It’s Not A ‘Death Squad’ For Patents*, LAW360 (Apr. 15, 2014, 8:16 PM), <http://www.law360.com/articles/528519/ptab-says-it-s-not-a-death-squad-for-patents> (quoting Chief Judge James Donald Smith of the Patent Trial and Appeal Board in response to then-Chief Judge Randall Rader’s characterization of the Patent Trial and Appeal Board judges as “death squads”).

³³ U.S. CONST. art. I, § 8, cl. 8.

review's predecessor,³⁴ and district court litigation proceedings. By comparing characteristics of the three invalidation methods, including the procedural limitations of each method, the average duration of each proceeding, the average cost of each proceeding, and the average rates of claim invalidation of each proceeding, one can determine whether inter partes review is a useful and fair mechanism for challenging the validity of patent claims or whether it is unduly harsh towards the patent owner.³⁵ Such insight can provide a basis for determining what the future of inter partes review might be.

In actuality, the concerns over the rate of invalidation are likely unfounded and unnecessary. By comparing inter partes review to inter partes reexamination and patent litigation, the other methods have surprisingly similar invalidation rates as inter partes review. Thus, if one is going to consider the effectiveness and usefulness of inter partes review, one must look past just the rates of invalidation and consider the procedural aspects, the durational elements, and the cost considerations. By comparing the three methods, it is seen that inter partes review is a fair proceeding, and is the best option for a client to use to challenge a patent in certain circumstances.

II. INTER PARTES REVIEW: THE DETAILS

The statutory requirements of inter partes review may be found in 35 U.S.C. §§ 311–319. A summary of critical components of the inter partes review procedure will be provided so that this method can be fairly compared with inter partes reexamination and district court proceedings.

A. Filing the inter partes review petition

A petition to institute an inter partes review proceeding may be filed with the Patent Office to challenge the validity of patent

³⁴ See Baldwin & Gin, *supra* note 9.

³⁵ See *id.*

claims on the basis of prior art patents and printed publications.³⁶ Other invalidity challenges based on on-sale activities, written description or enablement issues, and issues of the patentability of the subject matter may not be raised in an inter partes review and must be reserved for a district court proceeding.³⁷ To date, petitions have been filed with a combination of new prior art and previously cited prior art.³⁸ The petitions allow for multiple prior art references to be combined.³⁹ In addition, the petitions can raise issues of novelty⁴⁰ and obviousness,⁴¹ and must be limited to sixty pages in length.⁴²

Strict time limits exist for when an inter partes review petition may be filed. A petition may not be filed immediately upon granting of a patent or upon the reissue of a patent, nor may a petition be filed while a post-grant review proceeding is underway.⁴³ However, a petition for inter partes review must be filed before filing “a civil action challenging the validity of a claim

³⁶ 35 U.S.C. § 311(b) (2012) (“A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.”).

³⁷ See Lagatta & Lewis, *supra* note 13 (noting that these defenses usually require witnesses or other evidentiary issues that a district court proceeding is well-versed at handling).

³⁸ See Siminski, et al., *supra* note 5 (noting that sixty-five percent of petitions have utilized some previously cited prior art, thirty-five percent of petitions have utilized exclusively prior art cited for the first time, and one percent of petitions have utilized only prior art previously cited before an examiner).

³⁹ Lisa Shuchman, *Garmin Nabs Win in First 'Inter partes Review'; The Patent Trial and Appeal Board Has Sided With Garmin International in the First Inter partes Review Proceeding Instituted Under the America Invents Act*, LAW TECH. NEWS (Nov. 18, 2013).

⁴⁰ See 35 U.S.C. § 102.

⁴¹ See *Id.* § 103.

⁴² 37 C.F.R. § 42.24(a)(1)(i) (2014).

⁴³ 35 U.S.C. § 311(c) (“A petition for inter partes review shall be filed after the later of either—(1) the date that is 9 months after the grant of a patent; or (2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.”).

of the patent”⁴⁴ or within one year of being “served with a complaint alleging infringement of the patent” or the petition will be barred.⁴⁵

B. Standard to institute a trial proceeding

In the petition for inter partes review, the petitioner must establish “a reasonable likelihood that the petitioner would prevail with respect to at least one claim challenged in the petition.”⁴⁶ The decision, whether to institute the review proceeding or to deny the review, is not appealable.⁴⁷ The Patent Trial and Appeal Board frequently declines to review all claims and often proceeds on a subset of the grounds requested.⁴⁸

C. Trial proceedings

Upon institution of an inter partes review trial proceeding, the review proceeds as an adversarial process between the petitioner

⁴⁴ *Id.* § 315(a)(1) (“An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.”).

⁴⁵ *Id.* § 315(b) (“An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).”).

⁴⁶ *Id.* § 314(a) (emphasis added).

⁴⁷ *See Id.* § 314(d); *In re Procter & Gamble Co.*, 749 F.3d 1376, 1378–79 (Fed. Cir. 2014) (holding that the United States Court of Appeals for the Federal Circuit lacks authority to issue a mandamus to rescind the United States Patent & Trademark Office’s decision to institute an inter partes review proceeding); *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375 (Fed. Cir. 2014) (holding that a U.S. Patent & Trademark Office decision is not subject to appeal to the United States Court of Appeals for the Federal Circuit); Sheri Qualters, *Guidance From Federal Circuit on Inter partes Review*, NAT’L L. J. (April 29, 2014), <http://www.law.com/sites/articles/2014/04/29/guidance-from-federal-circuit-on-inter-partes-review/>.

⁴⁸ O’Dell & King, *supra* note 28.

and the patent owner.⁴⁹ Each party must be represented by a lead and back-up counsel where the lead counsel is registered to practice before the Patent Office.⁵⁰ The back-up counsel may be admitted *pro hac vice* upon proof of good cause.⁵¹

The inter partes review proceedings use a limited form of discovery.⁵² The discovery is generally limited to depositions of witnesses who have submitted affidavits or declarations.⁵³ These witnesses usually take the form of experts.⁵⁴ There are three stages of discovery: mandatory initial disclosures,⁵⁵ routine disclosures,⁵⁶

⁴⁹ Christopher E. Loh & Christopher P. Hill, *How Inter Partes Review Differs from District Court Patent Litigation*, N.Y. L.J. (Dec. 9, 2013), <http://www.newyorklawjournal.com/id=1202630855916/How-Inter-Partes-Review-Differs-From-District-Court--Patent-Litigation>.

⁵⁰ *See id.* (citing 37 C.F.R. § 42.10(a) (2014)). Note the requirement of assigning two attorneys to a matter has the likelihood of increasing the cost to the client. The language of the Federal Regulation does not appear to have an exception that would allow a litigator with a registration number to handle the matter independently. *See id.*

⁵¹ 37 C.F.R. § 42.10(c).

⁵² *See Sterne et al., supra* note 24, at 40.

⁵³ *See id.*

⁵⁴ *See Prange & Morton, supra* note 25.

⁵⁵ 37 C.F.R. § 42.51(a) (“(1) With agreement. Parties may agree to mandatory discovery requiring the initial disclosures set forth in the Office Patent Trial Practice Guide. (i) The parties must submit any agreement reached on initial disclosures by no later than the filing of the patent owner preliminary response or the expiration of the time period for filing such a response. The initial disclosures of the parties shall be filed as exhibits. (ii) Upon the institution of a trial, parties may automatically take discovery of the information identified in the initial disclosures. (2) Without agreement. Where the parties fail to agree to the mandatory discovery set forth in paragraph (a)(1), a party may seek such discovery by motion.”).

⁵⁶ *Id.* § 42.51(b)(1) (“Except as the Board may otherwise order: (i) Unless previously served or otherwise by agreement of the parties, any exhibit cited in a paper or in testimony must be served with the citing paper or testimony. (ii) Cross examination of affidavit testimony is authorized within such time period as the Board may set. (iii) Unless previously served, a party must serve relevant information that is inconsistent with a position advanced by the party during the proceeding concurrent with the filing of the documents or things that contains the inconsistency. This requirement does not make discoverable

and additional discovery.⁵⁷ Because mandatory initial disclosures occur only if the parties agree,⁵⁸ mandatory initial disclosures have occurred in only a small fraction of the early proceedings.⁵⁹ Routine discovery entails taking the depositions of each side's experts.⁶⁰ Additional discovery is anything that the Board determines is necessary in the interest of justice.⁶¹ With such a

anything otherwise protected by legally recognized privileges such as attorney-client or attorney work product. This requirement extends to inventors, corporate officers, and persons involved in the preparation or filing of the documents or things.”).

⁵⁷ *Id.* § 42.51(b)(2) (“(i) The parties may agree to additional discovery between themselves. Where the parties fail to agree, a party may move for additional discovery. The moving party must show that such additional discovery is in the interests of justice, except in post-grant reviews where additional discovery is limited to evidence directly related to factual assertions advanced by either party in the proceeding (see § 42.224). The Board may specify conditions for such additional discovery. (ii) When appropriate, a party may obtain production of documents and things during cross examination of an opponent's witness or during authorized compelled testimony under § 42.52.”).

⁵⁸ *See* Siminski et al., *supra* note 5.

