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U.S. Patent and Trademark Office Issues Proposed Rules for Post-Issuance Patent Review under the America Invents Act

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On Wednesday, January 25, 2012, and again on February 9 and 10, 2012, the United States Patent and Trademark Office issued proposed rules for new post-issuance patent review proceedings, as enacted by the Leahy-Smith America Invents Act¹ signed into effect by President Obama on September 16, 2011. The America Invents Act (“AIA”), in addition to creating a “first-to-file” patent system,² calls for the creation of new post-issuance proceedings. Those proceedings include, supplemental examination, Post-Grant Review (“PGR”), a Transitional Program for Covered Business Method Patents (“CBM”), and *Inter Partes* review (“IPR”). All of the new proceedings, except the supplemental examination, are to be overseen and conducted by the Patent Trial and Appeal Board (“the Board”) in a litigation-style environment.³ Each of the new proceedings provides patent owners and third parties varying options for additional agency review, correction or cancellation of claims in an issued patent. This alert provides a summary of each of the proceedings, differences among them, and the associated fees for requesting and prosecuting each type.

Supplemental Examination

In proposed rules published January 25, 2012, the Patent and Trademark Office (“PTO”) seeks to implement a supplemental examination proceeding for patent owners. The proposed supplemental examination guidelines allow for a patent owner to petition the PTO to review, consider, reconsider, or correct information that may affect the patentability of the claims in the patent owner’s already-issued patent.⁴

The traditional avenue for patent owners to institute a post-grant review of a patent has been a request for *ex parte* reexamination. Under preexisting reexamination rules, the PTO would review an issued patent only if a prior patent or printed publication presented a substantial new question of patentability under Sections 102 (novelty) or 103 (non-obviousness) of the patent code.⁵ Unlike the proceedings for reexamination, a request for supplemental examination is not limited to questions of patentability under Sections 102 and 103, nor must the cited art be of a patent or printed publication. Under the proposed guidelines, a supplemental examination may be granted if a substantial new question of patentability is raised on any ground relating to the invalidity of a patent claim, including, for example, Section 101 (eligible subject matter), Sections 102 and 103, Section 112 (written

¹ Pub. L. 112-29, 125 Stat. 284 (2011).

² See 35 U.S.C. § 102(a)(1)-(2); (b)(1)-(2). All citations to Title 35 of the United States Code refer to the versions as amended by the America Invents Act, unless otherwise noted.

³ See 35 U.S.C. § 326(c), as amended.

⁴ See Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and to Revise Reexamination Fees, 77 Fed. Reg. 3666 (January 25, 2012).

⁵ See 37 C.F.R. § 1.915.

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description), or the judicially created obviousness-type double patenting.⁶ Items of information submitted as relevant to the claims are also not limited to patents and printed publications and may include transcripts of audio or video, for example. If a request for supplemental examination is granted, the proceedings then fall under the existing rules of an *ex parte* reexamination.⁷

A request for supplemental examination must include, along with the filing fee and other formal requirements, a listing of each item of information sought to be considered. The patent owner is limited to ten (10) items per request; however, there is no limit on the number of requests filed. The patent owner must also provide a detailed explanation of how each item of information is relevant to each aspect of the patent and how each item raises a question of patentability.⁸ This requirement is substantially similar to the requirements of an *ex parte* reexamination request. Until a request is granted, and an *ex parte* reexamination is instituted, no amendments or interviews with the PTO are allowed.⁹

The fees required for filing a supplemental examination include a \$5,180 initial request fee and an *ex parte* reexamination fee of \$16,120, totaling \$21,300.¹⁰ If the PTO does not grant the request for supplemental examination, the *ex parte* reexamination fee will be refunded; however, the initial filing fee will not.¹¹

The costs are significant, and the formal requirements of the proposed rules place a heavy burden on the patent owner; however, the supplemental examination proceedings provide the patent owner an opportunity to be proactive and possibly avoid excess litigation of issues that may arise in a civil action infringement matter. This procedure further provides a patent owner a broader scope in which to have a patent reviewed, including issues raised by patentable subject matter, or written description, as well as information other than patents or printed publications.

Post-Grant Review

Another post-issuance review proceeding established by the AIA is the PGR. The PGR is a trial proceeding before the Board in which a non-patent owner can challenge the validity of all or some of the claims of an issued patent. Newly proposed rules governing practice before the Board have been issued concurrently with the proposed rules for these proceedings.¹²

Any person who is not the patent owner may request a PGR for a patent with an effective filing date on or after March 16, 2013, so long as the petitioner has not already filed a civil action challenging the validity of the patent.¹³ For the purposes of the PGR, a counterclaim of invalidity in an ongoing litigation does not affect the petitioner's ability to request a PGR. Much like the supplemental examination, a PGR may be instituted based on any grounds that relate to the invalidity of the patent, including patentable subject matter (Section 101), novelty (Section 102), non-obviousness (Section

⁶ See 77 Fed. Reg. 3666, 3670.

