

## Choosing the Best Post-Patent Proceeding from the Patent Owner and Patent Challenger Perspectives

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There are now six types of proceedings at the United States Patent and Trademark Office (“USPTO”) that can be used to substantively amend, examine, and/or challenge a United States patent after the USPTO grants the patent: Post-Grant Review, *Inter Partes* Review, *Ex Parte* Reexamination, Supplemental Examination, Reissue Application, and the Transitional Program for Covered Business Method Patents (collectively, “post-patent proceedings”). Patents can also be challenged in Federal District Court by bringing a declaratory judgment action.<sup>2</sup> Arriving at the decision to amend, examine, or challenge a patent is already a difficult process; one that requires the thoughtful consideration of many commercial, financial, and legal factors. However, deciding to amend, examine, or challenge a patent merely opens the door to yet another complex decision making process; one that requires the thoughtful consideration of a variety of factors affected by the post-patent proceeding options.

This paper begins by providing a high-level overview of each of the six post-patent proceeding types. This paper then goes on to both identify many of the factors that will likely impact a decision regarding the type of post-patent proceeding(s) to pursue, and analyzes the impact those factors will have on both the party instituting the proceeding, and if that party is not the patent owner, the impact those factors will have on the patent owner.<sup>3</sup>

### Post-Patent Proceedings Overview

Three of the six post-patent proceedings are entirely new proceedings: Post-Grant Review, Supplemental Examination, and the Transitional Program for Covered Business Method Patents. *Inter Partes* Review is new, but bears some similarities to the now defunct *Inter Partes* Reexamination. *Ex Parte* Reexamination and Reissue Application remain substantially the same as they did before the Leahy-Smith America Invents Act (“AIA”) was signed into law.<sup>4</sup> While all six post-patent options are not available at the same point in time, often times a party deciding which post-patent proceeding(s) to pursue will be faced with the dilemma of selecting one or

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<sup>1</sup> This paper was prepared in support of presentations at the AIPLA 2013 Mid-Winter Institute on January 30, 2013, entitled “Advantages and Disadvantages of Post Grant Proceedings for Patent Challengers” and “Advantages and Disadvantages of Post-Grant Proceedings for Patent Owners” involving Philip S. Johnson, Chief Patent Counsel, Johnson & Johnson, and David M. Weirich, Associate General Counsel, The Procter & Gamble Company, both of whom provided input to this paper.

<sup>2</sup> Two other ways granted patents can be challenged occur as either a defense or counterclaim of patent invalidity in response to a patent infringement allegation in Federal District Court and in response to a section 337 action brought by a patent owner at the International Trade Commission, although in these instances the challenger does not initiate a challenge until the owner first acts.

<sup>3</sup> Post-patent proceedings that involve both a patent challenger and a patent owner include Post-Grant Review, *Inter Partes* Review, *Ex Parte* Reexamination (for purposes of initiating the challenge), and the Transitional Program for Covered Business Method Patents. Post-patent proceedings that can involve only the patent owner include *Ex Parte* Reexamination, Supplemental Examination, and Reissue Application; a patent owner can institute an *Ex Parte* Reexamination against the owner’s patent.

<sup>4</sup> The Leahy-Smith America Invents Act (“AIA”) was signed into law on September 16, 2011, and is widely considered to represent the most substantial changes to the U.S. patent system since at least the enactment of the U.S. Patent Act of 1952. The creation of Post-Grant Review, Supplemental Examination, the Transitional Program for Covered Business Method Patents, and *Inter Partes* Review were among the many changes implemented by the AIA.

more proceeding(s) from a subset of the six options. Before considering the factors that will help guide that decision, an overview of each proceeding is provided.

### **Post-Grant Review**

Post-Grant Review (“PGR”) affords third parties the opportunity to challenge the validity of a patent within nine months after the USPTO grants the patent.<sup>5</sup> If the request for a PGR is accepted, the requesting third party participates in the proceedings for the duration. Prior to the introduction of PGR, parties could only challenge granted patents at the USPTO using *Ex Parte* Reexamination or *Inter Partes* Reexamination proceedings. While *Ex Parte* and *Inter Partes* Reexaminations may only be instituted on grounds of anticipation under 35 U.S.C. § 102 and obviousness under 35 U.S.C. § 103, PGR proceedings may be brought on “any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim),” as well as to raise any “novel or unsettled legal question that is important to other patents or patent applications.”<sup>6</sup> Any issued patent based on an application that is first filed on or after March 16, 2013 is eligible to be challenged using PGR.<sup>7</sup> Importantly, a final decision in a PGR proceeding has an estoppel effect on other proceedings before the USPTO and in civil actions and other proceedings. The estoppel is not limited to just the grounds at issue in the PGR proceeding, but instead extends to any ground that the petitioner or challenger raised *or reasonably could have raised* during the PGR proceeding.<sup>8</sup> However, if the parties settle the PGR before a final decision is rendered, there is no estoppel effect associated with the PGR proceeding.<sup>9</sup>

While PGR proceedings are new to practitioners in the United States, European practitioners have long had the option of challenging a patent shortly after the European Patent Office publishes a patent for grant. In Europe, any person can pursue an Opposition within nine months of publication of the grant of the European patent in the European Patent Bulletin.<sup>10</sup> Thus, although determining the impact PGRs will have on patent owners and challengers is somewhat speculative, practitioners can certainly glean some useful information and strategies from

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<sup>5</sup> Post-Grant Reviews (“PGR”s) are governed by 35 U.S.C. §§ 321-329. The applicable code related to PGRs is 37 C.F.R. §§ 42.200-.224, while the applicable code for trial practice and procedures in a PGR proceeding is 37 C.F.R. §§ 42.1-.80. The code for trial practice and procedures is the same for PGR, *Inter Partes* Review, and the Transitional Program for Covered Business Method Patents.

<sup>6</sup> Compare 35 U.S.C. §§ 311(b) and 302 with 35 U.S.C. §§ 321(b) and 324(b). It remains to be seen exactly which grounds for invalidity may be “raised under paragraph (2) or (3) of section 282(b)” for PGR challenges, although it likely includes at least anticipation under 35 U.S.C. § 102, obviousness under 35 U.S.C. § 103, all grounds associated with 35 U.S.C. § 112 except for best mode, and double patenting. It is the USPTO’s position that these grounds also include subject matter challenges under 35 U.S.C. § 101, although some practitioners have expressed that they believe such challenges are not appropriate. See David Kappos, *PTAB and Patentability Challenges*, DIRECTOR’S FORUM: DAVID KAPPOS’ PUBLIC BLOG (Sept. 24, 2012), [http://www.uspto.gov/blog/director/entry/ptab\\_and\\_patentability\\_challenges\\_](http://www.uspto.gov/blog/director/entry/ptab_and_patentability_challenges_)

<sup>7</sup> See H.R. 1249, 112th Cong. § 6(f)(2)(A) (1st Sess. 2011).

<sup>8</sup> See 35 U.S.C. § 325(e)(1) and (2).

<sup>9</sup> See 35 U.S.C. § 327(a).

<sup>10</sup> Part V, Articles 99-105c of the European Patent Convention establish the parameters for opposing patents.

European practitioners' experience with European Oppositions.<sup>11</sup> Additionally, because the Transitional Program for Covered Business Method Patents is already in effect, it too can provide some insights related to the impact PGR will have on patent owners and challengers even before the first petitions for PGR can be filed.<sup>12</sup>

### ***Inter Partes Review***

*Inter Partes Review* (“IPR”) is a second way by which third parties may challenge a patent.<sup>13</sup> Like PGR, IPR is an adversarial proceeding in which the third party requester bears the burden of proof throughout the duration of the proceedings. Although a new proceeding, IPR bears a few similarities to *Inter Partes Reexamination*, which is no longer available.<sup>14</sup> For instance, like *Inter Partes Reexamination*, IPR can only be instituted on grounds of anticipation under 35 U.S.C. § 102 and obviousness under 35 U.S.C. § 103 on the basis of prior art consisting of patents or printed publications.<sup>15</sup>

Any issued patent is eligible to be challenged using IPR, regardless of the patent's filing date, although a challenger must wait nine months before instituting the challenge so as not to overlap with the timing for PGR filings.<sup>16</sup> However, an IPR cannot be filed if the challenger has instituted a declaratory judgment suit challenging the validity of the same patent, or if the challenger has been a defendant in a patent infringement action based on the same patent that has been pending more than one year.<sup>17</sup> Additionally, the same estoppel implications referenced with respect to PGR apply equally to IPR, although because the potential scope of IPR challenges is more limiting (*i.e.*, challenges under 35 U.S.C. §§ 102 and 103), so too is the scope of grounds that the petitioner or challenger *reasonably could have raised*.<sup>18</sup>

Except for the limitation of grounds to anticipation and obviousness under patents and printed publications, IPR is much more like PGR than *Inter Partes Reexamination*. IPR and PGR begin with petitions that identify with particularity the grounds on which the challenge to each claim is

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<sup>11</sup> See *Analyzing Post-Grant Review Proceedings in View of European Opposition Proceedings*, NUTTER MCCLENNEN & FISH LLP IP BULLETIN (Nov. 17, 2011), <http://www.nutter.com/Analyzing-Post-Grant-Review-Proceedings-in-View-of-European-Opposition-Proceedings-11-17-2011/> (comparing PGR proceedings with European Oppositions).

<sup>12</sup> As of December 14, 2012, 15 petitions in the Transitional Program for Covered Business Method Patents had been filed, 10 of which were filed by Liberty Mutual Insurance Company against patents owned by Progressive Casualty Insurance Company as part of an ongoing intellectual property dispute between the two companies.

<sup>13</sup> *Inter Partes Reviews* (“IPR”)s are governed by 35 U.S.C. §§ 311-319. The applicable code related to IPRs is 37 C.F.R. §§ 42.100-.123, while applicable code for trial practice and procedures in an IPR proceeding is the same as for PGR and the Transitional Program for Covered Business Method Patents—37 C.F.R. §§ 42.1-.80.

<sup>14</sup> As of December 14, 2012, 73 petitions had been filed requesting IPR.

<sup>15</sup> See 35 U.S.C. § 311(b).

<sup>16</sup> See 35 U.S.C. § 311(c). The AIA made IPR effective for all granted patents beginning September 16, 2012. However, because IPR can only be instituted nine months after grant and because PGR is only applicable to patents filed on or after March 16, 2012, there is a “dead zone” in which certain patents granted just prior to and after the September 16, 2012 date cannot be challenged at all under PGR and not under IPR for nine months after grant, although efforts have been made to eliminate this “dead zone.” H.R. Res. 6621, 112th Cong. § 1(d)(1) (2nd Sess. 2012).

<sup>17</sup> See 35 U.S.C. § 315(a)(1) and (b).