⁵⁹ *See, e.g.*, Agreement on Mandatory Discovery, paper 17, Microsoft Corp. v. SurfCast Inc., IPR2013-00292 (P.T.A.B. Aug. 26, 2013); Agreement on Mandatory Discovery, paper 12, Microsoft Corp. v. SurfCast Inc., IPR2013-00293 (P.T.A.B. Aug. 26, 2013); Agreement on Mandatory Discovery, paper 13, Microsoft Corp. v. SurfCast Inc., IPR2013-00294 (P.T.A.B. Aug. 26, 2013); Agreement on Mandatory Discovery, paper 12, Microsoft Corp. v. SurfCast Inc., IPR2013-00295 (P.T.A.B. Aug. 26, 2013); Agreement on Mandatory Discovery, paper 12, Oracle Corporation v. Click-to-Call Techs. LP, IPR2013-00312 (P.T.A.B. Aug. 23, 2013); *See also* Siminski et al., *supra* note 5.

⁶⁰ *See* Siminski et al., *supra* note 5.

⁶¹ Decision on Motion for Additional Discovery, paper 26, Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC, IPR2012-00001 (P.T.A.B. Mar. 5, 2013) (discussing five factors to be considered when determining whether the interests of justice are met: 1) more than a possibility and mere allegation, 2) litigation positions and underlying basis, 3) ability to generate equivalent information by other means, 4) easily understandable instruction, and 5) requests not overly burdensome to answer); *see also* Loh & Hill, *supra* note 49 (noting that the “usefulness” standard discussed in *Garmin* is higher than the basic relevance standard used in litigation).

high burden, motions for additional discovery are frequently denied.⁶²

An inter partes review proceeding culminates in an oral argument before a panel of Patent Trial and Appeal Board judges.⁶³ The proceeding utilizes the Federal Rules of Evidence.⁶⁴ The statute requires the Board to construct the claims using the *proper meaning* standard⁶⁵ and not use the *broadest reasonable interpretation* standard,⁶⁶ though there seems to be some inconsistency between the statute and the standard as applied.⁶⁷ Following the oral argument, the Board will issue a final written decision affirming or invalidating some or all of the patent claims.⁶⁸ This decision is then appealable to the Federal Circuit.⁶⁹ Upon a finding of validity, the petitioner is estopped from requesting or maintaining a proceeding before the Patent Office⁷⁰ or asserting in a civil action⁷¹ on any “ground that the petitioner

⁶² See Loh & Hill, *supra* note 49.

⁶³ See *id.*

⁶⁴ See *id.*

⁶⁵ See 35 U.S.C. § 301(d) (2012) (“A written statement submitted pursuant to subsection (a)(2), and additional information submitted pursuant to subsection (c), shall not be considered by the Office for any purpose other than to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324. If any such written statement or additional information is subject to an applicable protective order, such statement or information shall be redacted to exclude information that is subject to that order.”) (emphasis added).

⁶⁶ Robert M. Asher, *Claim Construction on the Verge of Transformation: The Disruptive Promise of Inter Partes Review*, SUNSTEIN KAHN MURPHY & TIMBERS (Apr. 2012), <http://sunsteinlaw.com/claim-construction-on-the-verge-of-transformation-the-disruptive-promise-of-inter-partes-review/>.

⁶⁷ See *id.* (“[T]he PTO has proposed that the ‘broadest reasonable construction’ standard be applied in inter partes reviews.”).

⁶⁸ See 35 U.S.C. § 318(a).

⁶⁹ *Id.* § 319.

⁷⁰ *Id.* § 315(e)(1).

⁷¹ *Id.* § 315(e)(2).

raised or reasonably could have raised during that inter partes review.”⁷²

D. Duration

A critical characteristic of the inter partes review is the defined limit on the duration of the proceedings. Following the filing of a petition to institute an inter partes review, the Board has three months after the filing of the patent owner’s preliminary response to make a decision to grant or deny the petition.⁷³ Where a proceeding is instituted, the Board enters a final written decision within one year, which is extendable up to six months for good cause.⁷⁴ Thus, the entire inter partes review duration from petition to final written decision cannot be longer than eighteen to twenty-four months as defined by the statute.⁷⁵

E. Cost

Although proportionally few inter partes reviews have reached a final written decision,⁷⁶ sources have tried to approximate the overall cost of an inter partes review.⁷⁷ For fees due to the Patent Office, an inter partes review petition costs \$9,000 while the post-institution fee is \$14,000.⁷⁸ If the petition challenges more than

⁷² *Id.*; see also Charles L. Gholz, Michael L. Kiklis, & Alexander B. Englehart, *Is The Estoppel Of The New AIA Proceedings Worse Than Interference Estoppel?*, INTELL. PROP. TODAY (Jan. 2013), <http://www.iptoday.com/issues/2013/01/is-estoppel-new-aia-proceedings-worse-than-interference-estoppel.asp>.

⁷³ See 35 U.S.C. § 314(b) (“The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—(1) receiving a preliminary response to the petition under section 313; or (2) if no such preliminary response is filed, the last date on which such response may be filed.”).

⁷⁴ *Id.* § 316(a)(11).

⁷⁵ See Asher, *supra* note 66.

⁷⁶ Lagatta & Lewis, *supra* note 13.

⁷⁷ See 37 C.F.R. § 42.15(a) (2014); Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041 (Feb. 10, 2012) (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42); *id.*

⁷⁸ See 37 C.F.R. § 42.15(a).

twenty claims, a \$200 fee per claim in excess of twenty is applied.⁷⁹ If the review is instituted with greater than fifteen claims, a \$400 fee per claim in excess of fifteen is applied.⁸⁰ Based on a median billing rate of \$340 per hour and an estimated 135 attorney hours necessary to prepare an inter partes review petition, the petition is projected to cost \$46,000, in addition to the filing fee.⁸¹ A preliminary response is projected to require 100 attorney hours and cost \$34,000.⁸² Still, the greatest costs are expected to occur post-institution with estimated costs for expert witnesses, depositions, and trial preparation rising to an estimated \$300,000 to \$800,000⁸³ for a total estimated cost of \$400,000 to \$900,000 through trial.

III. INTER PARTES REEXAMINATION: THE DETAILS

The Optional Inter partes Reexamination Procedures Act of 1999 created, for the first time, a mechanism for a third party to actively participate in proceedings challenging the validity of patent claims before the Patent Office.⁸⁴ The inter partes reexamination procedure was designed to reduce the amount of patent litigation in the United States district courts.⁸⁵ Although the Patent Office enacted the ex partes reexamination procedure in 1980, the proceeding was unpopular because of a lack of third-party involvement in the process,⁸⁶ which would then be subject to

⁷⁹ *See id.*

⁸⁰ *See id.*

⁸¹ Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. at 7057–58 (proposed Feb. 10, 2012) (to be codified at 37 CFR Part 42).

⁸² *Id.*

⁸³ Lagatta & Lewis, *supra* note 13.

⁸⁴ Kenneth L. Cage & Lawrence T. Cullen, *An Overview of Inter partes Reexamination Procedures*, 85 J. PAT. & TRADEMARK OFF. SOC'Y 931, 939 (2003).

⁸⁵ *Id.* at 938.

⁸⁶ 145 CONG. REC. H11,769 (daily ed. Nov. 9, 1999) (“Congress enacted legislation to authorize ex parte reexamination of patents in the USPTO in 1980, but such reexamination has been used infrequently since a third party who requests reexamination cannot participate at all after initiating the proceedings.”).

estoppel measures.⁸⁷ A summary of the characteristics of inter partes reexamination will be provided in order to foster comparisons with inter partes review.⁸⁸

A. Filing the inter partes reexamination petition

The inter partes reexamination procedure was limited to patents filed on or after November 29, 1999.⁸⁹ Reexamination petitions could challenge the validity of a patent on basis of patentability over prior art patents and other printed publications.⁹⁰ Thus, while challenges based on 35 U.S.C. § 103 and some portions of § 102 were permitted, challenges based on section 112 were not permitted.⁹¹ Unlike an ex parte reexamination, neither the patent owner⁹² nor the Patent Office⁹³ could request or institute an inter partes reexamination.

B. Standard to institute a reexamination

An inter partes reexamination proceeding was instituted where a *substantial new question* of patentability existed.⁹⁴ Though the standard used the term *new*, this did not mean that all previously cited prior art was excluded.⁹⁵ Legislation signed on November 2,

⁸⁷ Stefan Blum, Note, *Ex Parte Reexamination: A Wolf in Sheep's Clothing*, 73 OHIO ST. L.J. 395, 420 (2012).

⁸⁸ For a more thorough descriptions of the inter partes reexamination procedure see Cage & Cullen, *supra* note 84.

⁸⁹ *Id.* at 931.

⁹⁰ *Id.* at 940-41.

⁹¹ *Id.*

⁹² This is likely because no practical advantage is obtained by conducting an inter partes reexamination absent a third party compared to simply conducting an ex parte reexamination. It would just cost the petitioner significantly more money. See *id.* at 939 (noting that an inter partes reexamination fee is \$8,800 and an ex parte reexamination fee is \$2,520).

