

## The Year The AIA's Post-Grant Processes Took Hold

*Law360, New York (December 21, 2012, 1:23 PM ET)* -- The year 2012 should be remembered as the year the America Invents Act really took hold at the patent office. The AIA, enacted on Sept. 16, 2011, provided a panoply of new procedures for challenging patents. On the one-year anniversary of the AIA's enactment, Sept. 16, 2012, the patent bar was finally able to take advantage of two of these procedures.

One new procedure is inter partes review ("IPR"), which replaced the inter partes re-examination procedure. The second is "transitional post-grant review of covered business method patents" ("CBM"). Any patent may be challenged using IPR, but CBM proceedings are limited to only those patents directed at the processing and operations used in the practice, administration, or management of a financial product or service. This article provides a brief review of these two procedures, and then gives a look at how patent challengers have begun to use them.

IPR and CBM offer patent challengers a litigation-like procedure through which to invalidate patent claims, and they permit the patentee to amend claims to preserve validity. The procedures permit for discovery, expert declarations, depositions, and a trial in front of three administrative patent judges. They are instituted upon the U.S. Patent and Trademark Office's grant of a challenger's petition, and by law must be completed with one year of the USPTO's grant of a petition absent a showing of good cause or the addition of a new party.

While these procedures share some procedural similarities, there are very distinct differences. For example, a petitioner in an IPR may only challenge validity of the patent on §§102 and 103 grounds based solely on printed publications and patents. On the other hand, a petitioner in a CBM may challenge the validity of the patent on §§101, 102, 103 and 112, except best mode. Likewise, the scope of the estoppel is different. In an IPR, a petitioner will be estopped in a future action from asserting any invalidity challenge that it raised or reasonably could have raised in the action. The scope of the estoppel in a CBM is limited to only those arguments that were actually raised in the petition. Finally, the CBM procedure will not be available after Sept. 15, 2020.

In the three months since IPR and CBM procedures became available, the IP community has responded, and here are the numbers. The USPTO's website lists 80 petitions for IPR pending as of Dec. 17, 2012. By way of comparison, in the USPTO's fiscal year 2011, approximately 94 inter partes re-examinations were filed each quarter. Fifteen CBM petitions were also filed. With only 13 exceptions, all of the petitions are connected to parallel or related litigation in federal court.

The IPR petitions concentrate on the following five Patent Technology Centers: (1) 33 percent in Tech Center 2800 (semiconductors, electrical and optical systems and components); (2) 20 percent in Tech Center 2100 (computer architecture, software, and information security); (3) 10 percent in Tech Center 1600 (biotechnology and organic chemistry); and (5) 9 percent in Tech Center 1700 (chemical and materials engineering). There is only one petition in Tech Center 3700 (mechanical engineering, manufacturing, products).

Nine petitioners filed more than 50 percent of the IPR petitions: Corning Inc. (10), Chimei Innolux Corp. (seven), EMC Corp. (four), Intellectual Ventures Management LLC (four), Nexans Inc. (four), Oracle (four), ABB Inc. (three), Illumina (three), and Micron Technology Inc. (three). Meanwhile, two-thirds (10) of the CBM filings came from one company: Liberty Mutual Insurance Company.

The most remarkable thing about the CBM filings is perhaps the lack of them. Outside of Liberty Mutual, there are only five filings. We have of course heard for years that invalid business method patents are destroying the patent system. But very few companies are using the procedure specifically created to address that perceived problem. In addition, the filings we have seen appear to have built up in the pipeline.

Most of them, 13 of 15, were filed in the first six weeks, and now we are seeing a much lower rate of filings. It would appear that either companies in general do not trust the new procedure, or there just aren't as many problematic business method patents as many people thought.

Another interesting development related to these proceedings was the rush of reexamination requests right before the Sept. 16, 2012, deadline. The USPTO instituted new fees associated with IPR, CBM and ex parte re-examinations that would take effect on Sept. 16, 2012. Prior to Sept. 16, 2012, the fee for filing an ex parte re-examination was \$2,520, which increased to \$17,750 after this date.

This significant increase in the cost for an ex parte re-examination led to almost 200 petitions being filed during the week before Sept. 16, 2012. Similarly, the number of inter partes re-examination requests spiked in September. While typically approximately 30 inter partes re-examinations were filed per month, in the first half of September more than 250 requests were filed. This increase was likely driven by the greater expense of IPR compared to inter partes re-examination, and perhaps also some of the differences between the two procedures.

One final topic that has concerned practitioners is the availability of pro hac vice admission for attorneys to practice before the Patent Trial and Appeal Board who are not registered with the USPTO. A lead attorney and a back-up attorney must make appearances for each side. In its final rule-making, the USPTO adopted a more restrictive approach than it originally proposed. The lead attorney must be registered with the USPTO. The back-up attorney, if not registered, may apply for pro hac vice admission. The USPTO may grant a petition for pro hac vice admission if, for instance, the attorney is an experienced litigating attorney and has an established familiarity with the subject matter at issue.

At last check, three motions had been filed, one granted, and one denied.[1] The denial might be an outlier, because the PTAB relied on the fact that the attorney requesting admission had violated the protective order in the underlying district court litigation on several occasions. Thus, while the USPTO clearly will not rubber-stamp pro hac vice admissions, it still seems likely that in most normal cases where the attorney is involved in copending litigation, admission will be granted.

The year of 2012 brought substantial changes to the patent system through the introduction of the PTAB and the new proceedings, IPR and CBM. Next year the patent community will begin to see how these proceedings impact patent litigation. In particular: How will district courts interpret the findings of the PTAB? Will district courts consistently stay pending litigation while these proceedings are ongoing? How predictable and consistent will the PTAB be in administering these proceedings? These are just some of the interesting issues to be explored in the coming year.

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[1] SAP America Inc. v. Versata Development Group Inc., CBM2012-00001, Decision denying Versata Motion for Pro Hac Vice Admission, dated Nov. 6, 2012.

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