<sup>18</sup> See 35 U.S.C. §§ 315(e)(1) and (2) and 317(a) and *infra* note 73.

based, and the evidence that supports the grounds for the challenge, including such affidavits or declarations of supporting evidence and opinions, as the petitioner deems necessary.<sup>19</sup> Although the patent owner may preliminarily respond to the petition, under the applicable USPTO rules, the patent owner may not include responsive declarations or affidavits to rebut the positions taken by the examiner, and likely will not be allowed to rely upon conflicting testing evidence, even if it is contained in the prosecution history.<sup>20</sup>

Within three months after the patent owner's preliminary response, if any, the Director will determine whether to institute the proceeding.<sup>21</sup> Although arguably inconsistent with the text of the AIA, the USPTO's rules specify that both the institution of the IPR or PGR proceeding, and its final determination, will be conducted by interpreting the claims at issue giving them their "broadest reasonable interpretations" ("BRI"), rather than their "ordinary and customary" meanings, as they are in court proceedings.<sup>22</sup> Moreover, under the USPTO's application of BRI, the USPTO will consider only the patent's claims and specification, meaning that the USPTO intends to ignore the prior prosecution history of the patent, including any narrowing or defining arguments that may have occurred prior to the patent's original issuance.<sup>23</sup> In deciding whether to institute the IPR proceeding, the Director will then determine, based on the information presented, whether "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition," while in deciding whether to institute the PGR proceeding, the Director will then determine, based on the information presented, whether "it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable."<sup>24</sup> As discussed below in the section discussing standards of review, these two threshold standards for instituting IPR and PGR proceedings will not likely result in disparity in the grant rate percentages.<sup>25</sup> Based on the USPTO's projections, and the experience gained since the passage of the AIA, substantially more than 90% of all requested IPRs are likely to be instituted.<sup>26</sup>

Following the institution of an IPR or PGR, the patent owner may initiate discovery, including deposition testimony of the challenger's affiants and declarants.<sup>27</sup> Thereafter, the patent owner

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<sup>19</sup> See 35 U.S.C. §§ 311-312 and 37 C.F.R. §§ 42.101-106 for IPR and 35 U.S.C. §§321-322 and 37 C.F.R. §§ 42.201-.206 for PGR.

<sup>20</sup> See 35 U.S.C. § 313 and 37 C.F.R. § 42.107 for IPR and 35 U.S.C. § 323 and 37 C.F.R. § 42.207 for PGR.

<sup>21</sup> See 35 U.S.C. § 314 and 37 C.F.R. § 42.108 for IPR and 35 U.S.C. § 324 and 37 C.F.R. § 42.208 for PGR.

<sup>22</sup> Compare 37 C.F.R. § 42.100(b) and 37 C.F.R. § 42.200(b) with *infra* note 92; see also The Coalition for 21<sup>st</sup> Century Patent Reform, "Why the PTO's Proposed Use of the Broadest Reasonable Interpretation of Patent Claims in Post-Grant and Inter Partes Reviews Is Inappropriate Under the America Invents Act," July 19, 2012 [http://www.patentsmatter.com/issue/pdfs/Why\\_the\\_PTOs\\_Proposed\\_Use\\_of\\_BRI\\_is\\_Inappropriate\\_19July2012.pdf](http://www.patentsmatter.com/issue/pdfs/Why_the_PTOs_Proposed_Use_of_BRI_is_Inappropriate_19July2012.pdf) (arguing use of the BRI standard for claim interpretation in PGR and IPR is inappropriate and instead the "ordinary and customary meaning" standard should be used).

<sup>23</sup> See *id.*

<sup>24</sup> See 35 U.S.C. § 314(a) for IPR and 35 U.S.C. § 324(a) for PGR.

<sup>25</sup> See *infra* note 87.

<sup>26</sup> See *id.*

<sup>27</sup> See 35 U.S.C. § 316(a)(3)-(5) and 37 C.F.R. § 42.123 for IPR, 35 U.S.C. § 326(a)(3)-(5) and 37 C.F.R. §§ 42.223-.224 for PGR, and 37 C.F.R. §§ 42.51-.53 for both IPR and PGR.

may file its response to the petition.<sup>28</sup> Although the patent owner is not permitted to propose to add new claims to the patent, the patent owner may elect to cancel one or more of the patent's claims and propose "a reasonable number" of substitute claims for the canceled claim.<sup>29</sup> Per the promulgated USPTO rules, "a reasonable number" is deemed to be "one," absent a decision of the PTAB to the contrary.<sup>30</sup>

Following the filing of the patent owner's response, the petitioner may begin taking its own discovery, including depositions of the patent owners, affiants and declarants, if any, and may file written comments, whereupon the matter will proceed to a final hearing (termed a "trial" in USPTO parlance), and to a final decision, all normally within 12 months.<sup>31</sup>

### ***Ex Parte* Reexamination**

*Ex Parte* Reexamination ("ExPR") is a third way by which third parties may continue to challenge a patent.<sup>32</sup> The most substantial difference between ExPR and the aforementioned PGR and IPR is that a third party challenger is *not* permitted to participate in the proceedings after the initial request is filed. Additionally, a patent owner is permitted to request an ExPR of its own patent.

The AIA made few changes to ExPRs. Similar to IPR proceedings, ExPR proceedings can only be instituted on grounds of anticipation under 35 U.S.C. § 102 and obviousness under 35 U.S.C. § 103 on the basis of patents or printed publications, although ExPRs can also be instituted on grounds of anticipation and obviousness based on statements by the patent owner filed in a proceeding before a Federal court or the USPTO in which the patent owner took a position on the scope of any claim of a particular patent.<sup>33</sup> Also similar to IPR, any issued patent is eligible to be challenged using ExPR, regardless of the patent's filing date, but there is no requirement to wait nine months for the PGR filing window to close.<sup>34</sup> Notably, unlike PGR and IPR, essentially no estoppel is created as a result of the final decision in an ExPR. Thus, a petitioner can rely on the same art cited in the ExPR in another proceeding before the USPTO, a Federal District court, or the International Trade Commission ("ITC"), regardless of the outcome of the ExPR.

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<sup>28</sup> See 35 U.S.C. § 316(a)(8) and 37 C.F.R. § 42.120 for IPR and 35 U.S.C. § 326(a)(8) and 37 C.F.R. § 42.220 for PGR.

<sup>29</sup> See 35 U.S.C. § 316(a)(9) and 37 C.F.R. § 42.121 for IPR and 35 U.S.C. § 326(a)(9) and 37 C.F.R. § 42.221 for PGR.

<sup>30</sup> See 37 C.F.R. § 42.121(a)(3) for IPR and 37 C.F.R. § 42.221(a)(3) for PGR.

<sup>31</sup> See 35 U.S.C. § 316(a)(3)-(5), (10), and (11) and 37 C.F.R. § 42.123 for PGR, 35 U.S.C. § 326(a)(3)-(5), (10), and (11) 37 C.F.R. §§ 42.223-224 for PGR, and 37 C.F.R. §§ 42.51-.53 and 42.65-.73 for both IPR and PGR.

<sup>32</sup> *Ex Parte* Reexaminations ("ExPR"s) are governed by 35 U.S.C. §§ 302-307. The applicable code related to ExPRs is 37 C.F.R. §§ 1.510-.570. The Manual of Patent Examining Procedure ("MPEP") also has a section devoted to ExPRs, which is located at MPEP §§ 2209-2296.

<sup>33</sup> See 35 U.S.C. §§ 301 and 302.

<sup>34</sup> See 35 U.S.C. § 302.

## **Supplemental Examination**

Supplemental Examination (“SE”) affords a patent owner the opportunity to have information related to the patent reviewed by the USPTO to determine if the submitted information presents a substantial new question of patentability.<sup>35</sup> The information eligible for SE does not appear to be limited to patents, printed publications, or even other art permitted under 35 U.S.C. §§ 102 and 103 (*e.g.*, public disclosure, first use, or first sale).<sup>36</sup> Rather, as discussed in greater detail below, any information relevant to the patent that the patent owner wants the USPTO to consider, reconsider, or correct may be the subject of a SE request, and thus SE provides a broader reach for review for a patent owner than just filing a request for ExPR.<sup>37</sup>

If the USPTO determines the information raises a substantial new question of patentability, then an ExPR is initiated. On the other hand, if the USPTO determines the information does not raise a substantial new question of patentability, then a portion of the patent owner’s up-front fee is returned to the patent owner and no further action is taken with regards to the information provided by the patent owner. The effect of the USPTO determining the information does not raise a substantial new question of patentability is that the patent is effectively stronger because the additional information has been determined not to call patentability into question.

Regardless of whether the USPTO initiates an ExPR in response to a request for SE, the information reviewed during the SE cannot be relied upon to hold a patent unenforceable, for instance due to inequitable conduct.<sup>38</sup> However, if the Director determines that a material fraud on the USPTO was committed in connection with the patent that is the subject of the SE, the Director can refer the matter to the Attorney General for further action.<sup>39</sup>

Because SEs are new proceedings, it remains to be seen the types of situations that will likely trigger its use. However, at this early stage in its history, SE is widely considered as a way by which a patent owner can rectify actions that could otherwise have led to challenges of unenforceability due to inequitable conduct.<sup>40</sup> A patent owner may choose to scrub its patent of possible inequitable conduct allegations it is aware of prior to instituting a litigation. Alternatively, a party looking to acquire a patent portfolio may request the patent owner scrub one or more of the patents of information that could not otherwise be reviewed in an ExPR.

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<sup>35</sup> Supplemental Examinations (“SE”)s are governed by 35 U.S.C. § 257. The applicable code related to SEs is 37 C.F.R. §§ 1.601-.625.

<sup>36</sup> As of November 18, 2012, four requests for SE had been filed with the USPTO. *See* Dennis Crouch, *Update on SE*, PATENTLY-O (Nov. 30, 2012) <http://www.patentlyo.com/patent/2012/11/update-on-supplemental-examination.html>.

<sup>37</sup> *See infra* notes 59-64.

<sup>38</sup> *See* 35 U.S.C. § 257(c).

<sup>39</sup> *See* 35 U.S.C. § 257(e).

<sup>40</sup> *See, e.g.*, Jason Rantanen and Lee Petherbridge, *Toward a System of Invention Registration: The Leahy-Smith America Invents Act*, 110 Mich. L. Rev. First Impressions 24 (2011), available at <http://www.michiganlawreview.org/articles/toward-a-system-of-invention-registration-the-leahy-smith-america-invents-act>.