⁹³ *Id.* at 944-45 (noting that an inter partes reexamination may not be instituted solely at the Director's discretion).

⁹⁴ *Id.* at 941.

⁹⁵ See *id.* at 940-41.

2002,⁹⁶ clarified that the term *new* did not exclude previously cited art, a position that was challenged in *In re Portola Packaging, Incorporated*.⁹⁷ The determination of whether or not a substantial new question of patentability existed was not appealable.⁹⁸

Inter partes reexamination operated from November 29, 1999,⁹⁹ until it was replaced with inter partes review on September 16, 2012.¹⁰⁰ Between September 16, 2011 and September 16, 2012, the AIA shifted the standard for instituting an inter partes reexamination.¹⁰¹ The AIA replaced the substantial new question standard with the inter partes review reasonable likelihood standard.¹⁰²

C. The reexamination

An inter partes reexamination was an examinational proceeding¹⁰³ similar to the application process for a patent. However, a third party was given thirty days to reply to all office actions and all responses by the patent owner.¹⁰⁴ Inter partes reexaminations were originally conducted by a new examiner¹⁰⁵ from the group of examiners responsible for examining patent applications, but in 2005, the Patent Office created the Central Reexamination Unit to centralize the reexamination proceedings into

⁹⁶ See *id.* (quoting 35 U.S.C. § 312(a) (2012) (“the existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.”)).

⁹⁷ *In re Portola Packaging, Inc.*, 110 F.3d 786 (Fed. Cir. 1997) (holding a substantial new question of patentability could not be found in an ex parte reexamination where the petition for reexamination relied completely on previously cited prior art).

⁹⁸ Cage & Cullen, *supra* note 84, at 941.

⁹⁹ *Id.* at 931.

¹⁰⁰ Baldwin & Gin, *supra* note 9; Kalinsky & Nguyen, *supra* note 10.

¹⁰¹ MPEP § 2601 (9th ed., Mar. 2014).

¹⁰² *Id.*

¹⁰³ Baldwin & Gin, *supra* note 9 (quoting H.R. REP. NO. 112-98, at 46 (2011)).

¹⁰⁴ See Cage & Cullen, *supra* note 84, at 946.

¹⁰⁵ See *id.* at 942.

a single group of senior examiners responsible for handling reexaminations.¹⁰⁶

During reexamination, the patent owner could amend the granted claims or substitute in new claims so long as any amendments did not expand the scope of the granted claims.¹⁰⁷ The submission of amendments was governed by the same rules governing amendments during patent prosecution; however, third party responses to the patent owner's amendments were required within a non-extendable thirty days.¹⁰⁸ During reexamination, the examiner construed the claims using the broadest reasonable interpretation standard.¹⁰⁹ An inter partes reexamination proceeding could maintain the broadest reasonable interpretation standard even if a district court proceeding previously rendered a claim construction using the proper meaning of a patent claim standard.¹¹⁰

Inter partes reexamination remained an "examination" proceeding,¹¹¹ however, unlike the prosecution of a patent, neither party could request an interview with the examiner.¹¹² This was done so that the patent owner did not obtain an unfair advantage,¹¹³ so the proceedings could progress quickly,¹¹⁴ and so the interview

¹⁰⁶ Robert C. Laurenson, *A Low-Cost Alternative to Litigation After PTO Reforms*, LAW360 (Sept. 10, 2007, 12:00 AM), <http://www.law360.com/articles/34443/a-low-cost-alternative-to-litigation-after-pt-reforms>.

¹⁰⁷ See Cage & Cullen, *supra* note 84, at 946.

¹⁰⁸ See *id.*

¹⁰⁹ See Asher, *supra* note 66.

¹¹⁰ See *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290, 1298 (Fed. Cir. 2007).

¹¹¹ Baldwin & Gin, *supra* note 9 (quoting H.R. REP. NO. 112-98, at 46 (2011)).

¹¹² See Cage & Cullen, *supra* note 84, at 945 & n.70 (citing 37 C.F.R. § 1.955 (2000)).

¹¹³ See *id.* at n.71 (citing Rules To Implement Optional Inter Partes Reexamination Proceedings, 65 Fed. Reg. 18154, 18161-62 (Apr. 6, 2000)).

¹¹⁴ *Id.*

did not become an adversarial encounter if both parties were allowed to participate.

Following a determination of patentability and the closing of an inter partes proceeding, either the patent owner or the third party could appeal.¹¹⁵ Initially, a third party was limited to appealing to the Board of Patent Appeals and Interferences; whereas the patent owner could appeal to the Board of Patent Appeals and Interferences and then to the Federal Circuit.¹¹⁶ Following a November 2, 2002 legislative amendment, a third party could then also appeal the Board's decision to the Federal Circuit for inter partes reexaminations that began after the date of the amendment.¹¹⁷ However, there was no mechanism to appeal decisions to the District Court for the District of Columbia.¹¹⁸

Following all appeals, the third party was estopped from further pursuing any action on issues of patentability that were resolved.¹¹⁹ In other words, the third party was barred from asserting in any civil action “any ground which the third-party requester raised or could have raised during the inter partes reexamination proceedings.”¹²⁰ The third party was also barred in any subsequent inter partes reexamination from challenging a “patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or inter partes reexamination proceeding.”¹²¹

¹¹⁵ *See id.* at 949.

¹¹⁶ *See id.* at 950.

¹¹⁷ *Id.*

¹¹⁸ *Id.* at 950–51 (“[T]his avenue of appeal was not included in the legislation because it is rarely taken in existing ex parte reexaminations, and its elimination should prevent undue delay in the inter partes reexamination process.”).

¹¹⁹ *See id.* at 952.

¹²⁰ 35 U.S.C. § 315 (2006) (amended 2011).

¹²¹ *Id.* § 317.

D. Duration

An inter partes reexamination was still an “examination” proceeding¹²² though it was conducted with “special dispatch within the Office.”¹²³ Despite the special dispatch, inter partes reexaminations were often regarded as “suffer[ing] from a protracted timetable.”¹²⁴ The entire inter partes reexamination process took “a few years before the examiner, a couple of years before the Board of Appeals, and a year at the Federal Circuit Court of Appeals.”¹²⁵ Without considering the durations of the appeals to the Board and the court of appeals, an inter partes reexamination still took approximately three years to reach a final decision.¹²⁶ The Office hoped to reduce the average time to reach a final decision to two years with the implementation of the Central Reexamination Unit, but this was not successful.¹²⁷

E. Cost

An inter partes reexamination petition was required to be accompanied by an \$8,800 fee payable to the Patent Office.¹²⁸ However, if a substantial new question of patentability was not found, the fee was returned except for an \$830 filing fee.¹²⁹ In addition to the filing fee, the total cost of an inter partes

¹²² Baldwin & Gin, *supra* note 9 (quoting H.R. REP. NO. 112-98, at 46 (2011)).

¹²³ 35 U.S.C. § 305.

¹²⁴ Asher, *supra* note 66.

¹²⁵ *Id.*

¹²⁶ See *Inter partes Reexamination Filing Data*, U.S. PATENT & TRADEMARK OFFICE (Sept. 30, 2013) [hereinafter U.S. Patent & Trademark Office, *Inter Partes Data*],

http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf; Baldwin & Gin, *supra* note 9.

¹²⁷ See Laurenson, *supra* note 106.

¹²⁸ Cage & Cullen, *supra* note 84, at 939.

¹²⁹ *Id.* at 940.

reexamination was estimated to be about \$280,000 inclusive of an appeal to the Federal Circuit.¹³⁰

F. Rates of institution and claim invalidation

Inter partes reexamination was slow to be utilized having only five filings from 2000 to 2002.¹³¹ However, the use of inter partes reexamination was statutorily limited to a patent issued from an application filed on or after November 29, 1999.¹³² Thus, the use of inter partes reexamination was initially limited by the number of patents meeting the criteria that were being granted. In the final fiscal year of inter partes reexamination, 530 petitions were filed.¹³³ In all, 1919 inter partes reexamination petitions were filed between November 29, 1999 and September 15, 2012.¹³⁴ Of those petitions, 45% were electrical, 25% were mechanical, and 15% were chemical.¹³⁵ The majority of the petitions, roughly 76%, were involved in concurrent litigation.¹³⁶

Once filed, approximately 93% of the reexamination petitions were granted.¹³⁷ The overwhelming majority of these petitions were granted by the examiner with a fraction granted upon petition to the Director.¹³⁸ At the conclusion of the inter partes reexamination proceeding, a certificate of patentability was issued.¹³⁹ Of the 696 certificates issued between 1999 and September 30, 2013, 61 percent of certificates had at least some claim changes.¹⁴⁰ Thirty-one percent of the issued certificates

¹³⁰ AM. INTELL. PROP. LAW ASSOC., REPORT OF THE ECONOMIC SURVEY, I-173 to I-176 (July 2011) [hereinafter AIPLA, *Survey 2011*].

¹³¹ U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

¹³² See MPEP § 2601 (9th ed., Mar. 2014).