⁷ See *id.* at 3673 (to be codified as 37 C.F.R. § 1.625).

⁸ See *id.* at 3670 (to be codified as 37 C.F.R. § 1.610).

⁹ See *id.* at 3672 (to be codified as 37 C.F.R. § 1.620(e), (f)).

¹⁰ See *id.* at 3678 (to be codified as 37 C.F.R. § 1.20(k)).

¹¹ See *id.* at 3678 (to be codified as 37 C.F.R. § 1.20(c)).

¹² See Proposed Rule of Practice for Trials before the PTAB, 77 Fed. Reg. 6879 (Feb. 9, 2012).

¹³ See Changes to Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060, 7064 (Feb. 10, 2012) (to be codified as 37 C.F.R. § 41.201).

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103), and written description (Section 112), except that a challenge to the best mode requirement is not allowed in a PGR.¹⁴ Also like the supplemental examination, the basis for seeking a PGR is not limited to patents or printed publications.¹⁵ The PGR provides a petitioner greater breadth in challenging an issued patent than that available under an *inter partes* reexamination.

A PGR must be filed within nine (9) months from the issue date of the patent. According to the proposed rules, the request must:

- (i) identify each challenged claim;
- (ii) identify the specific grounds on which the claim is challenged;
- (iii) explain how the claims should be construed;
- (iv) explain how any why the construed claims are unpatentable; and
- (v) cite to attached exhibits relied upon as evidence in the request.¹⁶

A patent owner will then have two (2) months to file an optional Preliminary Statement to respond to the request and submit arguments as to why a PGR should not be instituted.¹⁷ Importantly, the patent owner may not amend, or offer any evidence in support of the challenged patent claims at this time.¹⁸ The PGR will be granted within three (3) months of the patent owner's preliminary statement, if the PTO determines that it is more likely than not that at least one of the challenged claims is unpatentable, or if the petition raises a novel or unsettled legal question that is important to other patents or applications.¹⁹

The PTO may issue, along with its decision to grant a PGR, a scheduling order dictating the schedule of proceedings including limited discovery periods and motion practice.²⁰ The patent owner will have only one opportunity as a right to amend the claims in response to the PTO's decision to grant the PGR. The patent owner, however, may include a reasonable number of substitute claims in its single motion. Any additional motions to amend must be granted approval by the Board.²¹ The petitioner is then given its own period for discovery and an opportunity to oppose the patent owner's motion. After another period of discovery, the patent owner may file a reply to the petitioner's opposition.²² The Board will then set an oral hearing date and both parties will be allowed to submit motions and observations to comment on or exclude the other party's evidence.²³ After an oral hearing is held before the Board, and before one year after the institution of the PGR, a final decision will be issued.²⁴

¹⁴ See *id.* at 7061.

¹⁵ See *id.*

¹⁶ See *id.* at 7064 (to be codified as 37 C.F.R. § 42.204).

¹⁷ See *id.* at 7065 (to be codified as 37 C.F.R. § 42.207).

¹⁸ See *id.*

¹⁹ See 35 U.S.C. § 324(a), as amended; see also 77 Fed. Reg. 7060, 7065 (to be codified as 37 C.F.R. § 42.208).

²⁰ See Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879, 6910 (to be enacted as 37 C.F.R. § 42.25).

²¹ See 77 Fed. Reg. 7060, 7066 (to be codified as 37 C.F.R. § 42.221).

²² See 77 Fed. Reg. 6879, 6887 (to be enacted as 37 C.F.R. § 42.51).

²³ See *id.* at 6889 (to be enacted as 37 C.F.R. § 42.64).

²⁴ See *id.* at 6890 (to be enacted as 37 C.F.R. § 42.70).

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The fees for filing a petition for PGR are significant. Table I below reflects the filing fees based on the number of claims sought to be reviewed:

Post-grant review, 20 or fewer claims	\$35,800.00
Post-grant review, 21 – 30 claims	\$44,750.00
Post-grant review, 31 – 40 claims	\$53,700.00
Post-grant review, 41 – 50 claims	\$71,600.00
Post-grant review, 51 – 60 claims	\$89,500.00
Post-grant review, 61 – 70 claims	\$125,300.00
Post-grant review, each additional group of 10 claims	\$35,800.00

Table I²⁵

Transitional Program for Covered Business Methods

In response to the recent increased attention devoted to business method patents, the AIA has established a separate and temporary trial proceeding to handle challenges to covered business method patents. Importantly, only those who have been sued for patent infringement may challenge a patent under the CBM provisions.²⁶

The proposed CBM trial rules are largely identical to those of the PGR, including the applicable fees, with a few exceptions. The CBM proceedings apply only to those patents fitting the following proposed definition:

a patent that claims a method or corresponding apparatus for performing data processing or other operations used in practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.²⁷

A determination of a “technological invention” will turn on whether the subject matter as a whole (1) recites a technological feature that is novel and unobvious over the prior art; and (2) solves a technical problem using a technical solution.²⁸ The PTO expects that most, but not all, patents meeting the CBM requirements will fall under the classification in class 705 of the United States Patent Classification System.²⁹

²⁵ See *id.* at 6909 (to be enacted as 37 C.F.R. § 42.15).