## **Reissue Application**

A Reissue Application (“RIA”) is a form of post-patent proceeding that existed prior to the AIA and remains in existence, without substantive changes, after the AIA. RIAs permit a patent owner to correct deficiencies<sup>41</sup> in its previously issued patent, and include an option for an owner to seek broader claims than were originally granted.<sup>42</sup> The ability to seek an enlarged claim scope exists only during the first two years after issuance.<sup>43</sup> Regardless of whether the RIA is filed to seek broader claims or to correct some other deficiency, all RIAs must include a Declaration indicating that the “patent is, through error, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent.”<sup>44</sup>

An RIA can be filed for any granted patent, and there is no requirement for the owner to wait a period of time after the patent issues before filing an RIA.<sup>45</sup> RIAs are prosecuted in a manner similar to a regularly filed patent application with the USPTO. Thus, the same risks and rewards that exist for regular patent prosecution also exist for RIAs.<sup>46</sup> Notably, other than typical prosecution history estoppel, no other estoppel issues plague RIAs like other post-patent proceedings.

## **Transitional Program for Covered Business Method Patents**

The Transitional Program for Covered Business Method Patents (“PGR-BMP”) is a version of PGR tailored specifically for challenging patents directed to business methods.<sup>47</sup> The aspects of PGR-BMP substantially mirror those discussed above with respect to PGR with a few notable exceptions.

Any issued patent can be challenged using PGR-BMP, regardless of the date it issued, provided that the patent claims a qualified business method or apparatus for performing the steps of the qualified business method and that the petitioner has been sued for infringement of the patent or

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<sup>41</sup> Deficiencies are different than mistakes, such as a typographical error or a correction of inventorship. Patent owners can apply for a Certificate of Correction to fix mistakes. *See generally* 35 U.S.C. §§ 254-256, 37 C.F.R. §§ 1.322-.324, and MPEP §§ 1480-1485.

<sup>42</sup> Reissue Applications (“RIA”)s are governed by 35 U.S.C. § 35 U.S.C. §§ 251-252. The applicable code related to RIAs is 35 C.F.R. §§ 1.171-.178. The MPEP also has a section devoted to RIAs, which is located at MPEP §§1400.01-1470.

<sup>43</sup> *See* 35 U.S.C. § 251(d).

<sup>44</sup> 35 U.S.C. § 251(a).

<sup>45</sup> RIAs have become more popular in the past two years. In 2011, 1,029 Reissue Patents (“RIP”)s were granted. In 2010, 947 RIPs were granted. Prior to 2010, no more than 647 RIPs granted in a single year (in 2008). The average number of granted RIPs in the past 10 years is 553, but for the 10 years prior to 2010, the average number of granted RIPs was only 456. *See U.S. Patent Statistics Chart Calendar Years 1963 – 2011*, USPTO.GOV (May 21, 2012 7:53 P.M.), [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm).

<sup>46</sup> *See* 37 C.F.R. § 1.176(a).

<sup>47</sup> The Transitional Program for Covered Business Method Patents (“PGR-BMP”) is governed by 35 U.S.C. §§ 321-329 (with exceptions). The applicable code related to PGR-BMP is 37 C.F.R. §§ 42.300-.304, while the applicable code for trial practice and procedures for PGR-BMP is the same as for PGR and IPR—37 C.F.R. §§ 42.1-.80.

charged with infringement under the patent, unless otherwise estopped.<sup>48</sup> A qualified business method or apparatus includes “a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except [it] does not include patents for technological inventions.”<sup>49</sup> Additionally, a PGR-BMP challenge is only permitted if “the petitioner has been sued for infringement of the patent or charged with infringement<sup>50</sup> under that patent,” unless otherwise estopped.<sup>51</sup>

Unlike PGR, challenges under PGR-BMP are currently permitted, and they do not need to be filed within nine months of the patent’s grant.<sup>52</sup> However, once a patent becomes eligible to be challenged under PGR, the petitioners will have to wait nine months before pursuing a PGR-BMP proceeding.<sup>53</sup> Additionally, by law, PGR-BMP is due to end on September 15, 2020.<sup>54</sup> Interestingly, the grounds on which a patent can be challenged using PGR-BMP depend on whether the patent grants under the first-to-file provisions or the first-to-invent provisions. Patents granted under the first-to-file provisions can be challenged on any ground, while patents granted under the first-to-invent provisions can only be challenged based on limited prior art.<sup>55</sup>

Notably, the estoppel that attaches to a PGR-BMP proceeding is not as onerous as the estoppel that attaches to a PGR or IPR proceeding. Like PGR and IPR, estoppel extends to any ground that the petitioner or challenger raised *or reasonably could have raised* during the PGR-BMP proceeding for proceedings before the USPTO, but unlike PGR and IPR, this estoppel *does not* extend to civil actions and other proceedings.<sup>56</sup>

The proceeding structure, effect, and costs of PGR-BMP substantially mirror the structure, effect, and costs of PGR proceedings.

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<sup>48</sup> See 37 C.F.R. §§ 42.301-.302.

<sup>49</sup> 37 C.F.R. 42.301(a). A “technological invention” for the purposes of PGR-BMP will be determined by considering on a case-by-case basis “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(b).

<sup>50</sup> “Charged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.” 37 C.F.R. § 42.302(a).

<sup>51</sup> 37 C.F.R. §§ 42.302.

<sup>52</sup> As of December 14, 2012, 15 petitions for PGR-BMP had been filed, 10 of which were filed by Liberty Mutual Insurance Company against patents owned by Progressive Casualty Insurance Company as part of an ongoing intellectual property dispute between the two companies.

<sup>53</sup> See 37 C.F.R. § 42.303.

<sup>54</sup> See H.R. 1249 § 18(a)(3).

<sup>55</sup> See 37 C.F.R. § 42.304(b)(2). Limited prior art as defined in the AIA includes art falling under 35 U.S.C. § 102(a), or art that discloses the invention more than one year before the filing date and falling under 35 U.S.C. § 102(a) if the disclosure had been made by another. See H.R. 1249 § 18(a)(1)(C).

<sup>56</sup> See H.R. 1249 § 18(a)(1)(A) and 35 U.S.C. § 325(e)(1) and (2).



## **Factors to Consider When Selecting a Post-Patent Proceeding(s)**

Many factors will help guide the decision of the party considering the six post-patent proceeding options. Some of these factors will necessarily dictate which options are available to the party. For example, if the patent has been issued for more than nine months, PGR is not an option. Likewise, patent owners only have three of the six post-patent proceedings available to them (ExPR, SE, and RIA), and third parties only have four of the six post-patent proceedings available to them (PGR, IPR, ExPR, and PGR-BMP).

Other factors must be carefully considered before deciding which, if any, post-patent proceeding to pursue. For example, a third party should evaluate potential estoppel issues before deciding between one of PGR, IPR, and PGR-BMP, all of which have substantial estoppel implications, and an ExPR, which has essentially no estoppel implications. Additionally, if either or both the patent owner and the patent challenger are or could become involved in a litigation related to the patent(s) to be challenged, that will also have a substantial impact on any post-patent proceeding decision. It is worth noting that, in some instances, it may be advantageous to pursue multiple post-patent proceeding options. For example, a party may want to challenge a patent using both IPR and ExPR with different prior art references.<sup>57</sup>

At least some of the factors that will likely impact a party's decision include: (1) grounds on which the patent can be reviewed or challenged; (2) the forum in which the review or challenge will occur; (3) the standard of review for the proceeding; (4) the amount of control the party has over the proceedings; (5) the options for remedying the raised issues within the confines of the proceeding; (6) the options for remedying the raised issues outside of the confines of the proceeding; (7) the effects of timing; (8) the effects on any pending or future litigation; (9) estoppel effects; (10) cost; (11) settlement options; (12) the burden that may result from the duties of candor and disclosure; (13) the level of confidentiality associated with the proceeding; and (14) the identification of the challenger.

A review of these grounds follows in turn.

### **Grounds on Which a Patent Can Be Reviewed or Challenged**

The bases or grounds relied upon to request, petition for, or file a post-patent proceeding will impact on the party's decision regarding which proceeding to pursue. The bases may include "any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim)," and any "novel or unsettled legal question that is important to other patents or patent applications."<sup>58</sup> Further, for some post-patent proceedings the type of prior art is limited to patents and printed publications.

A patent owner interested in confirming the validity of its patent in view of possible challenges for anticipation or obviousness based on one or more patents, printed publications, or admissions by the patent owner related to claim scope can use any of the three post-patent proceeding

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<sup>57</sup> The PTO, however, can opt to consolidate these proceedings. *See* 35 U.S.C. § 315(d).

<sup>58</sup> *See supra* note 6.

options available to it (ExPR, SE, and RIA) provided all other requirements are met.<sup>59</sup> However, if the possible anticipation or obviousness is due to some other type of prior art, such as a public disclosure, public use, or first sale, then only SE and RIA are options.<sup>60</sup> Likewise, confirmation of validity for any other basis, including patentability of subject matter, § 112 grounds, double patenting, or other information related to the patent that may affect patentability are also only available in SE and RIA.<sup>61</sup> Of course, if a request for SE is granted, then an ExPR commences.<sup>62</sup> Thus, SE provides a potential back door for patent owners to have issues reviewed that would otherwise not be acceptable for review in an ExPR.

Once an ExPR is initiated, whether through SE or a request for ExPR, the examination is not limited to the issues from the initial request. Rather, at any time during the ExPR proceeding, or even while a request for ExPR (but not a request for SE) is being considered, the Director may determine a substantial new question of patentability is raised by patents and publications discovered by the Director, or cited under the provisions of 35 U.S.C. § 301 (citation of prior art by anybody) or 302 (request for ExPR), even if the patents and publications were previously cited by or to the USPTO or considered by the USPTO.<sup>63</sup> An RIA works in a similar manner. Once an RIA is filed, the grounds for determining patentability during prosecution are any that could affect the patentability of the RIA, not just the reason identified by the patent owner that caused the issued patent to be wholly or partly inoperative or invalid.<sup>64</sup>

In instances in which the patent owner wishes only to confirm patent validity in view of possible challenges for anticipation or obviousness based on one or more patents, printed publications, or admissions by the patent owner related to claim scope, the Patent Owner will likely prefer ExPR or SE so as not to open the door for possible further challenges that may result from an RIA. However, if the patent owner requires a review on other bases or information, then SE or RIA is likely the more preferred proceeding.

A third party interested in challenging a patent for anticipation or obviousness based on one or more patents or printed publications can use any of the four post-patent proceeding options available to it (PGR, IPR, ExPR, and PGR-BMP) provided all other requirements are met.<sup>65</sup> IPR, however, is limited to challenges on these bases. ExPR is also limited to challenges for anticipation or obviousness, but it includes one further type of prior art—statements by the patent owner filed in a proceeding before a Federal court or the USPTO in which the patent owner took a position on the scope of any claim of a particular patent.<sup>66</sup> PGR, on the other hand, may be instituted on “any ground that could be raised under paragraph (2) or (3) of section 282(b)

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<sup>59</sup> See 35 U.S.C. §§ 251(a), 257(a), 301, and 302.