¹³³ U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

¹³⁴ *Id.*

¹³⁵ *Id.*

¹³⁶ *Id.*

¹³⁷ *Id.*

¹³⁸ *Id.*

¹³⁹ See MPEP § 2688 (9th ed. Rev. 1, Mar. 2014).

¹⁴⁰ U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

canceled all of the claims.¹⁴¹ On the other hand, only 8 percent of the issued certificates affirmed all of the previously granted claims.¹⁴²

IV. PATENT LITIGATION: THE DETAILS

The United States federal courts are the primary venue for challenging the validity of patents, usually defenses in patent infringement proceedings.¹⁴³ With more patent litigation being filed in the district courts than ever before¹⁴⁴ and with the cost of patent litigation continuing to rise,¹⁴⁵ alternative methods of challenging a patent may be necessary. However, patent litigation continues to offer types of validity challenges that are not yet available through other means.¹⁴⁶ Thus, it is unlikely that the rate of patent litigation will subside in the near future.

A. Patent litigation defenses

When accused of patent infringement, an individual may raise defenses of invalidity and noninfringement.¹⁴⁷ For the defense of invalidity, an individual can challenge the validity of a patent on the basis that the inventor did not comply with the statutory rules of patentability.¹⁴⁸ In this way, an invalidity challenge focuses on

¹⁴¹ *Id.*

¹⁴² *Id.*

¹⁴³ See ROBERT SMYTH, UNITED STATES PATENT INVALIDITY STUDY 2012 (Sept. 2012), https://www.morganlewis.com/pubs/Smyth_USPatentInvalidity_Sept12.pdf.

¹⁴⁴ CHRIS BARRY ET AL., PRICEWATERHOUSECOOPERS LLP, 2012 PATENT LITIGATION STUDY: LITIGATION CONTINUES TO RISE AMID GROWING AWARENESS OF PATENT VALUE 6 (2012), available at <http://patentlyo.com/media/docs/2013/03/2012-patent-litigation-study.pdf>.

¹⁴⁵ See AIPLA, *Survey 2011*, *supra* note 130, at 35; AM. INTELL. PROP. LAW ASSOC., REP. OF THE ECON. SURVEY 34 (2013) [hereinafter AIPLA, *Survey 2013*].

¹⁴⁶ Roger A. Ford, *Patent Invalidity Versus Noninfringement*, 99 CORNELL L. REV. 71, 78–81 (2013).

¹⁴⁷ See 35 U.S.C. § 282(b) (2012).

¹⁴⁸ Ford, *supra* note 146, at 78.

“the state of the world when the patent was granted rather than the details of the defendant's accused product or process.”¹⁴⁹ There are three classes of invalidity defenses.¹⁵⁰ The first involves issues of novelty¹⁵¹ and nonobviousness.¹⁵² The novelty requirement necessitates that the “invention not have been known, used, or described by others before the patent applicant came up with the claimed invention.”¹⁵³ The nonobviousness requirement necessitates “that an invention not have been obvious to a person having ordinary skill in the art as of the time of invention.”¹⁵⁴ The second class of invalidity defenses¹⁵⁵ involves the adequacy of the disclosure¹⁵⁶ in the patent including issues of written description, enablement, and definiteness. The third class of invalidity defenses¹⁵⁷ involves challenges to the patentability of the subject matter¹⁵⁸ such as when the invention is not useful or is overly abstract.¹⁵⁹

In addition to challenging the validity of a patent, an accused infringer may raise the defense of noninfringement.¹⁶⁰ A noninfringement defense contends that even if the patent is valid, the patent claims do not read onto the actions or products of the accused infringer.¹⁶¹ In this manner, accused infringers may either

¹⁴⁹ *Id.*

¹⁵⁰ *Id.*; see also Andres Sawicki, *Better Mistakes in Patent Law*, 39 FLA. ST. U. L. REV. 735 (2012).

¹⁵¹ 35 U.S.C. § 102.

¹⁵² *Id.* § 103.

¹⁵³ Ford, *supra* note 146, at 79.

¹⁵⁴ See *id.*

¹⁵⁵ *Id.* at 79–80.

¹⁵⁶ See *id.* at 80; see also 35 U.S.C. § 112 (codifying the requirements of a patent applicant's specification).

¹⁵⁷ See Ford, *supra* note 146, at 80.

¹⁵⁸ See *id.* at 80–81; see also 35 U.S.C. § 101 (codifying the requirements for subject matter patent eligibility).

¹⁵⁹ MPEP § 2104 (9th ed., Rev. 1 Mar. 2014).

¹⁶⁰ 35 U.S.C. § 282(b)(1); see 6 R. CARL. MOY, *MOY'S WALKER ON PATENTS* § 17:14 (4th ed. 2013).

¹⁶¹ Ford, *supra* note 146, at 81.

challenge the validity of the patent on many grounds or may attest that their actions or products do not fall within the claims of the patent.

B. Standards of proof

When a patent is challenged in a district court proceeding, the challenger faces an uphill battle.¹⁶² The United States Patent Act¹⁶³ has defined what has become known as the presumption of validity. The presumption of validity mandates that a patent be held valid unless the challenger presents *clear and convincing evidence* of invalidity.¹⁶⁴ The clear and convincing evidence standard is a “very high evidentiary bar” for a challenger to overcome.¹⁶⁵ The standard is higher than the *mere preponderance of the evidence* standard¹⁶⁶ and may be more closely likened to the *beyond a reasonable doubt* standard used in criminal proceedings.¹⁶⁷ Though the policy considerations behind the standard are not clear, the district courts use the presumption of

¹⁶² See Doug Lichtman & Mark A. Lemley, *Rethinking Patent Law’s Presumption of Validity*, 60 STAN. L. REV. 45, 51 (2007).

¹⁶³ 35 U.S.C. § 282(a) (“A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”); see also Lichtman & Lemley, *supra* note 162, at 51.

¹⁶⁴ *Id.* (internal quotation marks omitted).

¹⁶⁵ *Id.*

¹⁶⁶ See *Parker v. Motorola, Inc.*, 524 F.2d 518, 521 (5th Cir. 1975).

¹⁶⁷ See, e.g., *Ludlow Corp. v. Textile Rubber & Chem. Co.*, 636 F.2d 1057, 1059 (5th Cir. 1981) (“The burden on one who would invalidate a patent is a heavy one. It has been described variously as one of proof ‘beyond a reasonable doubt’, and is one ‘by clear and convincing evidence.’”) (quoting *Zachos v. Sherwin-Williams Co.*, 177 F.2d 762, 763 (5th Cir. 1949); *Hobbs v. U.S. Atomic Energy Comm’n*, 451 F.2d 849, 856 (5th Cir. 1971) (“[T]he presumption of patent validity may be rebutted only by a quantum of proof—whether it be called clear and convincing or beyond a reasonable doubt—which is greater than a mere preponderance of the evidence.”); *Kiva Corp. v. Baker Oil Tools, Inc.*, 412 F.2d 546, 551 (5th Cir. 1969)).

validity as a basis for giving deference to the Patent Office's granting of a patent.¹⁶⁸

A crucial stage in patent litigation is the court's claim construction.¹⁶⁹ Claim construction in litigation uses the "proper meaning" standard.¹⁷⁰ The proper meaning of a patent claim is determined by a combination of intrinsic and extrinsic evidence with an emphasis on the intrinsic evidence.¹⁷¹ Intrinsic evidence consists of the patent's specification and the prosecution history.¹⁷² Extrinsic evidence "consists of all evidence external to the patent and prosecution history, including expert and inventor testimony, dictionaries, and learned treatises."¹⁷³

C. Duration

Many factors go into determining the duration of a patent litigation proceeding.¹⁷⁴ The average time-to-trial from 1995 to 2011 was 2.3 years.¹⁷⁵ This duration only slightly increased to 2.5 years for the recent the period of 2005 to 2011.¹⁷⁶ This slight increase in time-to-trial may be related to the increased case volume¹⁷⁷ or based on other factors. Despite the national average exceeding two years, certain districts have had substantially shorter time-to-trial durations.¹⁷⁸ For example, the District Court of the Eastern District of Virginia had a median time-to-trial of 0.97 years over seventeen cases, and the District Court of the Western District of Wisconsin had a median time-to-trial of 1.07 years over

¹⁶⁸ Lichtman & Lemley, *supra* note 162, at 52.

¹⁶⁹ See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

¹⁷⁰ Asher, *supra* note 66.

¹⁷¹ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1317 (Fed. Cir. 2005).

¹⁷² *Id.*

¹⁷³ *Id.* (quoting *Markman*, 52 F.3d at 980 (en banc)).

¹⁷⁴ BARRY ET AL., *supra* note 144, at 22.

¹⁷⁵ *Id.* at 5.

¹⁷⁶ *Id.* at 21.