²⁶ See Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080, 7082 (to be codified as 37 C.F.R. § 42.302).

²⁷ See *id.* (to be codified as 37 C.F.R. § 42.301).

²⁸ See Transitional Program for Covered Business Method Patents – Definition of Technological Invention, 77 Fed. Reg. 7095, 7096 (Feb. 10, 2012) (to be codified as 37 C.F.R. § 42.301(b)).

²⁹ See *id.* at 7097.

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Unlike a PGR proceeding, any one accused of infringing a patent fitting the requirements above may petition the PTO anytime on or after September 16, 2012. There is no nine-month, post-grant window for the CBM proceedings. The CBM program is temporary and will be repealed on September 16, 2020.³⁰ Any petitions filed prior to that date will be processed in accordance with the proposed rules.

Inter Partes Review

The new IPR proceeding will replace the existing *inter partes* reexamination procedure. The IPR is a trial proceeding before the Board and is largely similar to the PGR proceedings. The proposed IPR follows the same basic procedure as the PGR and CBM proceedings with a few exceptions. As with preexisting *inter partes* reexamination, the grounds for seeking and granting an IPR must be based on the patentability issues of novelty and non-obviousness, under Sections 102 and 103 of the Patent Act, respectively. IPR petitions and grants may also only rely on prior patents or printed publications.³¹ Unlike the PGR, however, an IPR may be requested at any time during the life of a patent, with one exception.³² If a non-patent owner has been sued for infringement, the accused infringer will have one (1) year from the service of the complaint to file a petition for an IPR.³³

The proposed rules include another substantial difference between the IPR and PGR in the form of a new burden of proof on the petitioner in order to support a grant of an IPR. A petitioner must now show in the request a reasonable likelihood of success to prevail on at least one challenged claim.³⁴ This standard is a higher burden to prove for the petitioner than the former *inter partes* reexamination standard which only required a petitioner to show a substantial new question of patentability. The PTO estimates that almost 95% of petitions for *inter partes* reexamination were granted using this lower standard.³⁵ The proposed rules seek to counter the high volume of granted reexaminations by raising the level of analysis and proof required to initiate an IPR. Importantly, the PTO has not changed the standard for *ex parte* reexamination, which still requires only a substantial new question of patentability.³⁶ The current rules governing *inter partes* reexamination will expire on September 16, 2012. Until that date, a petitioner can request an *inter partes* reexamination; however, the standard for granting such review will be the higher, likelihood of success standard.³⁷

Much like the other post-issuance review proceedings, the required filing fees for a petition seeking an IPR are substantial. Table II below reflects the proposed fees:

³⁰ See 77 Fed. Reg. 7080, 7082 (to be codified as 37 C.F.R. § 42.300(d)).

³¹ See Changes to Implement *Inter Partes* Review Proceedings, 77 Fed. Reg. 7041 (Feb. 10, 2012).

³² See *id.* at 7044 (to be codified as 37 C.F.R. § 42.102(a)).

³³ See *id.* (to be codified as 37 C.F.R. § 42.101).

³⁴ See 35 U.S.C. § 314(a), as amended.

³⁵ See Revision of Standard for Granting an *Inter Partes* Reexamination Request, 76 Fed. Reg. 59055 (Sept. 23, 2011).

³⁶ *Id.*

³⁷ *Id.*

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Petition for <i>inter partes</i> review, 20 or fewer claims	\$27,200.00
Petition for <i>inter partes</i> review, 21 - 30 claims	\$34,000.00
Petition for <i>inter partes</i> review, 31 - 40 claims	\$40,800.00
Petition for <i>inter partes</i> review, 41 - 50 claims	\$54,400.00
Petition for <i>inter partes</i> review, 51 - 60 claims	\$68,000.00
Petition for <i>inter partes</i> review, 61 - 70 claims	\$95,200.00
Petition for <i>inter partes</i> review, each additional group of 10 claims	\$27,200.00

Table II³⁸

Conclusion

Through these new proceedings, the PTO has established opportunities to review and challenge the patentability of issued patent claims under a wider scope than what was previously available in reexamination proceedings. For patent owners, a supplemental examination request offers the opportunity to have the PTO review almost any additional information relevant to the patentability of the claims in a traditional PTO examination setting. Post-Grant Review, *Inter Partes* Review, and the Transitional Program on Covered Business Method Patents, on the other hand, offer adversarial, litigation-style proceedings before the Patent Trial and Appeal Board complete with mandated scheduling orders, discovery periods and motion practice. It remains to be seen whether the steep costs of these procedures make them viable alternatives to civil actions in the district courts and International Trade Commission.

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³⁸ See 77 Fed. Reg. 6879, 6909 (to be codified as 37 C.F.R. § 42.15).

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