<sup>60</sup> See 35 U.S.C. §§ 251(a) and 257(a).

<sup>61</sup> See *id.*

<sup>62</sup> See 35 U.S.C. § 257(b).

<sup>63</sup> See 35 U.S.C. § 303(a).

<sup>64</sup> See 37 C.F.R. § 1.176.

<sup>65</sup> See 35 U.S.C. §§ 301, 302, 311(b), and 321(b).

<sup>66</sup> See 35 U.S.C. §§ 301 and 302.

(relating to invalidity of the patent or any claim),” and any “novel or unsettled legal question that is important to other patents or patent applications.”<sup>67</sup>

Permissible grounds for PGR-BMP are more complicated because they depend on the type of claims being challenged (*i.e.*, whether they are challengeable method claims) and the effective priority date of the challenged claims. A patent can be challenged using PGR-BMP if the patent “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except [it] does not include patents for technological inventions”<sup>68</sup> and “the petitioner has been sued for infringement of the patent or charged with infringement”<sup>69</sup> under that patent,” unless otherwise estopped.<sup>70</sup> If the patent being challenged was examined under the first-to-file provisions, *i.e.*, it has an effective priority date of March 16, 2013, or later, then a petitioner may request to cancel as unpatentable one or more claims of a covered business method patent on any ground.<sup>71</sup> If the patent being challenged was examined under the first-to-invent provisions, *i.e.*, it has an effective priority date that is earlier than March 16, 2013, then the petitioner may request to cancel as unpatentable one or more claims of a covered business method patent based on limited prior art.<sup>72</sup>

In instances in which a third party wishes to challenge a patent that does not qualify under PGR-BMP for issues beyond anticipation or obviousness, or rely upon prior art that falls outside of the scope of prior art for IPR or ExPR, the third party must do so within the first nine months of the patent’s issuance because PGR is the only post-patent proceeding option available. For patents that qualify under PGR-BMP and that were filed under the first-to-file provisions, there is not quite as much urgency because patents can be challenged using PGR-BMP on any ground. However, if the only desired challenge relates to anticipation or obviousness, and the prior art being relied upon falls within the scope of acceptable prior art for IPR, ExPR, and patents eligible for PGR-BMP that were filed under the first-to-invent provisions, then the third party can select any of the four available post-patent proceedings available to it. Because PGR and PGR-BMP allow a patent to be challenged on more grounds, a third party may prefer these proceedings to consolidate as much of the challenge as possible. However, if the third party would rather focus on anticipation or obviousness issues that are permitted in IPR or ExPR and save other issues for a challenge in the Federal courts or the ITC, the third party will likely prefer

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<sup>67</sup> See 35 U.S.C. §§ 321(b) and 324(b).

<sup>68</sup> A “technological invention” for the purposes of PGR-BMP will be determined by considering on a case-by-case basis “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(b).

<sup>69</sup> “Charged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.” 37 C.F.R. § 42.302(a).

<sup>70</sup> 37 C.F.R. §§ 42.301(a) and 42.302(b).

<sup>71</sup> See H.R. 1249 § 18(a)(1).

<sup>72</sup> See *id.*

IPR or ExPR because of the estoppel effect of PGR and PGR-BMP that would prevent the other types of challenges in the Federal courts or at the ITC.<sup>73</sup>

From the patent owner's perspective, although the patent owner does not have the ability to initiate a PGR, IPR, or PGR-BMP, there may be a desire to consolidate as many issues as possible for potential cost savings, and thus PGR and PGR-BMP for patents under the first-to-file provisions are likely preferable.

### **Forum Selection**

The forum for the post-patent proceeding is another factor patent owners and third parties will consider in deciding which post-patent proceeding to pursue. Unlike other factors discussed herein, whether the post-patent proceeding is brought by the patent owner or the patent challenger has very little, if any, bearing on the analysis of this factor. Rather, the analysis of whether the preferred forum is the Patent Trial and Appeal Board ("PTAB"), the Central Reexamination Unit ("CRU"), or the standard examination unit at the USPTO depends largely on the adjudicating personnel's education, experience, and ability to understand the arguments in the amount of time allotted for the proceeding.

Proceedings for PGR, IPR, and PGR-BMP are conducted at the PTAB, with each proceeding being conducted before three administrative judges.<sup>74</sup> The period of time for discovery, submitting briefs, and presenting oral arguments is limited in each of these three proceedings.<sup>75</sup> Proceedings for ExPR and SE are conducted at the CRU, with each proceeding being conducted before a reexamination specialist with several years of primary examiner experience.<sup>76</sup> There is no discovery, presentation of arguments beyond the initial request, or interview or hearing associated with an SE. There is also no discovery in an ExPR. The time to present arguments is similar to that of typical patent prosecution, and includes an opportunity to interview the reexamination specialist, although there is no option to file a Request for Continued Examination.<sup>77</sup> Proceedings for RIAs are conducted in the same manner as a regularly filed patent application with the USPTO, with each application being reviewed by an examiner in the

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<sup>73</sup> The estoppel effects of IPR are less limiting than the estoppel effects of PGR and PGR-BMP because IPR only allows limited types of challenges under 35 U.S.C. §§ 102 and 103. Thus, the effect of the requirement that petitioners are prevented from bringing challenges they "reasonably could have raised" during a particular post-patent proceeding only extends to the types of challenges that could have been raised in a particular type of post-patent proceeding. Compare 35 U.S.C. §§ 321(b), 324(b), and 325(e)(1) and (2) with 35 U.S.C. §§ 311(b) and 315(e)(1) and (2). ExPR does not have the estoppel effects of IPR or PGR and PGR-BMP, and is thus the least burdensome in this regard. See *In re Mendez et al., Ex Parte Reexamination Proceeding*, 2009 WL 536861, at \*8 (Feb. 24, 2009) (contrasting with *inter partes* reexamination, "[t]here are no such estoppel provisions in the *ex parte* reexamination statute").

<sup>74</sup> See 35 U.S.C. §§ 316(c) and 326(c).

<sup>75</sup> See 35 U.S.C. § 316(a)(5) and (11), 35 U.S.C. § 326(a)(5) and (11); 37 C.F.R. §§ 42.51(b), 42.100(c), and 42.200(c).

<sup>76</sup> See MPEP 2289; *Central Reexamination Unit (CRU)*, THE PTO LITIGATION CENTER, <http://ptoligationcenter.com/2009/09/central-reexamination-unit-cru/> (last visited Dec. 14, 2012).

<sup>77</sup> See 37 C.F.R. § 1.550(b) and (g); 37 C.F.R. § 1.560.

appropriate art unit.<sup>78</sup> Like ExPR, there is no discovery, the time to present arguments is the same as typical patent prosecution, and there is an opportunity to interview the examiner.<sup>79</sup>

Patent owners and third parties who believe their facts and arguments will be better received by a technical audience may prefer to pursue a post-patent proceeding at least in addition to, and possibly in lieu of, a proceeding before a judge or jury.<sup>80</sup> The audience for each of the six post-patent proceedings is likely to have a more relevant technical background than a judge or jury. However, if the technical facts and arguments will be difficult to present in a very limited time period during a hearing, proceedings such as PGR, IPR, ExPR, and PGR-BMP become less attractive. Likewise, for those post-patent proceedings for which discovery is permitted and/or arguments can be presented during a very limited time frame (PGR, IPR, and PGR-BMP), parties will need to consider the impact the limited time frame will have on their abilities to develop their positions against proceedings that are less time restrictive (ExPR and RIAs).

### **Standards of Review**

The Standards of Review for any given proceeding should enter into any calculus for considering post-patent proceedings. For each proceeding, there are three standards to consider: the standard for granting a request or petition to initiate the proceeding, the standard of evidentiary review during the proceeding, and the claim interpretation standard employed during the proceeding.

The USPTO reviews requests or petitions to initiate a post-patent proceeding in five of the six post-patent proceedings: PGR, IPR, ExPR, SE, and PGR-BMP. For RIAs, the USPTO reviews the Declaration filed with the RIA to determine if the patent was wholly or partly inoperative or invalid by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent.<sup>81</sup> In most every instance, the USPTO is likely to accept the RIA filing and proceed with prosecution of the RIA, although for broadening RIAs the USPTO may do some more diligence to confirm the broadening reissue is appropriate.

Depending on the proceeding requested, the law requires that the USPTO apply one of three standards to make the determination as to whether to initiate the requested post-patent proceeding. For PGR and PGR-BMP, a proceeding will be initiated if the petitioner or challenger is able to convince the PTAB that at least one claim is “more likely than not”<sup>82</sup> to be found unpatentable in a PGR or PGR-BMP proceeding, or if the request raises a novel or unsettled legal question.<sup>83</sup> For IPR, a proceeding will be initiated if the petitioner is able to convince the PTAB that there is a reasonable likelihood<sup>84</sup> that the petitioner would prevail with

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<sup>78</sup> See 37 C.F.R. § 1.176(a).

<sup>79</sup> See *id.*

<sup>80</sup> For parties considering bringing both a post-patent proceeding and one of a civil action in the Federal courts or a proceeding at the ITC, estoppel issues, discussed in detail further below, will also impact this decision.

<sup>81</sup> See 35 U.S.C. § 251(a).

<sup>82</sup> Greater than a 50% chance.

<sup>83</sup> See 35 U.S.C. § 324(a) and (b).

<sup>84</sup> According to Chief Justice Smith, this standard “allows for the exercise of discretion but encompasses a 50/50 chance . . .” Judge James Donald Smith, *Message from Chief Judge James Donald Smith, Board of Patent Appeals and Interferences: USPTO*

respect to at least one of the claims challenged in the request.<sup>85</sup> Meanwhile, for ExPR and SE, an ExPR proceeding will be initiated if the CRU determines that there is a substantial new question of patentability (“SNQ”).<sup>86</sup>

Although technically these three standards are different, the decision as to whether to grant the request for the post-patent proceeding under each standard will likely be similar—most will continue to be granted once any formality issues with the requests are corrected.<sup>87</sup> Thus, until data regarding approval rates of post-grant proceeding requests proves otherwise, the review standard will not likely affect a third party’s decision regarding which post-patent proceeding to pursue.

