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New Options For Challenging Patents

PETITION SYSTEM OFFERS ATTRACTIVE, COST-EFFECTIVE ALTERNATIVE

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The America Invents Act (AIA) of 2011 significantly overhauled the U.S. patent system and, among other changes, introduced several new petition mechanisms for challenging patents through the U.S. Patent and Trademark Office (USPTO). Although these petitions carry the risk of estoppel, they can be an attractive option as they are significantly cheaper than traditional court proceedings.

On April 2, the USPTO released new statistics regarding the petitions the Patent Trial and Appeal Board (PTAB) has received under the AIA since its implementation on Sept. 16, 2012. These statistics show an overall growth in petitions, and that most result in a trial before the PTAB.

Cost-Effective Challenge

There are three types of petitions that a party may use through the USPTO to challenge an issued patent. The most common, inter partes review (IPR), is a mechanism where a petitioner requests to cancel one or more claims of an issued patent as unpatentable based on a novelty or obviousness ground, and only using prior art consisting of patents or printed publications.

The second type introduced by the AIA is postgrant review (PGR). A PGR petition allows a challenge to the validity of a patent within nine

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months from its grant date based on a broader range of grounds, including novelty and obviousness, as well as on the grounds that the patentee failed to satisfy the written description, enablement or statutory subject-matter requirements.

The third type is a covered business method (CBM) petition. In a CBM, a party who has been sued or charged with infringement challenges the validity of a patent that recites a method or corresponding apparatus for performing data processing or other operations used in the practice, administration or management of a financial product or service (the claims are not directed to, in contrast, a technological invention).

All three types carry some form of estoppel risk. In spite of that, petitions can be an attractive option for challenging patents. Compared to a court proceeding, which can cost millions of dollars, a petition through the USPTO is relatively cost-effective.

Exponential Growth

According to the statistics, many are taking advantage of the petition mechanisms, with the overall number of annual petitions increasing exponentially.

Cumulatively in 2012, the board received 25 petitions—17 IPRs and eight CBMs. Note that PGR petitions are only available for patents filed on or after March 16, 2013, and, thus, were not yet available. In 2013, however, the board received 563 petitions, most of which were IPRs (514 IPRs, 48 CBMs and one PGR). Since the beginning of this year, the board has



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already received about the same amount of petitions it received in all of 2013. Again, the majority were IPRs (467 IPRs and 93 CBMs).

Most Petitions Result In Trial

In 2013, IPRs resulted in 167 trials before the PTAB, 10 joinders and 26 denials of trial. (Thus, of the petitions considered in 2013, trials were instituted 87 percent of the time.) Additionally, the PTAB boasts 40 final dispositions of IPR trials in 2013: 38 settlements and two adverse judgments. Also in 2013, CBMs resulted in 14 trials and three denials (instituting trial for 82 percent of petitions).

So far in 2014, IPRs resulted in 238 trials, one joinder and 64 denials. IPR decisions resulted in 79 settlements, 18 adverse judgments and 29 final written decisions on the merits. CBMs resulted in 38 trials so far and seven denials, with the CBMs resulting in eight settlements and 10 final written decisions on the merits.

Thus, the petition procedure through the USPTO is becoming more widely used and is a cost-effective alternative to challenge issued patents. ■