

## 4 Things To Know About PGRs After 1st-Ever Final Decisions

By Ryan Davis

*Law360, New York (June 15, 2016, 9:54 PM ET)* -- The Patent Trial and Appeal Board's first-ever post-grant review decisions this week put a spotlight on the powerful America Invents Act proceedings, which have been little-used to date. It will take time before PGRs become widespread, but Monday's decisions illustrate the ways they can be used and what litigants need to know about them, attorneys say.

### PGRs Give Challengers More Weapons

The PTAB decided Monday that the American Simmental Association, a cattle breeding industry group, had shown that all the claims of two Leachman Cattle of Colorado LLC livestock valuation patents are invalid for claiming only abstract ideas under the U.S. Supreme Court's Alice decision. That result sums up the power of PGRs.

Unlike the more common inter partes reviews, or IPRs, where patents can only be challenged as anticipated or obvious citing printed publications, PGRs can be used to attack patents on all other grounds. That includes lack of written description or enablement, double-patenting and patent ineligibility, which has become a potent tool for knocking out patents since Alice.

American Simmental argued that Leachman's patents claim only the abstract idea of determining an animal's relative economic value. The PTAB agreed and held that the patents claimed patent-ineligible subject matter under Section 101 of the Patent Act, a result that would not have been possible in an IPR.

"It really highlights the value that PGR brings to petitioners," said Vishal Gupta of Steptoe & Johnson LLP.

American Simmental also argued that many claims were invalid as obvious, but the PTAB invalidated only some of the claims on that ground, finding that there was not sufficient evidence that a key reference cited in the petition was in fact prior art. That illustrates both that the board will be looking closely at evidentiary issues, and that raising multiple grounds aids petitioners, said Deborah Sterling of Sterne Kessler Goldstein & Fox PLLC.

"The ability to argue 101 grounds in PGR meant that the petitioner was still able to get all the claims canceled," she said.

Once PGRs become commonplace, accused infringers will be able to use them to launch multipronged attacks on patents and bolster their chances of getting them invalidated.

"As these proceedings become more available, accused infringers will have more weapons in their arsenal to go after patents," said Brenton Babcock of Knobbe Martens Olson & Bear LLP.

### **PGRs Are Only Available in Rare Cases**

Lest any accused infringers get too excited about PGRs in the wake of this week's decision, it's important to remember that they can be used to challenge only a very small number of patents for the time being.

The only patents that can be reviewed until PGR are those with an effective filing date on or after March 16, 2013, the date the AIA first-inventor-to-file provision took effect. Patent prosecution can take years, so few patent applications filed after that date have yet been issued, and many that were filed after that date can claim priority to earlier applications, making them ineligible for PGR.

Of the more than 2.5 million patents currently in force, few are now subject to PGR. The patents involved in Monday's decisions were issued fairly quickly: one application was filed in August 2013 and issued in February 2014, while the other was filed in January 2014 and issued in May 2014. Both had a priority date of April 2013.

"Over time, as older patents expire and newer patents are filed, we'll see more and more PGRs, but that's going to be over the course of a decade," Babcock said.

The use of the proceedings will increase over the next few years as more PGR-eligible patents issue, and companies should be prepared to face them, particularly since the PTAB has invalidated patents at a fairly high rate in other AIA proceedings.

"Patent owners have to be aware that by filing post-AIA patents, they're exposed to the PGR risk," Gupta said.

### **PGRs Will Usher in New Filing Strategies**

One unique aspect of PGRs compared to other proceedings for challenging patents is that they must be filed within nine months after the patent issues, a window that attorneys say will prompt strategic maneuvering by both challengers and patent owners.

A PGR petition may be a complex affair involving numerous grounds of invalidity, and getting it prepared for filing within nine months may require getting started as soon as the patent issues, or even before.

"For that reason, it behooves companies to watch their competitors' IP," Sterling said. That means keeping an eye out for patent applications that are pending and could be asserted against the company, then considering whether to file a PGR.

Analyzing potentially problematic patents even before they issue is a sound way to be sure there is enough time to file a PGR, she said. Even if the nine-month window closes, however, companies can still target the patent through IPR, with its narrower range of invalidity grounds.

"You have to weigh the pros and cons," Sterling said. "If your best challenge is on prior art, you might want to take the time to flesh it out and wait to file an IPR."

However, if a challenger feels that the best shot is at invalidating the patent on ineligibility or written

description grounds, PGR is the way to go, she noted.

PGRs are fairly expensive, likely costing about \$500,000, so companies need to believe they are at some risk of being accused of infringement before they file a petition, Babcock said.

"You don't invest that much just because you see a patent coming down the pike and think, 'I don't like that patent and I want to get rid of it,'" he said.

Patent owners could use that fact to their advantage, and hold off on making any noise about asserting a newly issued patent for several months. Waiting, say, seven months after a patent is issued before asserting it could jam accused infringers and force them to put together a PGR petition in only two months, or just resort to the more limited challenges available in an IPR, Babcock said.

"A smart patent owner might not do anything right away, and that way, get themselves out of the nine-month window," he said.

### **PGRs Could Limit Defenses in Infringement Cases**

For all of their advantages to companies challenging patents, PGRs come with a major caveat in the form of an estoppel provision that bars petitioners from later raising in litigation "any ground that the petitioner raised or reasonably could have raised during that post-grant review."

It remains to be seen how the courts will interpret that provision, but it appears to suggest that if petitioners don't raise every possible invalidity ground in a PGR, they forfeit the right to make those arguments later in litigation if the patent survives review. That could have a considerable chilling effect on PGR filings, said Scott Kamholz of Foley Hoag LLP, a former PTAB judge.

"Does the estoppel provision essentially gut their court invalidity defenses?" he said. "It's a definite possibility, and fear of that is thought by many to be greatly dampening the rate of PGR filing."

IPRs also have an estoppel provision, but since the grounds that "could have been raised" are limited to obviousness and anticipation, the effect is less of a concern, since many other invalidity arguments necessarily remain on the table. The PGR estoppel provision could force challengers to take a kitchen sink approach to their petitions.

"Petitioners have got to come out with guns blazing or else they'll be estopped," Kamholz said.

PGRs are therefore something of a "double-edged sword," Gupta said. They allow a wide array of challenges, but also potentially shut down a petitioner's ability to argue invalidity in district court.

There is a possibility that the courts will limit the estoppel effect to grounds the PTAB actually decides in a PGR, but the reach of estoppel is the "big unanswered question" about PGRs, Kamholz said. It will likely be quite some time before a case presents the opportunity for the courts to resolve it.

Given the estoppel risk, some challengers may shy away from PGRs, said Matthew Cutler of Harness Dickey & Pierce PLC. Companies may ask themselves, "Why go down the PGR path? If I'm unsuccessful, I'm going to lose any defense I could bring in litigation," he said.

One of the main advantages of PGRs is the ability to challenge patents under Section 101, but district

judges have been granting Alice motions at a rapid clip in infringement litigation lately. That could further blunt the appeal of PGRs, Cutler said.

"Since 101 challenges in district court have been so successful under the Alice regime, why not do that in district court?" he said.

PTAB statistics indicate that interest in PGRs is growing nonetheless: there have been a total of 30 PGR petitions to date, but 14 of them were filed in the last four months. The PTAB has instituted 11 PGRs, and Monday's decisions invalidating all the challenged claims are likely a reminder for challengers of what the proceedings can do.

"Over the next few years, we're going to see the use of it pick up a lot," Gupta said.

--Editing by Katherine Rautenberg and Jill Coffey.