Turning to the standard of evidentiary review during the proceeding, although the traditional “presumption of validity” does not apply in post-patent proceedings,<sup>88</sup> in PGR, IPR, and PGR-BMP proceedings the burden is placed upon, and remains upon, the challenger to prove that at least one claim is unpatentable by a “preponderance of the evidence.”<sup>89</sup> There is no parallel evidentiary standard for ExPR, SE, and RIA because these proceedings are *ex parte* and do not involve both parties. While parties involved in a post-patent proceeding should be aware of the evidentiary standards, particularly when compared to evidentiary standards in civil actions or challenges at the ITC, the evidentiary standard will not likely affect a third party’s decision regarding which post-patent proceeding to pursue.

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*Discusses key aspects of New Administrative Patent Trial*, [http://www.uspto.gov/aia\\_implementation/smith-blog-extravaganza.jsp](http://www.uspto.gov/aia_implementation/smith-blog-extravaganza.jsp) (last accessed Dec. 14, 2012).

<sup>85</sup> See 35 U.S.C. § 314(a).

<sup>86</sup> See, e.g., 35 U.S.C. § 303 and § 257; 37 C.F.R. §§ 1.601-.625.

<sup>87</sup> Prior to enactment of the AIA, both *Inter Partes* Reexamination and ExPR requests were reviewed under the substantial new question of patentability (“SNQ”) standard that is now applicable to only ExPR and SE. The AIA, however, changed the standard for *Inter Partes* Reexamination from the date the AIA was enacted, September 16, 2011, through the last date *Inter Partes* Reexaminations could be filed, September 15, 2012, after which IPRs replaced *Inter Partes* Reexaminations. During this one year period, the standard for reviewing *Inter Partes* Reexamination requests was the same as it is now for IPR— whether the petitioner is able to show that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the request. The intent behind this higher threshold was to weed out marginal challenges. See 157 CONG. REC. S1042 (daily ed. Mar. 1, 2011)(Statement of Sen. Kyl). However, USPTO reports indicate that the approval rate for requests for *Inter Partes* Reexamination requests under the higher threshold standard were even higher than under the SNQ standard. See U.S. PATENT AND TRADEMARK OFFICE, IP QUARTERLY REPORT (June 30, 2012), [http://www.uspto.gov/patents/stats/IP\\_quarterly\\_report\\_June\\_30\\_2012.pdf](http://www.uspto.gov/patents/stats/IP_quarterly_report_June_30_2012.pdf) (grant rate for *Inter Partes* Reexamination requests for the five years before the AIA was enacted under the SNQ standard was 85.5%, while the grant rate for *Inter Partes* Reexamination requests for the first nine months after the new standard was introduced by way of the AIA being enacted was 94.4%). The approval rate for *Inter Partes* Reexamination requests under the higher threshold standard is also higher than the approval rate for *Ex Partes* Reexamination requests, which continue to be reviewed under the SNQ standard. See U.S. PATENT AND TRADEMARK OFFICE, EP QUARTERLY REPORT (June 30, 2012), [http://www.uspto.gov/patents/stats/EP\\_quarterly\\_report\\_June\\_30\\_2012.pdf](http://www.uspto.gov/patents/stats/EP_quarterly_report_June_30_2012.pdf) (grant rate for ExPR requests for the five years before the AIA was enacted under the SNQ standard was 87.7% and the grant rate after the AIA was enacted, which was still under the SNQ standard, was 88.7%).

<sup>88</sup> Patents enjoy a strong presumption of validity in civil trials. See *Microsoft v. i4i Ltd.*, 131 S. Ct. 2238, 2245 (2011)(“by its express terms, [35 U.S.C.] § 282 establishes a presumption of patent validity, and it provides that a challenger must overcome that presumption to prevail on an invalidity defense.”).

<sup>89</sup> See 35 U.S.C. § 326(e).

During the course of any post-patent proceeding at the PTAB (PGR, IPR, and PGR-BMP), the PTAB interprets the claims using the broadest reasonable interpretation standard.<sup>90</sup> This same claim interpretation standard is used by the USPTO for ExPR and RIA.<sup>91</sup> Because the claim interpretation standard is generally consistent across the post-patent proceedings, it will not likely affect a third party's decision regarding which post-patent proceeding to pursue. Nevertheless, it is a factor to consider when viewed against the backdrop of civil actions or challenges at the ITC, where the claim interpretation is the "ordinary and customary" meaning.<sup>92</sup> The differing claim interpretation standard between civil actions or challenges at the ITC versus post-patent proceedings may change the effect of prior art on the claims at issue.

More particularly, in abolishing *Inter Partes* Reexamination, and by rejecting the SNQ standard for PGR, IPR, and PGR-BMP, it was Congress's intent to reduce the institution rate experienced in *Inter Partes* Reexamination by raising the threshold showing needed to subject a patent owner to the time and expense of PGR, IPR, and PGR-BMP, and to ensure that these proceedings are used sparingly to address patents that are clearly invalid.<sup>93</sup> In deciding to employ BRI, and by taking liberal interpretations of the new standards set forth in the AIA, the USPTO has largely ignored this intent, meaning that, in almost every instance the USPTO is as likely to institute PGR, IPR, and PGR-BMP proceedings as it is to institute ExPR proceedings.

### **Control of Proceeding**

Often in high-stakes litigation, control of the proceeding can help pave the way to victory. And often it is true that the plaintiff in a suit can better control the action in a variety of ways, such as through forum selection, motion practice, jury requests, and discovery. This is also the case in post-patent proceedings.

Actions brought by a third-party petitioner or challenger, more often than not, rest control in the hands of the petitioner during initial stages. This is advantageous to a third-party petitioner over traditional litigation as control afforded the petitioner can be significantly greater than the control afforded to a patent challenger in court. But, control is limited in the initial petition by parallel litigation, for example, the petitioner is not permitted to initiate a patent challenge in the form of a PGR and a declaratory judgment action at the Federal District Court level. If a declaratory judgment action was initiated before the petition requesting a PGR, IPR, or PGR-BMP was filed, the petition will be denied, and if a declaratory judgment action is initiated after the petition is filed, the declaratory judgment action will be automatically stayed at the discretion of the patent owner.<sup>94</sup> But, if the patent owner initiated the civil action at the Federal District Court, for

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<sup>90</sup> See 37 C.F.R. § 42.100.

<sup>91</sup> See MPEP §2258(G), §1445, and §2111; *but see*, MPEP § 2258(G) (where patent at issue in ExPR has already expired, claim terms are only given their "ordinary and customary meaning").

<sup>92</sup> See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (indicating claim terms are generally given their "ordinary and customary meaning").

<sup>93</sup> See *supra* note 87 (citing Se. Kyl's comments indicating that higher threshold for reviewing requests for *Inter Partes* Reexaminations, which is now applicable to IPR, and for reviewing requests for PGR and PGR-BMP was to weed out marginal challenges and preserve USPTO's own resources).

<sup>94</sup> The patent owner can lift the stay by moving the court to lift the stay, or by filing a civil action or counterclaim alleging that the challenger or real part in interest has infringed the patent. See 35 U.S.C. § 325(a).

instance by alleging patent infringement, then the petitioner is permitted to challenge the patent both in the form of a PGR, IPR, or PGR-BMP and in the civil action by way of a counterclaim and/or defense.<sup>95</sup> Still further, a patent cannot be challenged using IPR if the petition is filed more than one year after a complaint alleging infringement of the patent is served on the challenger.<sup>96</sup>

Actions brought by a patent owner are always conducted in *ex parte* form and thus the action is between the patent owner and the USPTO only, leading the patent owner to have greater control over the proceeding than those initiated by a third-party challenger.

The control aspect is an essential advantage for a third-party over a patent owner as compared to litigation. Furthermore, the control factor is slanted in favor of third-parties to ensure the viability of the post-patent proceedings.

### **Options to Remedy Within the Proceeding**

Under the post-patent proceedings patent owners will have avenues to remedy any discovered deficiencies. In most of the proceedings the patent owner is afforded at least one opportunity to amend the claims in response to the grounds identified by either a third-party petitioner or the USPTO directly.

For instance, under PGR, IPR, and PGR-BMP, at the beginning of the initiated review, the patent owner is afforded one opportunity to cancel one or more of the patent's original claims and to propose a "reasonable number" of substitute claims to respond to the grounds of unpatentability asserted by the petitioner, provided the substitute claims do not enlarge the scope of the claims.<sup>97</sup> Additionally, alternative or contingent amendments are permitted, similar to the auxiliary request practice used in oral proceedings at the European Patent Office.

Under ExPR and RIA, amendments are more readily available, as these proceedings are carried out in a manner more similar to general patent prosecution.<sup>98</sup> SE is just the evaluation of information to determine whether to initiate an ExPR, and thus there is no opportunity to amend the claims during a SE.

Having the ability to amend claims during a post-patent proceeding may be beneficial to owners to the extent that amendments may be targeted toward the challenger's product. Of course, with the exception of a broadening RIA, claim amendments cannot broaden an element of a claim. But, owners may still have opportunities to tailor the claims with the benefit of a working knowledge of the third-party's potentially infringing product. Obviously, the more readily claim amendments can be made during a proceeding, the more preferable that may be in this context

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<sup>95</sup> *See id.*

<sup>96</sup> *See* 35 U.S.C. §315(b).

<sup>97</sup> *See* 35 U.S.C. §§ 326(d) and 316(a) and (d).

<sup>98</sup> *Compare* 37 C.F.R. § 1.176 (provisions related to RIA indicating examination is conducted in same manner as non-reissue, non-provisional application) *with* 37 C.F.R. §§ 1.550 and 1.560 (provisions related to ExPR that are more akin to standard patent prosecution than PGR, IPR, and PGR-BMP).



for patent owners, and the less preferable that may be for patent challengers. Thus, ExPR and RIA are more preferable to patent owners in this regard, particularly in light of the fact that third party challengers do not participate in the proceedings.

Similarly, the remedies available during post-patent proceedings to patent owners may have a negative impact on a third-party challenger's positions against patentability to the extent an owner can address patentability arguments during the course of the proceedings. Similar to having the ability to amend claims, the less time-restrictive proceedings—ExPR and RIA—are more beneficial to patent owners because it allows them more leeway in presenting arguments and positions. Additionally, patent owners will likely find a further benefit in ExPRs that a third party cannot participate.

One issue that patent owners must be aware of with regards to claim amendments or substitutes, however, is the adverse effect they can have on the owner's ability to obtain royalties that predate the amendments.<sup>99</sup> Generally, a new or amended claim in a post-patent proceeding is subject to intervening rights and thus cannot be retroactively enforced.<sup>100</sup> Further, patent owners, and third parties to the extent they participate in any post-patent proceeding, should be aware of the impact any positions they take during the proceeding. Whether or not estoppel attaches to the outcome of a proceeding can harm the parties' positions in a related proceeding if they take contradictory positions.

