

INTELLECTUAL PROPERTY

PATENT REVIEWS: THE JOURNEY CONTINUES



After the passage of the landmark America Invents Act in 2011, courts and the United States Patent and Trademark Office spent several years sorting out how it would work in reality and making adjustments along the way. Now that interest in modifying patent laws and

procedures is back—and gaining momentum.

Today, a number of observers believe that changes made under the AIA have tilted the process in favor of patent challengers and made it easier to invalidate patents. This has led to a growing discussion about how to improve things—and now, “some people are asking for changes in the patent system,” says [Teresa Rea](#), a Crowell & Moring partner, vice-chair of the firm’s [Intellectual Property Group](#), and a director with C&M International.

Much of that discussion has centered on the USPTO’s *inter partes* reviews. In the IPR process, patent holders and challengers present their cases to the Patent Office’s Patent Trials and Appeals Board, much like they would in a courtroom. Designed to be a faster and lower-cost alternative to litigation, IPRs quickly became a popular forum for patent cases. Many saw IPRs as a way to rein in the activity of trolls, or non-practicing entities, because they provided an avenue for invalidating their marginal patents.

However, compared to litigation, IPRs use less stringent standards when it comes to claim construction and burden of proof, and in practice, the process has had a significantly higher patent-invalidation rate than the courts. “Some patent holders now consider these PTAB proceedings to be unfairly good at invalidating their patents—and for doing so more cheaply and quickly than the district courts,” says Rea, who was formerly the acting and deputy director of the USPTO and the acting and deputy undersecretary of commerce for intellectual property.

This has created tensions across various industries. For example, says Rea, high-tech companies, which may have thousands of patents in a device, see the IPR proceedings as a chance to invalidate the patents of trolls and, therefore, as something critical to innovation. Pharmaceutical companies, on the other hand, often have just a few patents involved in one of their products, making each patent more critical. In their view, IPRs make it difficult to protect their patents, and therefore, they see IPRs as something that tends to stifle innovation. Originally, says Rea, “the AIA and IPRs were designed to bring those varying viewpoints together. But now, there is more separation than ever between the high-tech and life sciences sectors on these issues.”

KEY POINTS

Focusing on the Patent Office

Several years after the AIA passed, many look for change in USPTO processes.

Congress weighs in

Legislators are considering several changes to patent law that may alter USPTO practices.

The litigation factor

Court actions may reshape—or eliminate—the popular *inter partes* reviews.

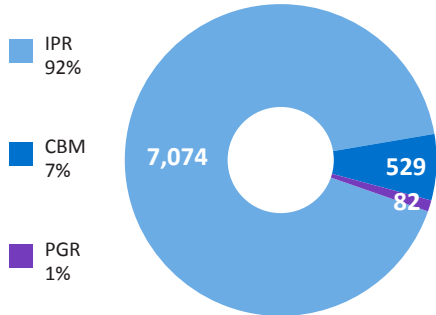


“We’re seeing industries going back to Congress to ask for modifications to various procedures and laws relating to the PTAB.” —Teresa Rea

Petitions by Trial Type

(All Time: 9/16/12 to 10/31/17)

IPR is by far the most common trial type at the USPTO

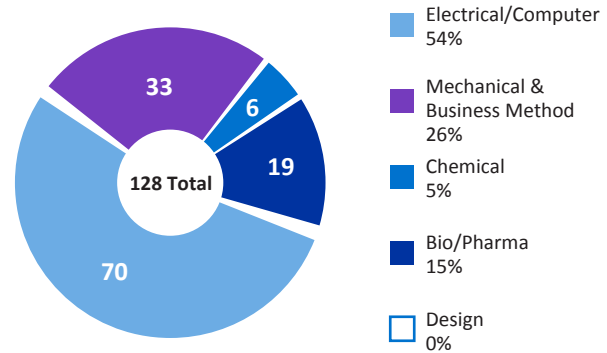


Source: United States Patent and Trademark Office

Petitions Filed by Technology in FY18

(FY18 to date: 10/1/17 to 10/31/17)

High tech industry cases make up a large portion of the PTAB work



CONGRESS AND THE COURTS: LOOKING AT CHANGE

These differing perspectives are making patents, and especially the USPTO reviews, an issue for legislators. “We’ve had a couple of years to see how the IPRs work in practice, and it may not be playing out as a lot of people had anticipated,” says Rea. “We’re seeing industries going back to Congress to ask for modifications to various procedures and laws relating to the PTAB.”

That congressional interest, and some patent holders’ dissatisfaction with the system, came together in September 2017, when a pharmaceutical company transferred some of its patents to the St. Regis Mohawk Native American tribe. The goal was to shield the patents from IPR hearings, with the company saying that because the tribe was not subject to U.S. laws, it could not be required to participate in such hearings. Many in Congress were not pleased, and in October 2017, Missouri Senator Claire McCaskill introduced a bill saying that Native American tribes could not claim sovereign immunity to avoid patent hearings.

Congress is also looking at ways to further curtail some of the non-practicing entities’ actions—a goal that the AIA addressed to some extent, but not completely. “While the trolls’ activity is less than before, there is still pain for a lot of small companies that don’t have the resources to fight them in legal battles,” says Rea. With that in mind, some members of Congress have been exploring the idea of making attorney fee-shifting—the “loser pays” system—the legal default, rather than just an option. This would presumably make parties less likely to bring weak claims in hopes of a settlement.

Perhaps the biggest potential change to watch is the Support Technology & Research for Our Nation’s Growth and Economic Resilience Act (STRONGER), introduced in June 2017. Sponsored by senators from both sides of the aisle,

STRONGER calls for a variety of changes to the Patent Office’s processes with the general aim of boosting protection for patents. Among other things, the bill would tighten rules about burden of proof, harmonize the PTAB’s claim construction standard with the district court standards, limit petitioners’ ability to challenge a patent repeatedly, and require petitioners to have a business or financial reason to bring a case before the PTAB.

Court cases, too, are driving change at the USPTO. Traditionally, when a patent holder offered an amended patent during an IPR, it was up to that patent holder to prove the patentability of its claim. In October 2017, however, the U.S. Court of Appeals for the Federal Circuit shifted that burden of proof to the petitioner in its *Aqua Products Inc. v. Matal* decision. The court also said that the patent office could, if it wants, issue a new rule to move that burden back to the patent holder. “In general, it was a complex, 15-page opinion, and the issue may well end up with the Supreme Court,” says Rea.

Meanwhile, the Supreme Court is expected to rule in early 2018 in *Oil States Energy Services v. Greene’s Energy Group*, which is challenging the legality of IPRs. Here, the plaintiffs say that the process is unconstitutional because it violates the separation of powers by giving the executive branch authority that really belongs with the judicial branch, and uses an administrative body to take away an individual’s property rights. “This threatens the very existence of the IPRs, which would be a very dramatic change on the regulatory front,” says Rea.

As these developments unfold, the USPTO has a new director, Andrei Iancu. In his confirmation hearings, Iancu’s comments led many to believe that he will be working to provide more protection to patent owners—but in today’s changing landscape, it remains to be seen what that will mean for the PTAB. For the time being, “we need balance, and a lot of things are still up in the air,” says Rea.