

## Patent Litigation Update

### ***Congress Provides Litigation-Type Review of Patents***

Signed into law by President Obama on September 16, 2011, the Leahy-Smith America Invents Act (“the Act”) is the most sweeping change in U.S. patent law in more than a century. Over the course of the next year, the Act will introduce a number of changes, large and small, to established U.S. patent law. For those companies who find themselves frequent targets of patent infringement allegations but would prefer to avoid lengthy federal court litigation, the Act expands the currently available Patent Office procedures for post-grant review of issued patents.

Given the extent of the Act’s changes to U.S. patent practice, the changes are being implemented in multiple phases. Some provisions of the Act significantly impact the course of federal litigation. For example, the Act eliminates a defendant’s “best mode” defense to a charge of patent infringement, and significantly restricts a patent holder’s ability to sue many defendants at once in a single patent infringement lawsuit. Both of these changes have been in effect for six months. The most sweeping of the Act’s changes—those converting the United States from a patent system where patents are awarded to the first to *invent* to one where patents are awarded (under most circumstances) to the first to *file an application*—are set to go into effect with final implementation of the Act on February 16, 2013.

A second round of changes, set to go into effect on September 16, 2012, will include a new *inter partes* review process (to replace the current *inter partes* reexamination procedure), and a new post-grant review process. These two procedures provide new options for a party wanting to challenge the validity of a patent before the Patent Office in a relatively expeditious manner.

Over the years, *inter partes* reexamination has become increasingly popular among those wishing to challenge the validity of an issued patent. However, after September 16, 2012, *inter partes* reexamination will no longer be available, and its replacement with *inter partes* review will have a significant impact on future litigation and litigation strategy. For example, as a mechanism to prevent the Patent Office from becoming overwhelmed with new review petitions, during each of the first four years of this new program, the Act allows the Patent Office Director to limit the yearly number of *inter partes* reviews if that number exceeds the number of *inter partes* reexaminations petitions granted in the year before the new review scheme went into place. Thus, if *inter partes* review becomes popular, there may be a rush to file new review petitions at the beginning of each new one year period to avoid the possibility of being shut out of *inter partes* review.

The Act also has heightened the threshold for obtaining post-issuance review. Under the prior *inter partes* reexamination procedure, the petitioner needed to show that the petition raised a substantial new question of patentability. The Act changes the standard for initiating an *ex parte* reexamination, or new *inter partes* review, requiring the request to show a reasonable likelihood of success in invalidating or requiring a change with respect to at least one patent claim. While in theory this heightened standard may limit the number of *inter partes* review requests, early evidence appears to indicate that this new standard has not significantly changed the percentage of *inter partes* reexamination petitions granted by the Patent Office. However, even if this new standard decreases the percentage of review petitions the Patent Office grants, because the Act has not altered the Patent Office’s standard for determining

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whether a claim, once in reexamination or review, is found to be invalid. Thus, although the total number of reviews granted may decrease, there could, in theory, be a concomitant increase in the success rate for invalidating patent claims.

The universe of patents that can be challenged via an *inter partes* review is greater than for *inter partes* reexamination. Under prior statute, a challenger could only seek *inter partes* reexamination of patents issued on applications filed after November 29, 1999. The Act removes this limitation, making *inter partes* review available for all issued patents. *Inter partes* review is not available, however, immediately upon issuance of a patent. Instead, an *inter partes* review cannot be initiated until the later of either (1) nine months after issuance of the patent or (2) completion of any post-grant review (another of the Act's patent review processes discussed in more detail below).

Recognizing the interplay between Patent Office review and possible invalidity challenges in federal court, in an effort to reduce duplication the Act imposes additional limitations on would-be challengers. First, *inter partes* is not available to any petitioner who has previously filed a civil action (such as a declaratory judgment action) challenging the validity of the patent. If the petitioner attempts to avoid this outcome by filing the petition for *inter partes* review first, the civil action will be automatically stayed. Counterclaims challenging the validity of a claim—raised, for example, in response to an infringement suit brought by the patent holder—would not prevent an *inter partes* review petition and would not trigger an automatic stay. However, the defendant cannot initiate *inter partes* review more than one year after being served with a patent infringement complaint.