### **Options to Remedy Outside of the Proceeding(s)**

In addition to having the ability to amend claims during post-patent proceedings, patent owners should also be aware of the options they have to remedy deficiencies outside the scope of any post-patent proceeding. In particular, if patent owners still have pending applications in the same patent family at the USPTO, patent owners may want to amend claims in the pending applications to address any deficiencies and/or file additional continuation applications to pursue claims that do so.

Appellate opportunities also exist outside of the direct proceedings. Final decisions related to the unpatentability of at least one claim in PGR, IPR, and PGR-BMP are appealable directly to the Federal Circuit.<sup>101</sup>

A third party challenger may think twice before filing a patent-grant proceeding if the patent owner has pending applications in the same patent family. Because PGRs must be filed within nine months of grant, patent owners are more likely to have pending applications in the same patent family when a petitioner must decide whether to file a PGR request. If the owner has

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<sup>99</sup> See 35 U.S.C. § 307(b) (establishing intervening rights for reexamination proceedings according to the rules for RIPs); 35 U.S.C. § 318(c) (establishing intervening rights for IPR proceedings according to the rules for RIPs); 35 U.S.C. § 328(c) (establishing intervening rights for PGR proceedings according to the rules for RIPs).

<sup>100</sup> See *Marine Polymer Tech. v. Hemco, Inc.* 672 F.3d 1350 (Fed. Cir. 2012)(en banc)(affirming that intervening rights arise from new or amended claims in post-patent proceedings).

<sup>101</sup> See 35 U.S.C. §§ 319 and 329. Decisions whether to initiate PGR, IPR, or PGR-BMP proceedings, however, are not appealable to the Federal Circuit, although parties can request a rehearing on the issue. See 35 U.S.C. §§ 314(d) and 324(e) and 37 C.F.R. § 42.71(d).

applications pending in the family, petitioners may prefer to wait to challenge the patent using any of PGR-BMP, IPR, or ExPR once there are no further pending applications in the family. In contrast to post-patent proceedings, invalidity and unenforceability decisions in district court litigation is generally much harder to remedy for an owner, thus giving stickiness to the rulings that may be attractive to third-party challengers.

### **Issues of Timing**

Issues of timing are at least two-fold: how any statutory mandates impact which post-patent proceedings are available to patent owner or third parties, and how any statutory mandates regarding how quickly a proceeding will occur affect parties and any concurrent civil actions or other proceedings.

Patent owners who wish to request one of the three types of post-patent proceeding available to it (ExPR, SE, and RIA) have some timing requirements to be aware of, particularly with respect to broadening RIAs. All issued patents are eligible to be reviewed or challenged under both SE and ExPR, and there is no requirement for the petitioner to wait a period of time after the patent issues before filing such a request.<sup>102</sup> For RIAs in which the patent owner wishes to obtain an enlarged claim scope, on the other hand, the owner must file the RIA within the first two years after issuance.<sup>103</sup>

Outside proceedings do have an impact on at least requests for SE. A patent owner can request an ExPR or file an RIA at any time during the course of an ongoing civil action in Federal court, a proceeding at the ITC, or even a PGR or IPR, although the USPTO can opt to consolidate multiple proceedings.<sup>104</sup> However, if the information the owner wishes to submit in a request for SE is already the subject of a challenge in a proceeding with the Federal courts or the ITC, then the information is ineligible to be the subject of a request for SE.<sup>105</sup> Additionally, an action in the Federal courts or the ITC related to information that is already the subject of an SE, or a subsequent ExPR, cannot be brought until the conclusion of the SE and any ExPR resulting from the SE.<sup>106</sup>

All of the proceedings available to a third-party (PGR, IPR, and PGR-BMP) except ExPR contain timing constraints on petitioners, but also provide avenues to quick invalidity determinations of competitors' patents. ExPR does not have timing constraints, but it also does not provide the quick invalidity determination that PGR, IPR, and PGR-BMP all provide.

Any issued patent that was effectively filed on or after March 16, 2013 is eligible to be challenged using PGR.<sup>107</sup> Thus, although the provisions related to PGR already went into effect,

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<sup>102</sup> See 35 U.S.C. §§ 257 and 302.

<sup>103</sup> See 35 U.S.C. §§ 251(c) and (d).

<sup>104</sup> See 35 U.S.C. § 315(d); 35 U.S.C. § 325(d) (providing for consolidation of proceedings involving the same patent before the PTO).

<sup>105</sup> See 35 U.S.C. § 257(c)(2)(B).

<sup>106</sup> See *id.*

<sup>107</sup> See H.R. 1249(f)(2)(A).

the first petition requesting the initiation of a PGR will likely not even occur until a substantial time *after* March 16, 2013.<sup>108</sup> All issued patents, regardless of the filing date, are eligible to be challenged using IPR.<sup>109</sup> A petitioner, however, must wait at least nine months from the issue date before filing a petition to initiate an IPR, or if a PGR was initiated against the same patent, a petitioner must wait until the termination of the PGR proceeding.<sup>110</sup>

Any issued patent can be challenged using PGR-BMP, regardless of the date it issued, provided that the patent “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except [it] does not include patents for technological inventions”<sup>111</sup> and that “the petitioner had been sued for infringement of the patent or charged with infringement<sup>112</sup> under that patent,” unless otherwise estopped.<sup>113</sup> Challenges under PGR-BMP are currently permitted,<sup>114</sup> although once an issued patent is also eligible to be challenged using PGR, a petitioner must wait nine months before filing under PGR-BMP.<sup>115</sup> Additionally, by law, PGR-BMP is due to end on September 15, 2020.<sup>116</sup> If the patent being challenged was prosecuted under the first-to-file provisions, *i.e.*, it has an effective priority date of March 16, 2013, or later, then a petitioner may request to cancel as unpatentable one or more claims of a covered business method patent on any ground.<sup>117</sup> If the patent being challenged was prosecuted under the first-to-invent provisions, *i.e.*, it has an effective priority date that is earlier than March 16, 2013, then the petitioner may request to cancel as unpatentable one or more claims of a covered business method patent based on limited prior art.<sup>118</sup>

Aside from the statutory timing requirements that affect which post-patent proceedings are available to pursue, the statutory requirements associated with at least some of the post-patent proceedings regarding how long a proceeding may last will also affect a decision regarding which post-patent proceeding to pursue. Each of PGR, IPR, PGR-BMP, and SE has particular requirements regarding how long each proceeding can last. PGR, IPR, and PGR-BMP can only last between 12 to 18 months, while the Director of the USPTO has three months from the request date to conduct a SE.<sup>119</sup> ExPR has no such timing requirements.<sup>120</sup>

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<sup>108</sup> Provisions related to PGR, IPR, and PGR-BMP, and SE went into effect on September 16, 2012, of which only PGR is the only proceeding that cannot be used until a later date.

<sup>109</sup> As of October 24, 2012, 38 petitions had been filed requesting IPR.

<sup>110</sup> See 35 U.S.C. § 311(c).

<sup>111</sup> See *supra* note 68.

<sup>112</sup> See *supra* note 69.

<sup>113</sup> See 37 C.F.R. §§ 42.301(a) and 42.302(b).

<sup>114</sup> See *supra* note 12.

<sup>115</sup> See 37 C.F.R. § 42.303.

<sup>116</sup> See H.R. 1249 § 18(a)(3).

<sup>117</sup> See 37 C.F.R. § 42.304(b)(2).

<sup>118</sup> See *id.* and *supra* note 55.

<sup>119</sup> Compare 35 U.S.C. §§ 316(a)(11) and 326(a)(11) with 35 U.S.C. § 257(a).

Patent owners and third parties will likely consider the certainty of the length of time of particular proceedings (PGR, IPR, PGR-BMP, and SE) as an advantage over litigation and the other types of post-patent proceedings (ExPR and RIA). Litigation can usually be characterized by uncertain chronologies that are often at the discretion of the judge and sometimes the parties. In proceedings at the PTAB, and at the CRU for SE, due dates are generally set by rule or statute and are accelerated as compared to litigation. By engaging in this accelerated forum, patentability challenges can be quickly determined, and the costs associated with the same can be better anticipated and planned.

One concern that remains for patent owners is the effects the post-patent proceedings will have on staying any pending civil actions or proceedings at the ITC. This concern is considered more fully in the next section.

Generally, the analysis of the timing factor for patent owners and third party challengers alike is very fact and situation specific.

### **Effect on Pending or Future Litigation**

As post-patent proceedings develop under the AIA, countless strategies will develop to combine the proceedings with litigation in district courts and the ITC. These strategies must consider the statutory effects of the AIA. Statutory considerations that may affect parallel litigation include bars to contemporaneous patentability actions (discussed in the previous section), the affect claim amendments can have on recoveries in civil actions, the ability for patent owners to obtain a stay of litigation pending the outcome of proceedings (both discussed in this section), and whether the proceedings and estoppel issues (discussed in the next section).

Patent owners should be aware of the unintended consequences that post-patent proceedings can have on their ability to later enforce their patent. For instance, as discussed earlier, patent owners should be aware of the adverse effect on the future ability to obtain royalties on infringement that occurs prior to the amended claims being granted.<sup>121</sup> SE also has potential effects on future or contemporaneous litigation because such actions can be delayed until the completion of the SE or resulting ExPR, or prevented if the information on which the request is based is already the subject of an outside proceeding.<sup>122</sup>

When an RIA is filed, the patent owner offers to surrender the existing patent, although the effect of the surrender does not take effect until the Reissue Patent (“RIP”) issues.<sup>123</sup> If the RIA is denied or abandoned, the surrender never takes effect and the original patent remains enforceable.<sup>124</sup> Accordingly, the filing of an RIA is not precluded by an existing proceeding with the Federal courts or the ITC, nor does the existence of a pending RIA preclude the filing of

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<sup>120</sup> See 35 U.S.C. §§ 302-307.

<sup>121</sup> See *supra* notes 99-100.

<sup>122</sup> See *supra* notes 105-106.

<sup>123</sup> See 35 U.S.C. §§ 251(a) and 252; 37 C.F.R. § 1.178(a); MPEP § 1416.