¹⁷⁷ *Id.*

¹⁷⁸ *Id.* at 22.

ten cases.¹⁷⁹ Even the District Court of the District of Delaware had a median time-to-trial duration of 1.9 years over 105 cases.¹⁸⁰

D. Cost

Patent litigation is an expensive endeavor.¹⁸¹ Litigation costs include both attorneys' fees and costs related to product investigation, prior art searches, and expert testimonies.¹⁸² As the number of patent litigation cases continues to rise,¹⁸³ so too does the cost of patent litigation.¹⁸⁴ In 2011, the median cost of patent litigation where less than \$1,000,000 was at stake, was \$350,000 through discovery and \$650,000 overall.¹⁸⁵ When more than \$25,000,000 was at stake, the median cost of litigation rose to \$3,000,000 through discovery and \$5,000,000 overall.¹⁸⁶ Contrasting the costs in 2011 with the costs in 2013, the median cost of litigation, where less than \$1,000,000 was at stake, was still \$350,000 through discovery but rose to \$700,000 overall.¹⁸⁷ Similarly, the median cost of litigation, where over \$25,000,000 was at stake, was still \$3,000,000 though discovery but rose to \$5,500,000 overall.¹⁸⁸ Thus, patent litigation is not cheap by any measure.¹⁸⁹

E. Rates of patent litigation and patent invalidation

The rate at which patent cases are being filed in the district courts continues to rise.¹⁹⁰ In 2011, there were 4,015 patent cases

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

¹⁸¹ See AIPLA, *Survey 2011*, *supra* note 130, at 35.

¹⁸² *Id.*

¹⁸³ BARRY ET AL., *supra* note 144, at 6.

¹⁸⁴ See AIPLA, *Survey 2011*, *supra* note 130, at 35; AIPLA, *Survey 2013*, *supra* note 145, at 34.

¹⁸⁵ AIPLA, *Survey 2011*, *supra* note 130, at 35.

¹⁸⁶ *Id.*

¹⁸⁷ AIPLA, *Survey 2013*, *supra* note 145, at 34.

¹⁸⁸ *Id.*

¹⁸⁹ See *id.*; AIPLA, *Survey 2011*, *supra* note 130, at 35.

¹⁹⁰ BARRY ET AL., *supra* note 144, at 6.

filed.¹⁹¹ This marked a 22 percent increase from 2010.¹⁹² Thus, patent litigation is more prevalent than ever.¹⁹³

As the volume of patent cases increases,¹⁹⁴ the rate that district courts are finding patents valid is decreasing.¹⁹⁵ From 2007 to 2011, there were 283 cases filed in a district court where a disposition on validity was made.¹⁹⁶ Of those, only 14 percent were determined to be valid and enforceable.¹⁹⁷ The validity rate was 20 percent in 2007 for fifty-eight cases, but the rate decreased to only 6 percent in 2011 over forty-eight cases.¹⁹⁸ Interestingly, the number of cases where a decision on the validity of the patent was made stayed roughly the same over the measured period.¹⁹⁹ Patents related to mechanical devices and pharmaceutical drugs had the highest rates of invalidation.²⁰⁰ Lastly, from 2002 to May 2012, the Federal Circuit affirmed the invalidity findings over 70 percent of the time.²⁰¹

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ *See id.*

¹⁹⁴ *See id.*

¹⁹⁵ *See* SMYTH, *supra* note 143, at 2 (stating the methods utilized as follows: “Data for this article was compiled by searching for all patent cases on Westlaw and LexisNexis from 2007 to 2011 that were filed in a federal district court where a disposition on the validity of a patent was decided. Two-hundred and eighty-three cases were identified from 2007 to 2011 where the validity of a claim in a patent was challenged.”).

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

¹⁹⁸ *Id.*

¹⁹⁹ *Id.*

²⁰⁰ *Id.* at 9.

²⁰¹ *Id.* at 4–8 (“Data for this section was compiled by searching for all patent cases on Westlaw and LexisNexis from 2002 to May 25, 2012 that were appealed to the Federal Circuit. 1,800 cases were reviewed and sorted based on whether the case was decided on patent invalidity.”).

V. COMPARING INTER PARTES REVIEW, INTER PARTES REEXAMINATION, AND PATENT LITIGATION

Inter partes review replaced inter partes reexamination on September 16, 2012.²⁰² In order to determine whether inter partes review is a fair and quality mechanism to challenge patents, it can be compared to inter partes reexamination and patent litigation based on procedural aspects, duration, costs, and rates of institution and claim cancelling. More thorough procedural comparisons can be found elsewhere, but this report will focus on significant differences that might affect a client's decision to utilize inter partes review.

A. Procedural comparison

Before comparing the procedural characteristics of the three methods, two critical points must be made. First, inter partes review and inter partes reexamination were designed to give third parties a fast and relatively cheap mechanism to challenge the validity of a patent on the basis of prior art patents and printed publications outside of district court proceedings.²⁰³ Second, in both inter partes proceedings, the rules favor the third-party challenger “who enjoys an unlimited amount of time to plan a strategy to attack the patent, secure experts to support his position, and prepare written reports.”²⁰⁴ By contrast, the discovery stage of a trial acts as an equalizer.

1. Acceptable grounds to challenge patent's validity

The change from inter partes reexamination to inter partes review transformed the third party validity-challenging

²⁰² Kalinsky & Nguyen, *supra* note 10.

²⁰³ See Baldwin & Gin, *supra* note 9; Leslie A. McDonell & Robert A. Pollock, *Inter Partes Review: Tips For The Patent Holder*, FINNEGAN (May 24, 2013), <http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=339129db-4df9-4439-a216-91cca9ba55f3>.

²⁰⁴ Baldwin & Gin, *supra* note 9.

proceedings before the Patent Office “from an examinational to an adjudicative proceeding.”²⁰⁵ Inter partes reexamination operated as a “prosecution-like” proceeding whereas inter partes review now operates as a type of “mini-trial,”²⁰⁶ utilizing some of the standards previously reserved for litigation.²⁰⁷ Unlike the inter partes methods, district courts can hear validity challenges on all matters of novelty,²⁰⁸ obviousness,²⁰⁹ written description,²¹⁰ and subject matter.²¹¹ These additional challenges, namely written description, subject matter, and novelty challenges based on non-prior art patents and printed publications, to the validity of a patent are excluded from inter partes review because they are believed to require witnesses and other evidentiary proceedings²¹² for which a district court is better situated.²¹³ However, when challenging solely on the basis of prior art patents and printed publications, the judges of the Patent Trial and Appeal Board may be more willing to allow for the combination of multiple prior art references relative to district courts.²¹⁴

2. Length considerations

There were no limits to the number of grounds that challengers could raise against the validity of a claim in an inter partes reexamination.²¹⁵ Similarly, there were no limits to the number of claim amendments that a patent owner could make.²¹⁶ The inter partes review procedure does not prohibit the practice of amending

²⁰⁵ *Id.* (quoting H.R. REP. NO. 112-98, at 46 (2011)).

²⁰⁶ Baldwin & Gin, *supra* note 9.

²⁰⁷ Asher, *supra* note 66.

²⁰⁸ *See* 35 U.S.C. § 102 (2012).

²⁰⁹ *See id.* at § 103.

²¹⁰ *See id.* at § 112.

²¹¹ *See id.* at § 101.

²¹² *See* FED. R. CIV. P. 26–36.

²¹³ Lagatta & Lewis, *supra* note 13.

²¹⁴ *See* Shuchman, *supra* note 39.

²¹⁵ Davis, *Tips for Killing Patents*, *supra* note 11.

²¹⁶ The number of amendments proposed by the patent owner could range from a few dozen to hundreds. Siminski, et al., *supra* note 5.

claims as such amendments may be beneficial to clarify ambiguities within the claims;²¹⁷ however, the *inter partes* review only allows for “a reasonable number of substitute claims.”²¹⁸ Consequently, the average number of proposed amended claims in an inter partes review proceeding is only six with even fewer being admitted.²¹⁹ As a result, the average length of an inter partes reexamination petition was 246 pages.²²⁰ An inter partes review petition, by contrast, is limited to sixty pages²²¹ and many district courts impose brief limits, which vary from ten to twenty-five pages.²²²

3. Oral arguments

The shift “from an examinational to an adjudicative proceeding”²²³ was designed to make the validity-challenging proceeding before the Patent Office truly adversarial.²²⁴ Whereas declarations supporting one’s position could be filed in an inter partes reexamination proceeding, parties could never challenge the declarations through depositions.²²⁵ The shift to allow expert depositions is a critical part of a party’s inter partes review case.²²⁶ An oral argument, which was previously limited on appeal to the Board of Patent Appeals and Interferences, is now a part of the

²¹⁷ See 4 LESTER HORWITZ & ETHAN HORWITZ, PATENT OFFICE RULES & PRACTICE § 42.12 (Matthew Bender 2014) (citing the USPTO’s response to comment 30 made in regards to 37 CFR Part 42 [Docket No. PTO-P-2011-0083]).

²¹⁸ 35 U.S.C. § 316(a)(9) (2012).

²¹⁹ See Siminski et al., *supra* note 5.

²²⁰ As measured from October 1, 2010, to June 30, 2011. PATENT OFFICE RULES & PRACTICE, *supra* note 217, at 12-778 (stating the USPTO’s consideration of the economic impact of the final rules on small entities).

²²¹ Davis, *Tips for Killing Patents*, *supra* note 11.

²²² HORWITZ & HORWITZ, *supra* note 217, at 12-778.