The most substantial change wrought by the end of *inter partes* reexamination and the introduction of *inter partes* review is to the form of the proceeding. Former *inter partes* reexamination practice essentially followed a patent prosecution model: the examiner conducted the reexamination as with normal prosecution practice, but the challenger was allowed to respond. The new *inter partes* review abandons this model in favor of one that is decidedly more trial-like in approach. While the detailed proposed rules to implement the new procedures have only recently been published for comment, these new procedures will include limited staged discovery of relevant information (including depositions of witnesses submitting affidavits or declarations); the use of protective orders; the availability of sanctions for abuse of discovery; the right of either party to oral argument; a decision on whether or not to grant *inter partes* review and on what grounds within five months of the filing of a petition for review; and a final resolution of the matter within one year of the grant of the review petition (not including a possible additional six months upon showing of good cause). The entire process is to be conducted by a panel of at least three members of the newly created Patent Trial and Appeal Board, and panel decisions may be appealed to the Court of Appeals for the Federal Circuit. There is no right to any district court action challenging a panel's decision.

Finally, unlike present *inter partes* reexamination procedures where there is no way for a third party requestor to terminate the reexamination proceedings once it has begun, the new Act allows the parties to jointly request that Patent Office terminate its review based on a settlement of their dispute. The Patent Office may grant this request provided it has not already issued a decision on the merits. Any agreement or understanding between the patent owner and a petitioner has to be in writing and filed with the Patent Office before termination of the review. The parties may also request that the Patent Office treat any such agreement as confidential so that it will not become part of the patent file. While a requester is generally unable to assert the invalidity of a challenged claim in any future civil action or

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ITC proceeding on any ground that the requester raised (or could have raised) during the *inter partes* review, no estoppel attaches against any petitioner who successfully dismisses review of the patent.

## ***New Post-Grant Review Procedure***

As mentioned above, the Act also creates a new post-grant review process. While the effective date of the new post-grant review provisions is September 16, 2012, because this provision applies only to patents having an effective filing date after March 16, 2013, it will be some time before there are any patents for which post-grant review is available.

The Act's post-grant review parallels the *inter partes* review with two significant differences. First, post-grant review is only available for the first nine months after a patent has issued (or reissued). Any post-grant review petition must be filed within this window. Second, unlike *inter partes* review, which is limited to claims of invalidity based on printed publications or patents, a petitioner may base a post-grant review request on *any* ground of invalidity (except failure to disclose best mode). For example, post-grant review may be based on evidence of prior sales or offers to sell the invention.

Similar to *inter partes* review, the post-grant review (1) includes access to a limited number of discovery procedures, (2) the right of either party to oral argument, (3) is conducted in front of at least a three judge panel of the Patent Trial and Appeal Board, with appeals to the Court of Appeals for the Federal Circuit, (4) is intended to reach a final determination within one year of granting the post-grant review petition (with a possible six month extension upon showing of good cause), and (5) may be settled and dismissed.

Together, these two new (and some would say, improved) post-issuance procedures for challenging a patent's validity present substantial challenges, requiring companies to re-think long-standing practices regarding how best to protect itself from allegations of patent infringement. Although much will depend upon the implementation of the specific procedures, for which proposed rules have only recently been published, the availability of trial-like forum for presenting patent challenges to focused, patent-savvy judges—who are far more likely to be comfortable with complex patents and technologies—should increase the popularity of the Patent Office as venue for patent challenges. However, companies should be aware that the jump from an examination-like procedure to a trial-like procedure for challenging patent validity before the Patent Office significantly changes the landscape, requiring a sea-change in a company's strategic approach to defending itself from infringement attacks. Litigation, witness, and trial skills will be at a premium in this new environment, as any successful strategic and tactical approach will more closely mimic litigation practice than patent prosecution procedures.