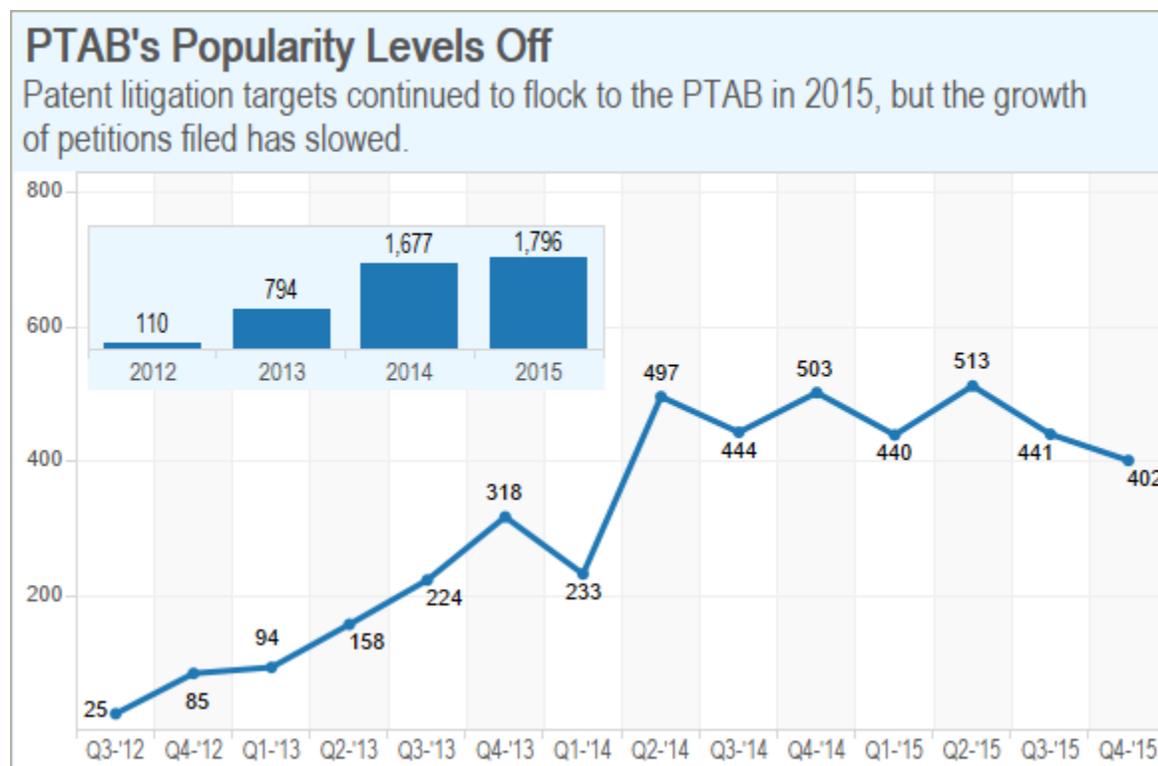


PTAB's Skyrocketing Petition Rate Starts To Stabilize

By Erin Coe

Law360, San Diego (February 11, 2016, 6:19 PM ET) -- The Patent Trial and Appeal Board took in nearly 1,800 total petitions in 2015 for another record year as defendants in litigation continue to turn to the popular venue to wage validity fights over patents they are accused of infringing, but the rate of filings is beginning to plateau after years of explosive growth, lawyers say.

Since the America Invents Act created the board in 2012 for adjudicating patent validity challenges as an alternative to protracted disputes in court, the PTAB has seen a tidal wave of petitions come its way, from 110 petitions in 2012, to 794 in 2013, to 1,677 in 2014 and 1,796 last year, according to data compiled by Law360.



“The PTAB is taking on a vast number of challenges of specious patents and ruling on the validity of patents before substantial costs are expended in district court litigation,” said Linda Thayer, a partner at

Finnegan Henderson Farabow Garrett & Dunner LLP. "It's playing a substantial role and exactly the role Congress intended for it to play."

After the initial spike the growth rate of petitions has been slowing, from 622 percent in 2013 to 111 percent in 2014 to 7 percent last year.

The number of bids for inter partes review, far and away the most popular of the petitions, has started to stabilize, with 700 such petitions filed in 2013, 1,501 in 2014 and 1,653 last year, according to Law360 data.

This data aligns with inter partes review monthly statistics from the U.S. Patent and Trademark Office in late December showing that the number of inter partes petitions has been relatively steady since April 2014 and tends to range between 130 and 160 petitions per month, according to Thayer.

"The inter partes review program has hit its stride," she said. "People know about the process and are using the process, and I think we will see these numbers from here on out."

While the stream of petitions at the PTAB is steadying, the thousands of inter partes review petitions that have been filed with the board are particularly remarkable when compared with the USPTO's previous patent review system, which took in a total of 671 inter partes re-examination filings between 1999 and 2009, according to USPTO data. To put the numbers in even starker contrast, in the first three fiscal years that the old review process was implemented, the USPTO received a total of five filings.

The data indicates an early and robust adoption of these AIA proceedings, according to David Cavanaugh, chair of WilmerHale's post-grant patent proceedings group.

"It shows the level of comfort petitioners have with the USPTO adjudicating validity," he said. "It also shows that the USPTO has developed well-thought-out and well-planned procedures internally to manage what needs to be accomplished with so many petitions."

He said what happens in district courts may be a precursor to how busy the PTAB will be.

"Because many of the inter partes review petitions filed are for patents that have collateral litigation that is stayed or presently active, the number of cases filed in the district court may be a number driver for inter partes reviews," Cavanaugh said.