²²³ See Baldwin & Gin, *supra* note 9 (quoting H.R. REP. NO. 112-98, pt.1, at 46 (2011)).

²²⁴ *Id.*

²²⁵ *Id.*

²²⁶ See *id.*; Prange & Morton, *supra* note 25.

inter partes review proceedings.²²⁷ While these litigation-like components of discovery and oral arguments may make a client feel like they are more effectively challenging the validity of the patent claims before the Patent Office, these changes bring with it litigators and litigation-like costs.²²⁸

4. Institution standards

There is a statutory procedural change to go from the petition stage to the institution of the inter partes proceedings. In inter partes reexamination, a proceeding was instituted if a “substantial new question of patentability” was raised in the petition.²²⁹ In inter partes review, a proceeding is instituted if “a reasonable likelihood that the petitioner would prevail with respect to at least one challenged claim.”²³⁰ On the surface, it appears that inter partes review has a heightened institution standard.²³¹ However, September 16, 2011 to September 15, 2012 provided a case study as to whether the implementation of the two standards is in fact different.²³² During this period, inter partes reexaminations utilized the reasonable likelihood standard for institution.²³³ In 2011, 342 of 366 requests for inter partes reexamination were granted under the substantial new question standard for a granting rate of 93 percent.²³⁴ Of the initial forty-two reexamination orders issued under the reasonable likelihood standard, thirty-eight were granted for a granting rate of 90 percent.²³⁵ Thus, despite the statutory definitions of the standards, there does not appear to be an as-applied difference between the standards.²³⁶

²²⁷ See Baldwin & Gin, *supra* note 9.

²²⁸ See Loh & Hill, *supra* note 49.

²²⁹ Cage & Cullen, *supra* note 84, at 941.

²³⁰ 35 U.S.C. § 314(a) (2012).

²³¹ HORWITZ & HORWITZ § 42.108, *supra* note 217.

²³² See MPEP § 2601 (9th ed. Rev. 1, Mar. 2014).

²³³ *Id.*

²³⁴ Smyth, *supra* note 143, at 14.

²³⁵ *Id.*

²³⁶ See *id.*

5. Claim construction standards

Across the three proceedings, there is a sharp contrast among the claim construction standards. Inter partes reexamination used the broadest reasonable interpretation standard.²³⁷ This interpretation standard coincided with an ability to freely amend the claims so as to resolve ambiguities because of the broad interpretation standard.²³⁸ By contrast, district court proceedings utilize the proper meaning standard²³⁹ paired with a presumption of validity.²⁴⁰ In inter partes review, the statute requires the Board to construct the claims using the “proper meaning of a patent claim.”²⁴¹ This shift in claim construction standard means that inter partes review proceedings do not require as extensive of claim amendment procedures.²⁴² Despite the statutory language stating that the proper meaning standard is to be used before the Patent Office, there is doubt as to whether the proper meaning standard or the broadest reasonable interpretation standard is being used in inter partes reviews.²⁴³ The fact that inter partes review does not contain a presumption of patent validity is consistent with the notion that the *broadest possible interpretation* standard is being used.²⁴⁴ Thus, if the Patent Office is using the broadest reasonable

²³⁷ See *In re Hyatt, Rambus, Inc.*, 753 F.3d 1253, 1255 (Fed. Cir. 2014); Asher, *supra* note 66.

²³⁸ PATENT OFFICE RULES & PRACTICE, *supra* note 217.

²³⁹ Asher, *supra* note 66.

²⁴⁰ 35 U.S.C. § 282(a) (2012); *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242 (2011).

²⁴¹ 35 U.S.C. § 301(d) (2012).

²⁴² See *id.* at § 316(a)(9); PATENT OFFICE RULES & PRACTICE, *supra* note 217, at 12-880 (2014)(citing the USPTO’s response to comment 35 regarding 37 CFR Part 42).

²⁴³ See Asher, *supra* note 66 (“What does the AIA mean by the ‘Proper Meaning’ of a Patent Claim?”).

²⁴⁴ During examinational proceedings, the patent or putative-patent is given the broadest possible interpretation because the claims have not been finalized or are in the process of being reexamined. Conversely, adjudicative proceedings are working with finalized patent claims. The claims no longer get the broadest possible interpretation but are given the presumption of validity. To have both a

interpretation standard, the claim construction standard used for inter partes review favors the challenger because there is no presumption of validity.²⁴⁵

6. *Standards of proof*

The second legal standard that separates patent litigation from the inter partes methods is the standard of proof required to invalidate a patent.²⁴⁶ Given the presumption of validity that exists in district court proceedings,²⁴⁷ a patent may be invalidated in a district court proceeding only if the challenger presents clear and convincing evidence of invalidity.²⁴⁸ Conversely, a challenger in an inter partes review need only establish invalidity by a preponderance of the evidence.²⁴⁹ This was the same standard used for an inter partes reexamination.²⁵⁰ This lower standard in the inter partes methods favors the challenger.²⁵¹

7. *Estoppel effects*

The shift to inter partes review brought about a major shift in estoppel effects on inter partes methods. Both proceedings require the petitioner to identify a real party in interest to be bound by the decision.²⁵² However, two important differences exist.²⁵³ First, inter partes reexamination utilizes the “raised or could have raised”

broadest possible interpretation and a presumption of validity would be inconsistent with the prior uses of the standards. Furthermore, the absence of both standards places the patent owner at a disadvantage on both fronts. *Id.*; Lagatta & Lewis, *supra* note 13.

²⁴⁵ Lagatta & Lewis, *supra* note 13.

²⁴⁶ See Asher, *supra* note 66.

²⁴⁷ 35 U.S.C. § 282(a).

²⁴⁸ Microsoft Corp. v. i4i Ltd. P’ship, 131 S. Ct. 2238, 2242 (2011).

²⁴⁹ 37 C.F.R. § 42.1(d) (2014).

²⁵⁰ In re Swanson, 540 F.3d 1368, 1377 (Fed. Cir. 2008).

²⁵¹ See Shah, *supra* note 12; Asher, *supra* note 66.

²⁵² See Cage & Cullen, *supra* note 84, at 952–53; Gholz, Kiklis, & Englehart, *supra* note 72, at 1.

²⁵³ See Lagatta & Lewis, *supra* note 13.

standard,²⁵⁴ whereas, inter partes review utilizes the “raised or reasonably could have raised” standard.²⁵⁵ By statutory construction, the inter partes review estoppel standard is more narrow than the inter partes reexamination estoppel standard.²⁵⁶ However, in inter partes review, estoppel is effective upon a final written decision; whereas, estoppel in inter partes reexamination is only effective after all appeals have been exhausted.²⁵⁷ This different temporal estoppel effect may impact whether a judge would be willing to grant a discretionary stay in concurrent litigation pending the completion of the proceeding before the Patent Office.²⁵⁸ Thus, the estoppel standard in inter partes review may be less harsh, but its immediate effect makes estoppel in inter partes review more potent.

8. Summation of procedural differences

Collectively, in comparing the two inter partes methods, inter partes review appears to have harsher procedural rules than inter partes reexamination. These harsher elements include limitations to length of the petition, the institution standard, the statutory claim construction standard, the immediacy of estoppel and the appellate rights. Though these changes are limiting, they allow inter partes review to be concluded faster than inter partes reexamination proceedings, which has secondary effects such as increasing the likelihood that a concurrent district court proceeding will be stayed pending the decision from the Patent Trial and Appeal Board.

²⁵⁴ 35 U.S.C. § 315(c) (2006) (amended 2011).

²⁵⁵ *Id.* § 315(e).

²⁵⁶ See Gholz, Kiklis, & Englehart, *supra* note 72 (discussing Congress’ deliberate intention of relaxing the estoppel standard in the new inter partes review).

²⁵⁷ See Asher, *supra* note 66.

²⁵⁸ See Siminski et al., *supra* note 5 (discussing *Kyocera Corp. v. Softview, LLC*, IPR2013-00004 (P.T.A.B. Dec. 21, 2012), where the court denied a motion to stay after a petition for an inter partes reexamination was filed, but later granted a motion to stay after a petition for inter partes review was filed).

In comparing inter partes review to patent litigation, the limited scope and limited discovery rules may favor a patent owner more in an inter partes review than district court litigation. However, the claim construction standard likely being used and the standard of proof required to invalidate a patent clearly favor the challenger in the inter partes review. Thus, from a procedural perspective, it seems that inter partes review may be an adequate substitute for patent litigation with respect to what may be challenged in an inter partes review.

B. Durational comparison

The three patent-challenging methods are not exceptionally fast. Inter partes review has a statutory limit of eighteen to twenty-four months.²⁵⁹ This inter partes review duration reduces the maximum duration by one-third relative to the average duration of an inter partes reexamination.²⁶⁰ An inter partes review's statutory limit is not substantially faster than the median time-to-trial of 2.5 years.²⁶¹ Additionally, some district courts have time-to-trial durations substantially shorter²⁶² than the inter partes review proceeding. Thus, it may not be temporally efficient to file an inter partes review in all cases. While an inter partes review may be faster than patent litigation as a stand-alone process, it has the potential to greatly elongate the litigation process when a stay is

²⁵⁹ Asher, *supra* note 66; see 35 U.S.C. § 316(a)(11) (2012) (stating that a final determination shall be made no later than one-year from institution, to be extendable for up to six months); 35 U.S.C. § 314(b) (stating that a decision on institution shall occur within three-months after receiving a patent owner's preliminary response); 37 C.F.R. § 42.107(b)(2014) ("The preliminary response must be filed no later than three months after the date of a notice indicating that the request to institute an inter partes review has been granted a filing date.").

