Portfolio Media. Inc. | 860 Broadway, 6th Floor | New York, NY 10003 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Will AIA Power Clean Technology?

Bryan Vogel

Ryan Schultz

Law360, New York (March 07, 2013, 12:43 PM ET) -- Fast-paced examination programs and the resulting rapid issuance of clean technology patents have left many in the industry with patent litigation on their hands and others wondering if their own inventions could be subject to claims of infringement. New proceedings created by the Leahy-Smith America Invents Act (AIA) could offer a viable — and potentially cost-effective — way to resolve those questions.

As of Sept. 16, 2012, parties may bring inter partes review (IPR) and post-grant review (PGR) proceedings in the United States Patent and Trademark Office. Both IPR and PGR allow challenges to the validity of a patent in a trial-like proceeding without the need for full-blown district court litigation.

As a result, clean technology companies now have an option for removing potential hurdles to their commercialization of a product or service.

Clean Technology's Dirty Little Secret: Too Many Patents?

Through fast-track examination and issuance programs, clean technology innovations have received preferential treatment at patent offices worldwide. The United States, United Kingdom, Israel, South Korea, Australia, Canada, Japan and Brazil (to name a few) have all established programs wherein clean technology applications get examined faster than applications related to other technology.

For example, the PTO instituted the Green Technology Pilot Program. This program sought to enhance green technology companies' attractiveness to financiers and to promote the growth of new jobs by expediting green technology patent applications.

The program limited its applications to three types of technology: renewable energy sources, efficient utilization or conservation of existing energy sources or greenhouse gas emission reduction. The goal of the program was to expedite the patent process by an average of a year.

The speeds at which patents got approved in the Green Technology Pilot Program — and others like it worldwide — have raised concerns about the quality of such patents. Many argue that the examiners simply do not have sufficient time to conduct a thorough examination of the claimed inventions.

The sheer volume of applications submitted for expedited review supports those concerns. The Green Technology Pilot Program increased the number of applications considered for the program from 3,000 to 3,500 because of program popularity. It then had to close the program early because of how quickly it reached that target application number.

With the examiners having to review 3,500 applications and finish examination of these applications within about a year and a half from filing, along with a seemingly high issuance rate of over 1,000 patents as of mid-2012, quality concerns may exist in at least some of the issued patents.

This uncertainty about patent quality creates a unique challenge in early-stage clean technology because of the impact it has on venture capitalists and similar types of investors. These investors seem increasingly leery of entering into clean technology. Their hesitancy may come from concerns about the ability to obtain quality patent protection and avoid costly patent litigation, especially since some patents in clean technology cover incremental improvements over the prior art technology rather than pioneering or foundational innovations.

IPR and PGR: Distinct Clean Technology Advantages

The PTO has now gone live with the AIA's new proceedings to challenge patent validity. Intended to allow the challenger a more active participation role in the PTO, both IPR and PGR also provide a streamlined process that should deliver a final resolution in about 18 months. More trial-like than previous PTO proceedings, IPR and PGR provide for limited discovery and culminate in a hearing before a panel of three administrative law judges.

Neither proceeding is available, however, if the petitioner has filed a declaratory judgment action of invalidity of the patent, and the petitioner must also file the petition within one year of being served with a complaint for infringement of a patent. Nevertheless, these proceedings offer an opportunity to challenge patent validity outside of a traditional courtroom. They also offer several advantages that specially benefit clean technology companies.

First, IPR and PGR provide the opportunity to have patent validity determined by experienced patent judges rather than a jury. Given the complexities of some clean technology innovations, some in the clean technology industry believe it may be more advantageous to argue invalidity to people experienced in patents and technology rather than ordinary people sitting as a jury.

Both proceedings also determine invalidity using a preponderance of the evidence standard, which is less stringent than the clear and convincing evidence standard imposed on accused infringers in the district court.

Second, IPR and PGR provide clean technology companies with a mechanism to challenge the validity of the patent without having to file a lawsuit. The filing of a lawsuit seeking a declaration of invalidity usually invites a counterclaim of infringement. These proceedings allow for a narrow dispute focused solely on the validity of the patent and not the potentially infringing activities of the petitioner.

Third, IPR and PGR should cost significantly less than district court litigation. The limited discovery allowed must focus solely on the invalidity grounds raised in the petition, differing from the broad scope of discovery normally associated with district court litigation, such as e-discovery. These restrictions should make it easier for companies to estimate better the costs and expenses associated in the proceeding.

And — perhaps most importantly — a petitioner can file a PGR or IPR proceeding without having to wait for a basis for filing a declaratory judgment action. For clean technology companies that would like to enter a market but are concerned about a particular patent, the prior options were limited: begin

operating at the risk of an infringement suit, wait until the patent expires or attempt to invalidate the patent in an ex parte re-examination, which often took many years.

Now, the company may institute one of these new proceedings without having to satisfy the requirements of a declaratory judgment action, actively participate in the examination of the patent and obtain a resolution in a relatively short period of time. This expedited process should assist clean technology companies in reducing the potential risk of facing a patent infringement lawsuit involving an invalid patent.

Both procedures do, however, have some disadvantages that require careful consideration. An IPR petitioner can only challenge the validity of the patent under Sections 102 and 103 of the U.S. Patent Act based on publications.

The petitioner cannot challenge the patent based on prior use or offer for sale, for example. This limits the number of challenges that a party would have available as compared to district court litigation.

Another potential downside is the estoppel that attaches to the petitioner. If a petition is granted, the petitioner is precluded from raising in another proceeding any validity challenge it did raise or reasonably could have raised in the IPR.

A PGR petition will only be granted if it is more likely than not the claims are invalid. This standard is a higher threshold than the one for IPR. PGR is only available during the first nine months after the patent issues. A PGR petitioner can challenge the validity of a patent under Sections 101, 102, 103 and 112 (except best mode).

As such, a party filing a petition for a PGR will need to be very proactive in investigating all possible invalidity defenses very early on in order to take advantage of PGR. In addition, and as a result of the broader validity challenges available, the scope of the estoppel is greater. A petitioner who is granted a PGR will be estopped from raising in another action any invalidity defense it raised or could have raised in the PGR.

Still, many clean technology patents may be suitable for an IPR or PGR challenge because these patents were examined under such expedited circumstances. With the short time for review and pressure on the examiners to finish examination quickly, it is possible that the examiner did not consider or fully appreciate the prior art.

Also, many of the advances in clean technology are not documented in patents, so an examiner, who only searches patents, may not have had access to the most relevant prior art. An IPR or PGR proceeding potentially provides an efficient method to bring the most relevant prior art to the attention of the PTO to invalidate a problematic patent.

Conclusion

The creation of cost-effective, efficient means to challenge the validity of a patent will certainly become one of the long-lasting impacts of the AIA. For clean technology companies, the proceedings offer a way to navigate the tidal wave of industry patents issued under fast-paced examination programs like the Green Technology Pilot Program.

IPR and PGR allow clean technology companies to have a determination made on the validity of these patents by experienced professionals in patents and technology and without the potential great expense of district court litigation. As these proceedings become a staple in the patent world, clean technology companies may find that they become a first-line defense to removing patent-based impediments to commercialization of their own innovations.

--By Bryan J. Vogel and Ryan Schultz, Robins Kaplan Miller & Ciresi LLP

Bryan Vogel is a trial lawyer and partner in the New York office of Robins Kaplan Miller & Ciresi. He is a registered patent attorney with a background in chemical engineering.

Ryan Schultz is an attorney with the firm in the Minneapolis office. He is a registered patent attorney with a background in biochemistry.

The opinions expressed are those of the author and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.