Even if the growth of AIA petitions is flattening out, the PTAB will continue to play a role in patent litigation, particularly since petitioners are relatively likely to obtain a stay in patent litigation after challenging a patent-in-suit at the board, among many other significant benefits for petitioners, according to Timothy Riffe, a principal at Fish & Richardson PC.

"The specialized tribunal at the PTAB, the efficiency and timeliness in which petitioners can get an invalidity ruling and just the overall trend in a high percentage of claims being held unpatentable are still good reasons why petitioners are flocking to these proceedings," he said. "The PTAB provides an integral tool for defendants in their patent litigation strategy, and settlement strategy as well."

Although PTAB proceedings can be less costly for defendants than all-out patent fights in court, they aren't a drop in the bucket for clients. Filing an inter partes review petition can cost up to \$150,000, and going through a PTAB hearing and then all the way through an appeal can cost up to \$600,000,

according to an American Intellectual Property Law Association report last year.

“The only downside is that inter partes reviews are still not an inexpensive procedure,” Thayer said. “They are still more expensive than a European opposition, which is what inter partes reviews are often compared to, and I don’t see these procedures being changed to make them less costly.”

While the number of inter partes reviews and post-grant reviews in 2015 was up from the previous year, the number of covered business method reviews dropped, from 173 petitions in 2014 to 131 in 2015, according to Law360 data.

The decline likely has to do with fewer assertions of business method review patents as defendants become more aggressive in challenging them in litigation by raising early motions citing the U.S. Supreme Court’s decision in *Alice v. CLS Bank*, according to Scott McKeown, chair of Oblon McClelland Maier & Neustadt LLP’s post-grant patent practice. That decision held that abstract ideas implemented with a computer cannot be patented under Section 101 of the Patent Act.

“Monetizing these patents is more difficult, and there have been fewer lawsuits in the business method space,” he said. “The number of covered business method petitions is not on the same scale as it was before *Alice* and before it became clear that a covered business method review was so effective.”

Attorneys told Law360 they expect the number of AIA petitions to stay roughly level this year, but certain factors could lead to a slight rise or fall in the filings.

“One area to watch this year will be how the Federal Circuit handles appeals of inter partes reviews and covered business method reviews,” Cavanaugh said. “That will have an effect on how the stakeholders view the process and whether and how they continue to incorporate it into their patent strategies.”

In a high-profile case, the U.S. Supreme Court in January agreed to hear an appeal by Cuozzo Speed Technologies LLC, which argued that the claim construction standard used by the PTAB, which is broader than the standard used in district courts, has resulted in too many patent claims being invalidated. The petition also asks the justices to review the Federal Circuit’s holding that the PTAB’s decisions to institute AIA proceedings cannot be challenged on appeal, even after the board issues a final decision.

If the Supreme Court agrees with Cuozzo that the PTAB must use the same claim construction standard that is applied in the district courts, it won’t likely deter most infringement defendants from filing inter partes review petitions, but if the high court determines that the PTAB’s institution decisions can be appealed, that could spur a modest uptick in petitions, according to Eldora Ellison, a director at Sterne Kessler Goldstein & Fox PLLC.

“If the Supreme Court decides the institution decisions are reviewable, that could lead to slightly more inter partes reviews,” she said. “Petitioners would have more of an opportunity to maintain a challenge if the PTAB disagrees with a petition. But at the same time, I doubt such a ruling would dramatically affect the numbers.”

While the PTAB is meeting the statutory deadline of issuing final decisions one year after instituting reviews, if the board becomes increasingly efficient at handling AIA proceedings, more defendants may look to challenge patents there, even those that are sued in rocket dockets, according to Thayer.

“I think the pendency of AIA proceedings will go down, and the PTAB will get to final written decisions

sooner,” she said. “Right now, if a defendant is facing concurrent litigation in Texas or the Eastern District of Virginia, the defendant may think twice before filing an inter partes review because it may not be completed fast enough for the court to grant a stay. But if the pendency of AIA reviews goes down, we could see a small increase in the number of petitions.”

Another surge in filings could occur if the USPTO plans to go through with a rule it proposed last year to allow patent owners to file a preliminary response that includes expert declarations, evidence that petitioners are already able to submit with a petition, according to McKeown.

“I expect there would be a spike in filings before the rule took effect,” he said. “Presumably a bunch of petitioners would like to get under the wire to avoid the extra possibility that their petitions are shot down by additional evidence from the patent owner.”

However, other factors could push the number of AIA petitions in the opposite direction. Petitioners will be closely looking at whether the process of the original patent examination is strengthened by a robust AIA review system, an outcome that could lead to the same or fewer AIA filings, according to Cavanaugh.

“Some people are hoping that robust AIA proceedings will encourage patent applicants to more carefully focus on what an invention actually is as opposed to seeking a broad and perhaps unpatentable invention,” he said. “The decisions coming out of the board also may help examiners get a better understanding of what is patentable in certain technological fields where there are a lot of inter partes reviews filed.”

PTAB statistics also show that the board is instituting a decreasing percentage of inter partes reviews, which could give some potential petitioners pause, according to Ellison.

“The decline in the institution rate might make petitioners think a little harder before filing,” she said. “Many petitioners will still find reasons why filing an inter partes review makes strategic sense for them, but the decline could motivate them to fortify their cases and strive to put forth stronger petitions.”

Methodology: Law360’s analysis of trends in new patent complaints uses raw data from the PTAB filtered by Law360’s sophisticated docket tracking systems. The data is then normalized and reviewed by Law360 reporters to build a reliable and revealing data set.

--Editing by Jeremy Barker and Brian Baresch.

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