



IP: Do the new patent office trials really make patent litigation cheaper?

It is fair to ask whether patent litigation is becoming more cost effective. The answer is sometimes yes, but on average, probably not much

BY CYRUS MORTON

Patent litigation is famously expensive. The issues are complex, high-priced experts are often a must, and the process can take years. And just when you think the multi-million dollar ride will stop, the Federal Circuit Court of Appeals can change the claim construction and remand the case for another trial. One of the promises of the America Invents Act was to change all that by offering streamlined litigation on the validity of the patent in the patent office as an alternative to district court litigation. Now, about 18 months into the experiment, it is fair to ask whether patent litigation is becoming more cost effective. The answer inside counsel may not want to hear is sometimes yes, but on average, probably not much.

The primary path to an efficient resolution for an accused infringer is clear: File for *inter partes review* (IPR), stay the litigation, win the IPR canceling all claims, and it's over. This path can generally be accomplished for low to mid six figures, as opposed to low to mid seven figures or more in court. But it is easier said than done.

Is invalidity your best argument?

The decision to file an IPR is not as easy as it might seem. The Patent Trial & Appeal Board (PTAB) requires you to take positions on claim construction and include an expert declaration in the petition if you intend to rely upon one (about 70 percent of petitions do). In other words, contrary to common defense strategy in litigation, you have to put your cards on the table early. Although technically the PTAB applies the broadest reasonable interpretation of the claims, and the district is not bound to follow that, any patent challenger would be wise avoid harming a solid position on non-infringement by arguments made in an IPR. The quality of the prior art, or lack thereof, can also push the patent challenger to take positions that could hurt down the road in district court. Obviously if you decide IPR is not the right choice, you're back in court.

Is one IPR enough?

Just one IPR can run into the hundreds of thousands of dollars. But patent litigation these days often involves multiple related or sometimes unrelated patents. In a five patent case the filing fees alone to file on each one will be at least \$115,000. Even then the question arises whether one IPR per patent is enough? Several factors have led companies in high stakes litigation to file two or more IPRs on a single patent. The PTAB is strict about its 60 page limit which can make it difficult to cover all of the claims in one petition. In addition, the PTAB typically goes forward on a very limited set of prior art grounds in a single IPR, refusing to consider grounds it finds to be redundant. Again, some petitioners, not knowing how claim construction will go for instance, have found it necessary to assert different prior art in separate petitions on the same patent in order to cover their bases.

Will the stay be granted?

Here is where IPR was supposed to really come through. IPRs are required to be completed in about 18 months, and it was thought stays would become the norm. So far, however, the rate has only gone from about 60 percent to about 70 percent. That is still an improvement if you are the one seeking a stay, but it is no guarantee. And your actual chance of getting a stay is highly dependent upon what court you are in, and what judge you draw. It is possible stay rates are lower so far because in many cases the litigation was already well along before IPR became available, and because defendants were not always ready to file early in the case. If more defendants file early in litigation, and more courts come to view IPRs as effective, stay rates will likely increase.

Will I win?

This is the million dollar question of course. Even if the initial petition is granted and the case is stayed, a negative final decision results in no cost savings because you are back in court. But that expenditure delay may be helpful, as might the time to develop a design around option. What will actually happen depends on the facts of each case, and the quality of the lawyering. As of the time of this writing, there are still only two final decisions from the PTAB, both invalidating all challenged claims. It is probably a little too early to conclude that because all final PTAB decisions have canceled the claims, all PTAB decisions will cancel all claims. If even some claims survive, or amended claims are allowed, the challenger is still back in court. Thus, it is difficult to conclude that IPRs has or will make patent litigation much cheaper on average.

About the Author

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