

The AIA At 5: A New World Of Patent Challenges

By Ryan Davis

Law360, New York (September 12, 2016, 2:25 PM EDT) -- Five years ago this week, the America Invents Act became law, overhauling procedures for applying for patents, challenging their validity and litigating them in court. In a three-part series over the coming days, attorneys reflect on how the law has changed the patent landscape, beginning with AIA reviews, which have become more crucial than just about anyone expected.

When President Barack Obama signed the AIA into law, much of the discussion around it focused on a provision shifting the U.S. to a first-to-file patent system. While that was undoubtedly an important change, the law's new proceedings for challenging patents have to date had a far more dramatic impact on patent law.

The Patent Trial and Appeal Board has received around 5,500 petitions seeking to invalidate patents in AIA proceedings, which became available in 2012, a year after the law took effect. That figure is far more than the patent office was expecting and has astonished even attorneys who thought the reviews would be an attractive option for accused infringers.

The degree to which PTAB proceedings like inter partes review are now entrenched as a key part of just about any patent dispute is "pretty remarkable," says Steve Baughman of Ropes & Gray LLP.

"It really has been a transformative event for U.S. patent litigation," he said. "It's fair to say there hasn't been an institutional change of this magnitude since the creation of the Federal Circuit [in 1982]. After four years, it's not just part of the landscape, it's a dominant part of the landscape."

The patent office had long offered re-examination proceedings to challenge the validity of patents, but they were never as popular as AIA reviews became soon after they were made available, in part because re-exams could take years, while AIA reviews have a one-year statutory deadline.

By shrinking down the timeline for challenging patents, AIA reviews gave companies facing infringement litigation a distinct advantage and eliminated one of the main reasons they had often shied away from re-examinations, says Justin Oliver of Fitzpatrick Cella Harper & Scinto.

"The issue at the time was that those proceeding took such a long time that by the time you got a decision, the litigation was already over. So they were not as popular and they were off most people's radar," he said.

Speedier decisions in validity challenges were to be expected under the AIA, but the explosion of proceedings at the PTAB still took many attorneys by surprise.

"I always thought these proceedings would be popular, but I never thought they'd be as popular as they are," said Naveen Modi of Paul Hastings LLP, who joined the firm in 2014 to create a new practice group focused on the PTAB.

Steven Auvil of Squire Patton Boggs LLP recalled attending a lot of talks about what the AIA would mean, and says that nobody predicted the degree to which the PTAB would become a focal point of the patent world. Past changes in the law, like the creation of re-examinations had gotten "kind of a muted response," so attorneys had a wait-and-see attitude toward the AIA, he says.

"It wasn't until the PTAB got rolling and the institution rate was high that it became clear this was really the venue to bring challenges. We started to see results that were friendly to petitioners," Auvil said. "As it turned out, it took the system by storm."

From the early results at the PTAB, it seemed as though review was being instituted on just about every challenge and nearly every final decision resulted in patent claims being invalidated. That in turn drove even more companies to challenge patents.

"It gave petitioners a really great, really inexpensive tool to challenge patents, and patents have been held invalid at an alarming rate," said Michael Ray, managing director of Sterne Kessler Goldstein & Fox PLLC, who called the proceedings a "game changer."

It has become somewhat more difficult to get an AIA review instituted and claims invalidated at the PTAB since the early days of the proceedings, but challengers remain very successful. According to statistics from the board this month, it has issued 1,086 final written decisions in inter partes reviews to date, and in 764 of them, or 70 percent, all the instituted claims have been found invalid.

"The success rates you saw in the first year have been falling ever since, which is not a surprise. Because it became more popular, people are challenging stronger patents, and the early cases were going after low-hanging fruit," Oliver said.

At the time the law was passed, one of the major questions about the proceedings was whether litigants would be hesitant to use them given the AIA's estoppel provision, which limits the arguments a party can make about a patent in district court after a patent survives the PTAB. But challengers were so successful in invalidating patents that the concern faded, and the number of filings boomed.

"It really provided a framework for a system that people have latched onto to challenge the validity of patents. That's the most profound change the AIA has brought about," said Jeremy Kriegel of Marshall Gerstein & Borun LLP.

Discussions about the PTAB are a key component of just about every patent dispute these days, as accused infringers plan ways to attack the patent's validity, while patent owners plot the best way to defend their intellectual property at the board.

The first question attorneys get from clients in a patent dispute is, "What is our post-grant strategy?" Modi said.

Since there is a definitive endpoint for AIA reviews, more district courts are inclined to stay patent infringement cases to await a PTAB decision, as opposed to the open-ended timeline of re-examinations, which made judges reluctant to put a case on hold. That has further increased the PTAB's stature in the patent world.

"There's no question that they are the key arbiter of patentability now," Auvil said.

While accused infringers have embraced the PTAB and often been successful there, "in the end, you have to prove up your case," Auvil said, and challengers who have been overly aggressive and not as careful as they need to be have had their arguments rejected by the board.

At this point in the history of the PTAB, accused infringers realize that winning at the PTAB requires more than just hiring a lawyer to get a petition on file with the board, Baughman says.

Early on, people might have had the "perception that the petitioner couldn't fail, but you still have to do a careful, thoughtful job," he said. "Success is not guaranteed for anyone, and choosing the right practitioners matters a lot."

Some aspects of the PTAB have perplexed attorneys, such as the fact that no panel of judges is required to follow another panel's decision, unless it is designated precedential, a complex process that has resulted in few precedential decisions.

That leads to litigants making long-shot arguments in the hope of persuading judges, which has complicated the process, says Michelle Holoubek of Sterne Kessler Goldstein & Fox PLLC.

"It's very hard to predict and that leads parties to make any argument that meets the laugh test," she said. "If there's a legitimate basis for making an argument, even if it's very unlikely that it will be successful, parties need to make that argument, because this could be the panel it works on."

Attorneys say they have also been frustrated by court rulings that several kinds of decisions by the PTAB cannot be appealed, an anomaly among decisions by government agencies, and by how difficult the board has made it to amend patents.

Still, the PTAB has become such an essential part of patent law that "it's hard to look back and remember how we did without it," Baughman said, and it's clear that it's here to stay.

"As long as there are patent disputes, PTAB proceedings will be an important part of them," he said.

Check back tomorrow for Part 2 of our series on the fifth anniversary of the AIA.

--Editing by Mark Lebetkin and Rebecca Flanagan.