<sup>124</sup> See *id.*

an action with a Federal District court or the ITC. If a RIP results from the RIA, then the original patent is surrendered and the RIP becomes the enforceable patent.<sup>125</sup>

Turning to the third party perspective, third-party initiated post-patent proceedings such as PGR, IPR, and PGR-BMP can have profound effects on future and contemporaneous litigation. For instance, the petitioner is not permitted to initiate a patent challenge in the form of a PGR, IPR, or PGR-BMP proceeding and a declaratory judgment action at the Federal District Court level.<sup>126</sup> If a declaratory judgment action was initiated *before* the petition requesting a PGR, IPR, or PGR-BMP was filed, the petition will be denied, and if a declaratory judgment action is initiated *after* the petition is filed, the declaratory judgment action will be automatically stayed at the discretion of the patent owner.<sup>127</sup> However, if the patent owner initiated the civil action at the Federal District Court, for instance by alleging patent infringement, then the petitioner is permitted to challenge the patent both in the form of a PGR, IPR, or PGR-BMP and in the civil action by way of a counterclaim and/or defense.<sup>128</sup> Still further, a patent cannot be challenged using IPR if the petition is filed more than one year after a complaint alleging infringement of the patent is served on the challenger.<sup>129</sup>

Above and beyond the statutorily-mandated stays, a court can choose to stay a litigation proceeding in view of a PGR, IPR, ExPR, or a PGR-BMP proceeding. Between these four, courts are more likely to stay a proceeding in view of any of the first three because of the certainty in their timing. While patent owners will not like the fact that the pending litigation is stayed because it delays the time for a potential pay-day, a stay in view of a PGR, IPR, or PGR-BMP proceeding is more palatable in comparison to a stay in view of an ExPR proceeding. Third party challengers typically have the opposite viewpoint than the challenger, as they often prefer a stay to be as long as possible. Thus, if it is anticipated that a court will deny a request to stay in view of an ExPR proceeding but will grant a request to stay in view of the more time-certain PGR, IPR, and PGR-BMP proceedings, then the patent owner will likely prefer the ExPR proceeding to avoid the stay while the challenger will likely prefer any of the other three proceedings to receive the stay. However, if it is anticipated that a court will grant a stay even for an ExPR, then the patent owner will likely prefer PGR, IPR, and PGR-BMP when considering this factor because at least the length of the stay is certain. In this instance, challengers would prefer ExPR because it is likely that it will take longer for an ExPR to conclude than the three more time-certain proceedings.

### **Estoppel**

Estoppel is another issue patent owners and third parties must give significant consideration to when deciding on a post-patent proceeding(s). As with many filings at the USPTO, prosecution

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<sup>125</sup> See 37 C.F.R. § 1.178(a).

<sup>126</sup> See 35 U.S.C. §§ 315(a) and 325(a).

<sup>127</sup> The patent owner can lift the stay by moving the court to lift the stay, or by filing a civil action or counterclaim alleging that the challenger or real part in interest has infringed the patent. See *id.*

<sup>128</sup> See *id.*

<sup>129</sup> See 35 U.S.C. § 315(b).

history estoppel will attach to arguments regarding patentability made during post-patent proceedings by the patent owner. Thus, as owners pursue post-patent proceedings themselves (ExPR, SE, and RIA), or respond to challenges brought by others (PGR, IPR, ExPR, and PGR-BMP), they should remain aware of the effect their responses may have on subsequent interpretation of the claims, the prior art, or other relevant information. Challengers will also need to remain aware of positions they take in post-patent proceedings so as not to take contradictory positions in other related proceedings.

Additionally, the USPTO's final decision may have estoppel effects on future and contemporaneous proceedings at the USPTO—a factor that both patent owners and challengers must bear in mind. A final decision in a PGR or IPR proceeding has an estoppel effect on other proceedings before the USPTO and in civil actions and other proceedings. The estoppel is not limited to just the grounds at issue in the proceeding, but instead extends to any ground that the petitioner raised *or reasonably could have raised* during the proceeding.<sup>130</sup> However, if the parties settle the PGR or IPR before a final decision is rendered, there is no estoppel effect associated with the PGR or IPR proceeding.<sup>131</sup> Because PGR can have a broader scope of challenges that *could have been raised* than IPR, the estoppel effects with respect to PGR and can be more devastating.<sup>132</sup>

Estoppel over claims that a third-party challenger *reasonably could have raised* in PGR or IPR is likely to become a trap for less-than-diligent challengers and possibly will lead to settlements at a similar rate as court proceedings. Settlements may become somewhat common as parties attempt to avoid the estoppel effects outlined above. Moreover, the standards as to what *reasonably could have been raised* includes will be fleshed out in due time, but any third-party challenger is best served—from an estoppel standpoint—by raising every potential ground available.

PGR-BMP proceedings have a more limited estoppel than PGR. While, similar to PGR, estoppel from a final decision attaches to a PGR-BMP proceeding for any ground that the petitioner or challenger raised or reasonably could have raised during the PGR-BMP proceeding for proceedings before the USPTO, unlike PGR this estoppel *does not* extend to civil actions and other proceedings.<sup>133</sup> Thus, a challenger able to pursue a PGR-BMP proceeding may prefer PGR-BMP over either PGR or IPR because estoppel from a final decision would not be applicable for proceedings in the Federal courts or at the ITC.

ExPR challenges are even more forgiving than PGR-BMP proceedings; they have no estoppel effect similar to the estoppel effects of PGR, IPR, or PGR-BMP, even after a final decision is

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<sup>130</sup> See 35 U.S.C. §§ 315(e)(1) and (2) and 325(e)(1) and (2).

<sup>131</sup> See 35 U.S.C. §§ 317(a) and 327(a).

<sup>132</sup> PGR challenges, and some PGR-BMP challenges, can be on a number of grounds beyond patents and printed publications under 35 U.S.C. §§ 102 and 103, while IPR challenges can only be on patents and printed publications under 35 U.S.C. §§ 102 and 103. See *supra* notes 65-73.

<sup>133</sup> See H.R. 1249 § 18(a)(1)(A) and 35 U.S.C. § 325(e)(1) and (2).

reached.<sup>134</sup> A petitioner can cite the same art cited in the ExPR in another proceeding before the USPTO, a Federal District court, or the ITC. Therefore, it is foreseeable that some challengers will strongly favor ExPR as compared to PGR, IPR, and PGR-BMP, largely because of this more forgiving estoppel provision.

### **Cost**

The cost associated with post-patent proceedings is another factor parties must consider when deciding on whether to pursue a post-patent proceeding, and if so, which one(s). In addition to filing fees and attorneys' fees, parties must also weigh the practical costs associated with each type of proceeding, including any potential royalties that may be lost due to claim amendments, and the possible losses of the patent for the patent owner and arguments due to estoppel for third party challengers. In the context of SE, patent owners must also consider the possibility that the matter will be referred to the Attorney General.

The cost of instituting any of the new post-patent proceedings options - PGR, IPR, a proceeding under PGR-BMP, and SE - and the cost of instituting an ExPR are substantially higher than previous post-patent proceedings options. Prior to September 16, 2012, the basic government filing fee for requesting an ExPR of a patent was \$2,520 and for an *Inter Partes* Reexamination it was \$8,800. Now it costs \$35,800 to file a petition to request a PGR or a proceeding under PGR-BMP,<sup>135</sup> \$27,200 to file a petition to request an IPR,<sup>136</sup> \$17,750 to file a petition to request an ExPR,<sup>137</sup> and \$21,260<sup>138</sup> to file a request for SE, although if that request is denied, then \$16,120 of that is refunded to the requester, leaving the cost for SE with no ExPR to be \$5,140.<sup>139</sup> An RIA costs \$1,770.<sup>140</sup> While these higher fees might deter some patent owners and third parties from instituting a review or challenge of the patent, it is unlikely such fees will be a significant financial barrier.

The true financial barrier lies in the attorneys' fees that will accrue during the course of any post-patent proceeding. The attorneys' fees for pursuing a PGR, an IPR, or a proceeding under PGR-BMP for both the patent owner and the patent challenger likely will be anywhere between about

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<sup>134</sup> See *In re Mendez et al., Ex Parte Reexamination Proceeding*, 2009 WL 536861, at \*8 (Feb. 24, 2009) (contrasting with *inter partes* reexamination, "[t]here are no such estoppel provisions in the *ex parte* reexamination statute").

<sup>135</sup> Additionally, if more than 20 claims are being challenged, each additional claim being challenged costs \$800 per claim.

<sup>136</sup> If more than 20 claims are being challenged, each additional claim being challenged costs \$600 per claim.

<sup>137</sup> Although there are no additional fees for the petitioner for excess claim fees in an ExPR, if the patent owner adds claims during the course of the Reexamination, excess claim fees similar to those during general prosecution are applicable. More particularly, if the number of independent claims resulting from the reexamination exceeds three, and if the excess fee for independent claims was not paid during previous prosecution, the cost per excess independent claim is \$250 (\$125 for small entities). Further, if the number of total claims resulting from the reexamination exceeds 20, and if the excess fee for total claims was not paid during previous prosecution, the cost per excess claim is \$62 (\$31 for small entities).

<sup>138</sup> Even though a patent owner files a request for SE, there is no discount for small entities.

<sup>139</sup> See 37 C.F.R. § 42.15(a).

<sup>140</sup> An RIA costs \$885 for small entities, and the excess claim and application size fees that apply for regularly filed applications also apply. The cost per excess independent claim over three is \$250 (\$125 for small entities), the cost per excess total claim over 20 is \$62 (\$31 for small entities), and the cost for each additional 50 application sheets that exceeds 100 sheets is \$320 (\$160 for small entities). See 37 C.F.R. § 1.16(e)(1), (h), (i), (n), (r), and (s).

\$250,000 and about \$1.5 million.<sup>141</sup> Staffing for these types of proceedings will largely be dependent on the importance of the patent, with a valuable patent being staffed similar to a small litigation with a lead counsel, at least one attorney who works on the matter full time, at least one other attorney who works on the matter part time, and at least one paralegal. In instances in which the post-patent proceeding is primarily conducted on the papers, staffing may be limited to a partner and an associate to assist that partner. The anticipated attorneys' fees for preparing a request in conjunction with the other new post-patent proceeding, SE, may be anywhere between \$20,000 and \$80,000, and staffing will likely involve one main attorney and possibly one attorney assisting or overseeing the request for SE.<sup>142</sup> Of course, because each of these four types of proceedings is new, the costs and staffing associated with each is predominantly speculative at this point.

The cost for pursuing an ExPR or an RIA is not as speculative because neither proceeding is new. The cost can be considered in two parts, with the first related to the initial filing, and the second related to the cost for pursuing the proceeding through to issuance/reissuance. For ExPR, the attorneys' fees for preparing a request for ExPR for either a patent owner or challenger are about \$10,000.<sup>143</sup> Filing a request and related Declaration for RIA is likely cheaper, in the vicinity of about \$2,000. Once either an ExPR or RIA proceeding is instituted, the costs for the patent owner will often be similar to normal patent prosecution costs, with the amount of attorneys' fees being dependent on the number of claims, amount of prior art cited, the overall difficulty of the rejection, and the number of rounds of prosecution between the patent owner and the USPTO. If an appeal is required, that will also add costs. Accordingly, the expense associated with an ExPR or RIA for a patent owner can be in the range of about \$5,000 to about \$50,000.<sup>144</sup> The staffing for both the initial filing and the subsequent prosecution is likely one main attorney and possibly one attorney assisting or overseeing the ExPR or RIA.