²⁶⁰ See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126, at 1.

²⁶¹ BARRY ET AL., *supra* note 144, at 21.

²⁶² *Id.* at 22.

granted. However, given the claim invalidation rates to date,²⁶³ it is more likely to shorten the litigation proceedings.

C. Cost comparison

The transition from “an examinational to an adjudicative proceeding”²⁶⁴ has resulted in substantial cost differences at the Patent Office between the methods. For inter partes reexamination, the Patent Office required an \$8,800 fee²⁶⁵ but returned all but about \$830 if a substantial new question of patentability was not found.²⁶⁶ When filing an inter partes review a minimum fee of \$23,000 is required, though this amount continues to rise as additional claims are challenged.²⁶⁷ If the Board denies the petition to institute the inter partes review, then the post-institution fee of at least \$14,000 is returned.²⁶⁸ Therefore, even if an inter partes review is not instituted, the fee payable to the Patent Office for an inter partes review is still greater than the fee payable for the institution of an inter partes reexamination.

Additionally, the transition from “an examinational to an adjudicative proceeding”²⁶⁹ has resulted in substantial overall cost differences between the methods. An inter partes reexamination was estimated to cost \$280,000.²⁷⁰ That amount constitutes the low-end of the approximated cost of an inter partes review.²⁷¹ Overall, an inter partes review is projected to cost \$300,000 to

²⁶³ See Prange & Cyrus, *supra* note 25 (“[T]he survival rate of claims is about 9.1%).

²⁶⁴ Baldwin & Gin, *supra* note 9 (quoting H.R. Rep. No. 112-98, at 46 (2011)).

²⁶⁵ Cage & Cullen, *supra* note 84, at 939.

²⁶⁶ *Id.* at 940.

²⁶⁷ See 37 C.F.R. § 42.15(a) (2014).

²⁶⁸ Setting and Adjusting Patent Fees, 78 Fed. Reg. 4212, 4233 (Jan. 18, 2013) (to be codified at 37 C.F.R. pts. 1, 41, 42).

²⁶⁹ See Baldwin & Gin, *supra* note 9 (quoting H.R. Rep. No. 112-98, at 46 (2011)).

²⁷⁰ Wu & Maebius, *supra* note 1 (citing *AIPLA Survey 2011*, *supra* note 130, at I-173 to I-176).

²⁷¹ See Lagatta & Lewis, *supra* note 13.

\$800,000.²⁷² This substantial increase is most directly tied to the litigation-like expenses of discovery, depositions, and use of experts.²⁷³ Thus, the expediency and the litigation-like aspects of inter partes review make it considerably more expensive both in the initial petition to the Patent Office and in overall costs of the proceedings.

As patent litigation has become more popular,²⁷⁴ patent litigation costs have risen.²⁷⁵ Though many factors can go into determining the overall cost of litigation, namely the amount of damages at stake, the cost of litigation on average can range from almost one million to six million dollars.²⁷⁶ While the cost of an inter partes review is considerably less than the cost of patent litigation, this is not entirely a fair comparison. Of the early inter partes review filers, roughly 90 percent were involved in concurrent litigation.²⁷⁷ Thus, inter partes review is an intermediate proceeding of the overall litigation. If a defendant can get a stay of litigation²⁷⁸ and is successful in invalidating all of the challenged patent claims, then the inter partes review costs were well spent. If the challenger is unsuccessful at invalidating all of the patent claims, then inter partes review costs plus the litigation costs may be greater than just the litigation costs, even though the inter partes review decision will have an estoppel effect on the litigation.²⁷⁹ Thus, filing an inter partes review is a calculated financial risk which may result in savings or in additional costs for both parties,

²⁷² *Id.*

²⁷³ *See id.*

²⁷⁴ BARRY ET AL., *supra* note 144, at 6.

²⁷⁵ *See* AIPLA, *Survey 2011*, *supra* note 130, at 35.

²⁷⁶ AIPLA, *Survey 2013*, *supra* note 145, at 34.

²⁷⁷ Kalinsky & Nguyen, *supra* note 10.

²⁷⁸ *See Id.*; 35 U.S.C. § 315(2); Siminski et al., *supra* note 5; Ryan Davis, *Judges At Odds Over Staying Cases for 3rd-Party Review*, Law360 (June 17, 2014, 8:42 PM),

<http://www.law360.com/articles/547846/judges-at-odds-over-staying-cases-for-3rd-party-aia-review>.

²⁷⁹ 35 U.S.C. § 315(e)(1) (2012).

but given the claim invalidation rates to date,²⁸⁰ it seems to be a worthwhile risk for most defendants.

D. Rates of institution and claim cancelling

In comparing the utility of each method for a patent challenger, one must consider what types of patents the methods are challenging; the rate of institution of the proceeding; and subsequently, the rate at which patent claims are canceled. The inter partes review and inter partes reexamination are used primarily for challenging electrical and mechanical patents, though inter partes review is more skewed towards challenging electrical patents.²⁸¹ Next, inter partes reexaminations were instituted in 93 percent of the 2005 decisions from November 29, 1999, to September 30, 2013.²⁸² Comparatively, inter partes reviews were initially instituted at a rate of 96 percent²⁸³ but have subsequently subsided to approximately 78 percent.²⁸⁴ It is unclear whether this decrease is due to a refinement of the Patent Office's use of the reasonable likelihood standard or is a result of an increased number of marginal inter partes review applications. Recall, that as of this writing, there were 1,310 inter partes review petitions filed in 2014,²⁸⁵ whereas, there were only 530 inter partes reexamination petitions filed in the last year it was available.²⁸⁶ Overall, it seems that inter partes reviews and inter partes reexaminations are instituted at roughly the same rate depending on when in time one looks.

²⁸⁰ See *Experts Rule*, *supra* note 25.

²⁸¹ See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126 (noting forty-five percent of filings were directed at electrical patents and twenty-five percent of filings were directed at mechanical patents); AIA STATISTICS, *supra* note 19 (noting 71.9% of filings have been directed at electrical patents and 15.3% of filings have been directed at mechanical patents).

²⁸² See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

²⁸³ O'Dell & King, *supra* note 28.

²⁸⁴ See AIA STATISTICS, *supra* note 19.

²⁸⁵ *Id.*

²⁸⁶ See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

The two inter partes methods were designed to challenge the validity of patent claims on the basis of prior art patents and printed publications.²⁸⁷ Surprisingly, despite the procedural differences noted above, the two methods have approximately the same rate of patent invalidation. In inter partes reexamination, only 8 percent of the issued certificates affirmed all of the previously patented claims.²⁸⁸ As of June 18, 2014, roughly 17 percent of inter partes review decisions have affirmed all previously patented claims;²⁸⁹ however, as of July 2014, only 9 percent of claims were held valid overall.²⁹⁰ When district court invalidation rates are considered, the results are not that different. From 2007 to 2011, only 14 percent of patents were held valid where a disposition on validity was rendered in a district court proceeding.²⁹¹ This is near identical to the 17 percent of inter partes reviews which have been held valid from September 16, 2012, to June 18, 2014.²⁹² Recall, patent litigation includes all types of validity challenges. Thus, despite the concern for the cancellation rates of claims in inter partes review and the characterization of Patent Trial and Appeal Board judges as “death squads,” the invalidation rates in inter partes review are no worse than in inter partes reexamination or patent litigation.²⁹³ If anything, the invalidation rates for the inter partes review may be more favorable to the patent owner than in the previously available inter partes reexamination.

While the rates of affirming patents are similar between the two inter partes methods, the levels of invalidation diverge. In inter partes reexaminations, 31 percent of certificates cancelled all of the claims while 61 percent of the issued certificates resulted in some claim changes (e.g. claims were amended, canceled, or

²⁸⁷ See Lagatta & Lewis, *supra* note 13; Laurenson, *supra* note 106.

²⁸⁸ See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

²⁸⁹ CHRISTOPHER DAVIS & LINHDA NGUYEN, IPR FINAL DECISION STATISTICS (June 28, 2014) (on file with author).

²⁹⁰ See *Experts Rule*, *supra* note 25.

²⁹¹ See Smyth, *supra* note 143.

²⁹² DAVIS & NGUYEN, *supra* note 289.

²⁹³ See *Experts Rule*, *supra* note 25.

invalidated).²⁹⁴ In inter partes review, 70 percent of the final decisions cancelled all of the claims while only 13 percent of the final decisions left some claims intact.²⁹⁵ Thus, the two mechanisms may have similar rates for affirming an entire patent, but they vary on whether some claims may survive the proceeding; as is evidenced by 40 percent fewer patents having survivable claims in inter partes reexamination relative to inter partes review.²⁹⁶

E. Conclusions of method comparison

In deciding whether inter partes review is a useful and fair mechanism for challenging the validity of patents, the institution and patent invalidation rates provide valuable insight. Because the institution rates are actually lower for inter partes review than inter partes reexamination and the patent invalidation rates are the lowest among the three methods, it is possible that the inter partes review is a more advantageous process for patent owners compared to the inter partes reexamination. Perhaps the concern about the inter partes review institution and invalidation rates has developed because of the sheer volume of inter partes review petitions being filed.

If the inter partes review proceeding seems “fair” from a statistical standpoint, many of the other characteristics are left to the personal preference of the client. In deciding whether a client prefers inter partes reexamination, patent litigation, or the new inter partes review, the client must decide how he or she wants to challenge the validity of the given claims and how quickly he or she wants the process done. Clients satisfied with an examinational proceeding lacking discovery, depositions, and experts were probably happier with the cheaper inter partes reexamination process and are sad to see it go. Doubling or tripling the cost of the

²⁹⁴ See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

²⁹⁵ DAVIS & NGUYEN, *supra* note 290.

²⁹⁶ See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126; DAVIS & NGUYEN, *supra* note 290.

validity challenge before the Patent Office may discourage use. However, if clients are convinced they are getting a better challenge, then the cost may be worth it. Additionally, a shortened may encourage a stay of litigation proceedings, and may save the client money, as approximately 90 percent of early inter partes review petitions were filed when the patent was involved in concurrent litigation.²⁹⁷

VI. CONCLUSIONS

An early concern regarding inter partes review has been the rate at which patents are being invalidated.²⁹⁸ However, when compared to other patent-invalidating methods, namely inter partes reexamination²⁹⁹ and patent litigation,³⁰⁰ the rate of patent invalidation is not alarming. In fact, the rates of the three methods are surprisingly similar, finding only 8 to 17 percent of challenged patents valid.³⁰¹ It should be noted that while early inter partes reviews may have had a higher invalidation rate, the most recent statistics indicate that it has the lowest invalidation rate of the three proceedings.³⁰²

A. If patents are going to be invalidated, what is the best method to use?

The preceding research and analysis show that patents are being invalidated at high rates regardless of the mechanism used.³⁰³ Multiple factors may contribute to why patents are found invalid at such a high frequency. Some part of it may be a result of

²⁹⁷ Kalinsky & Nguyen, *supra* note 10.

²⁹⁸ See *Experts Rule*, *supra* note 25.

²⁹⁹ See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

³⁰⁰ See Smyth, *supra* note 143.

³⁰¹ See *id.*; DAVIS & NGUYEN, *supra* note 289; U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

³⁰² See Smyth, *supra* note 143; DAVIS & NGUYEN, *supra* note 289; U.S. Patent & Trademark Office, *Inter partes Data*, *supra* note 126.

³⁰³ See Smyth, *supra* note 143; DAVIS & NGUYEN, *supra* note 289; U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

changes in interpreting of obviousness³⁰⁴ or subject-matter patentability³⁰⁵ because of United States Supreme Court rulings.³⁰⁶ For instance, patents granted under a prior interpretation of obviousness or subject-matter patentability may now be especially susceptible to being challenged. Others argue that patent examiners do not do their jobs well.³⁰⁷ However, when clients can pay lawyers and technical experts seemingly endless amounts of money to challenge what a patent examiner does in roughly eighteen hours, the rate of invalidation is not the result of poor examinations.³⁰⁸ In fact, the high invalidation rates do not acknowledge the fact that most patents are never litigated or even licensed.³⁰⁹ Thus, if the few patents challenged, relative to the total number granted, are going to be invalidated at a high rate, it is important that clients choose the best method available to them.

Though no longer available,³¹⁰ inter partes reexamination was a slow,³¹¹ limited³¹² method of challenging patents. However, inter partes reexamination was the cheapest method because it was an examinational proceeding with no discovery procedures.³¹³ While it was effective at invalidating patents,³¹⁴ its prolonged duration³¹⁵ made it ineffective to use as part of a litigation strategy because judges were unwilling to grant stays in the litigation pending the

³⁰⁴ KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398 (2007).

³⁰⁵ See Alice Corp. Pty. v. CLS Bank Int'l, 134 S. Ct. 2347 (2014); Bilski v. Kappos, 561 U.S. 593 (2010).

³⁰⁶ Wu & Maebius, *supra* note 1.

³⁰⁷ Ford, *supra* note 146, at 87–88.

³⁰⁸ Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1502 (2001).

³⁰⁹ *Id.* at 1497.

³¹⁰ Kalinsky & Nguyen, *supra* note 10.

³¹¹ See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

³¹² See Cage & Cullen, *supra* note 84, at 941 & n. 50.

³¹³ See Baldwin & Gin, *supra* note 9.

³¹⁴ See U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

³¹⁵ See *id.*

inter partes reexamination.³¹⁶ Though it comes with an added financial burden, inter partes review is an overall better method of challenging the validity of patents because, in contrast to inter partes reexamination, judges seem to be willing to grant stays in litigation.³¹⁷ Since most inter partes reviews are filed where there is concurrent litigation,³¹⁸ the ability to obtain a stay can save challengers litigation costs because the Patent Trial and Appeal Board will likely simplify the issues at trial. Thus, inter partes review is favorable to inter partes reexamination.

In considering whether inter partes review should be utilized in favor of patent litigation, one must consider the location and complexity of the litigation. Some districts have time-to-trial durations substantially shorter³¹⁹ than the eighteen to twenty-four months that an inter partes review takes. In these situations, use of an inter partes review would prolong the overall proceedings and should be very carefully considered before being used. Additionally, if the litigation is particularly complex with many invalidity defenses, beyond prior art patents and publications and noninfringement defenses, the fraction of issues simplified in an inter partes review may make the inter partes review less useful than in other litigation situations. Thus, parties need to determine whether an inter partes review is actually useful to their situation.

B. The future of inter partes review

Inter partes review is already more popular than many believed it would be.³²⁰ However, if it continues to grow in popularity, it may outpace its usefulness. Less than two years in, more than twice as many inter partes reviews are being filed compared to the

³¹⁶ See Siminski et al., *supra* note 5 (discussing *Softview LLC v. Kyocera* where the court denied a motion to stay after a petition for a inter partes reexamination was filed but later granted a motion to stay after a petition for inter partes review was filed).

³¹⁷ *Id.*

³¹⁸ See Kalinsky & Nguyen, *supra* note 10.

³¹⁹ BARRY ET AL., *supra* note 144, at 22.

³²⁰ See Lagatta & Lewis, *supra* note 13; Siminski et al., *supra* note 5.

last year of inter partes reexaminations.³²¹ If this rate continues, the Director will likely be forced to impose a cap on the number of inter partes reviews that can be filed each year.³²² The determining factor will be whether the Patent Office can hire and retain enough Patent Trial and Appeal Board judges to maintain the rate of inter partes reviews.³²³

In the not too distant future, inter partes review may become less popular through no fault of its own. On the same day that inter partes review replaced inter partes reexamination, the Patent Office also introduced a second patent-challenging proceeding, the post-grant review.³²⁴ However, unlike inter partes review which could immediately be initiated on patents over nine months old, post-grant review required challenged patents to have an effective filing date of March 16, 2013, which coincides with the shift to first-to-file priority.³²⁵ As a result, post-grant review may not be feasible in a widespread manner until 2016 or 2017.³²⁶

Post-grant review has the potential to supersede inter partes review for two reasons. First, post-grant review allows a patent to be challenged on all types of invalidity including usefulness, subject-matter, novelty, obviousness, and written description.³²⁷ Thus, post-grant review may be more useful as a pre-litigation proceeding. Additionally, whereas an inter partes review cannot be

³²¹ See AIA STATISTICS, *supra* note 19; U.S. Patent & Trademark Office, *Inter Partes Data*, *supra* note 126.

³²² Siminski et al., *supra* note 5; see 37 C.F.R. § 42.102(b) (2014).

³²³ Siminski et al., *supra* note 5.

³²⁴ Kevin B. Laurence & Matthew C. Phillips, *Post-Grant Review Proceedings Compared with EPO Opposition*, INTELL. PROP. TODAY (Dec. 2011), available at <http://www.iptoday.com/issues/2011/12/post-grant-review-proceedings-compared-with-epo-oppositions.asp>.

³²⁵ *Id.*

³²⁶ Sterne et al., *supra* note 24.

³²⁷ 35 U.S.C. § 321(b) (2012) (“A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).”).

filed until nine months after a patent has been granted,³²⁸ a post-grant review must be filed prior to nine months after a patent has been granted.³²⁹ In this way, the use of inter partes reviews may become less common if clients decide to challenge the validity of a patent immediately upon the granting of their competitor's patent instead of waiting until litigation proceedings begin. It is hard to know whether inter partes review will continue to be popular once a critical mass of first-to-file patents exists, but there is no question that given the right circumstances, it is currently the best mode of challenging the validity of patents on prior art issues.

³²⁸ *Id.* § 311(c).

³²⁹ *Id.* § 321(c).