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<sup>141</sup> Some believe IPR will be more expensive than PGR or a proceeding under PGR-BMP because interactivity may mean more motion practice and expert witnesses. Others believe IPR will be less expensive because there are fewer issues eligible for consideration in a PGR or a proceeding under PGR-BMP. In general, PGR, IPR, and PGR-BMP are anticipated to be more expensive than the now defunct *Inter Partes* Reexamination and more akin to smaller litigation matters, particularly due to the fact that these proceedings are new and unfamiliar. Nevertheless, attorneys' fees for *Inter Partes* Reexamination and litigations can at least serve as a starting point when considering expenses until the new post-patent proceedings options are played out fully. The costs for such post-patent proceedings may decrease as familiarity with such proceedings grows. The median estimate for the cost of *Inter Partes* Reexamination in 2010 was \$75,000, excluding an appeal, \$100,000 inclusive of an appeal to the now defunct Board of Patent Appeals and Interferences, and \$200,000 inclusive of an appeal to the Federal Circuit. The median estimate for the cost of a patent infringement suit when less than \$1 million was at risk in 2010 was \$350,000 through the end of discovery and \$650,000 inclusive of all costs. The median estimate for the cost of a patent infringement suit when between \$1 million and \$25 million was at risk in 2010 was \$1.5 million through the end of discovery and \$2.5 million inclusive of all costs. The median estimate for the cost of a patent infringement suit when more than \$25 million was at risk in 2010 was \$3 million through the end of discovery and \$5 million inclusive of all costs. See *AIPLA Economic Survey* (2011), available at <http://www.aipla.org/learningcenter/library/books/econsurvey/2011/Documents/35-39.pdf>.

<sup>142</sup> Obviously if an ExPR is instituted as a result of the SE, then the costs and staffing associated with an ExPR are also relevant.

<sup>143</sup> See *AIPLA Economic Survey* (2011), available at <http://www.aipla.org/learningcenter/library/books/econsurvey/2011/Documents/28-34.pdf> (indicating median cost for ExPR in 2010 was \$10,000).

<sup>144</sup> The median cost per amendment/argument in 2010 for an invention of minimal complexity was \$1,800, for a mechanical invention it was \$2,500, and for both biotech/chemical and electrical/computer it was \$3,000. The median cost for an appeal without oral argument in 2010 was \$4,000 and for an appeal with oral argument it was \$7,500. See *AIPLA Economic Survey* (2011), available at <http://www.aipla.org/learningcenter/library/books/econsurvey/2011/Documents/28-34.pdf>.



Another financial consideration for the patent owner is the effect any amendments made during a post-patent proceeding may have on potential royalties or recovery for patent infringement damages. Amendments can be made in any of the post-patent proceedings options except SE,<sup>145</sup> and in some instances amendments may reset the date of recovery for damages or remove a licensed product or process out of the scope of particular licensing royalties.<sup>146</sup> Patent owners will want to carefully consider the potential affect of any amendments it makes on real or potential revenue streams before agreeing to such amendments.

Not only may a patent owner expend lots of money in a post-patent proceeding, but it also runs the risk it could lose its patent. The end result of a PGR, an IPR, an ExPR, or a proceeding under PGR-BMP may be the loss of some or all of the claims of the patent at issue. The same is true for any SE that proceeds to an ExPR. An RIA, however, does not have the same potentially drastic impact. Although a patent owner surrenders the existing patent when it files an RIA, the surrender does not take effect until the resulting patent issues.<sup>147</sup> Further, if the RIA is denied or abandoned, the surrender never takes effect and the original patent remains enforceable.<sup>148</sup>

In the context of SE, patent owners must also consider the potential risk, however remote, of the Director determining that a material fraud on the USPTO was committed in connection with the patent. If a fraud determination is made, the Director has the option of referring the matter to the Attorney General for any further action deemed appropriate by the Attorney General.<sup>149</sup> Any decision by the Attorney General may have negative implications on the patent owner, its employees, and/or its agents or representatives, including the prosecuting attorney(s).

From the third party perspective, third parties considering post-patent proceedings have a marginally higher cost threshold than patent owners due to the aforementioned costs for bringing the proceeding. In the context of attorneys' fees and possible outside litigation, however, this additional cost will likely have minimal impact. A cost consideration that will likely have more impact, however, relates to the previously discussed estoppel provisions.<sup>150</sup> Third parties will have to weigh the cost of possibly losing arguments in a post-patent proceeding that they raised or reasonably could have raised during the proceeding.

Practically speaking, given the high costs associated with each post-patent proceedings, the decision as to cost will be more important to determining whether to pursue a post-patent proceeding at all than deciding which of the options to pursue. This is certainly true for third parties deciding between PGR, IPR, and PGR-BMP. For truly cost conscious third parties, ExPR is a more viable option because there would be no further attorneys' fees to pay after the request

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<sup>145</sup> Although it is easier to amend claims during an ExPR or RIA than in PGR, IPR, or in a proceeding under PGR-BMP. *See supra* notes 97-100.

<sup>146</sup> *See supra* notes 99-100.

<sup>147</sup> *See* 35 U.S.C. §§ 251(a) and 252, 37 C.F.R. § 1.178(a), and MPEP § 1416.

<sup>148</sup> *See id.* The filing of an RIA is not precluded by an existing proceeding with the Federal courts or the ITC, nor does the existence of a pending RIA preclude the filing of an action with a Federal District court or the ITC.

<sup>149</sup> *See* 35 U.S.C. § 257(e).

<sup>150</sup> *See supra* notes 130-132.

was filed. ExPR is also preferable over the other three options if the cost associated with estoppel is of particular concern. Nevertheless, to the extent parties previously relied upon IPR to challenge patents, proceedings such as PGR, IPR, and PGR-BMP likely will be used similarly.

When a PGR proceeding is instituted by a third party, patent owners are largely stuck with the costs associated therewith. The decision patent owners will most often face regarding the initiation of a post-patent proceeding is likely whether to pursue an SE or an ExPR to have a prior art reference considered. From a cost perspective, patent owners that anticipate the USPTO will find there is a substantial new question of patentability due to the reference may prefer to jump straight to ExPR because it is marginally cheaper (\$17,750 vs. \$21,260) and there is no specific risk associated with the proceeding that allows the Director to refer the matter to the Attorney General.<sup>151</sup> However, if the patent owner is reasonably confident that there is not a substantial new question of patentability presented by the information it wants to submit, it would be less expensive for the patent owner to use SE (\$17,750 vs. \$5140) due to the refund it would receive after an ExPR is not instituted. In situations where the patent owner is considering making amendments, an RIA is likely preferable both because the costs are likely cheaper than an ExPR, and because even if the amendments are not accepted, there is no risk that the patent will actually be revoked.

### **Settlement Options**

Similar to civil actions, each of the post-patent proceedings involving the patent owner and a third party challenger (PGR, IPR, and PGR-BMP) allow any issue in the proceeding to be settled in advance of receiving a final written decision from the PTAB.<sup>152</sup> While the PTAB may still determine any question of jurisdiction, patentability, or USPTO practice independent of the settlement, so long as the settlement was reached and the parties jointly requested termination of the proceedings prior to the PTAB's final written decision, there is no estoppel effect associated with the proceedings.<sup>153</sup> There is no equivalent settlement option for ExPR, SE, or RIAs because these proceedings are carried out between the USPTO and the patent owner.

Because the three post-patent proceedings that permit settlement are all initiated by a third party, the factor of whether an SE is permissible during the course of a proceeding only affects a third party's decision about which post-patent proceeding to pursue. This factor, however, is not expected to weigh significantly on a third party's decision when considering any of PGR, IPR, and PGR-BMP in comparison to ExPR. To the extent this factor is considered, a third party will likely find it more favorable to have the ability to settle the proceeding before a final written decision. However, the ability to settlement is dependent on agreement being reached by both parties. This is precisely why this factor will likely have little impact on a third party's post-patent proceedings pursuit decision.

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<sup>151</sup> See 35 U.S.C. § 257(e).

<sup>152</sup> See 37 C.F.R. § 42.74(a).

<sup>153</sup> See 35 U.S.C. §§ 317(a) and 327(a) and 37 C.F.R. § 42.72(a).

While this factor may not have a significant impact on the initial post-patent proceeding decision, it will likely have a significant impact on the parties' decision about whether to pursue the proceeding through to a final written decision. Unless the third party is convinced the PTAB will side with its invalidity position, it may be eager to settle the proceeding to avoid estoppel implications.<sup>154</sup> A patent owner, however, may not be so willing to settle for fear that settlement will invite other parties to pursue similar challenges. But, in view of the low threshold for granting a petition for PGR, IPR, or PGR-BMP, patent owners should not be too concerned about how an agreement to settle will be viewed by other third parties waiting in the wings. Assuming there is some uncertainty as to how the PTAB will rule, the patent owner will likely be willing to settle to avoid an invalidity ruling. Although speculative, post-patent proceedings will likely settle at a rate that is close to the rate at which civil actions settle.

### **Burden of the Duties of Candor and Disclosure**

Any post-patent proceeding before the PTAB results in the parties and individuals involved in the proceeding to abide by a duty of candor and good faith to the Office during the course of the proceeding.<sup>155</sup> Thus, this duty is owed by the parties and individuals of the patent owner and the third party challenger in a PGR, IPR, or a proceeding under PGR-BMP. The scope of the duty is intended to be comparable to the obligations toward the tribunal imposed by Rule 11 of the Federal Rules of Civil Procedure, and thus is intended to effectively prohibit frivolous litigation and related antics.<sup>156</sup>

Parties and individuals of the patent owner and the third party challenger in a PGR, IPR, or a proceeding under PGR-BMP also have a duty of disclosure obligation.<sup>157</sup> “[A] party must serve relevant information that is inconsistent with a position advanced by the party during the proceeding...” on “inventors, corporate officers, and persons involved in the preparation or filing of documents or things.”<sup>158</sup> The scope of this disclosure duty remains to be seen. For example, concern has been expressed that this duty may obligate a patent challenger to disclose information about commercial success of the third party's product that allegedly infringes the patent at issue under the guise that commercial success of an allegedly infringing product is a secondary consideration that contradicts the challenger's position that the patent at issue is obvious. Of course, the third party could argue that the product does not infringe, and thus is not a relevant secondary consideration. Even then, however, the tribunal could consider the information “relevant” enough to be brought to their attention for them to decide if it affects the patentability determination.

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<sup>154</sup> This eagerness will likely be less important to non-practicing entities, however, as such entities will likely prefer to see out a result in one forum rather than expend lots of money in multiple forums.

<sup>155</sup> See 37 C.F.R. § 42.11.

<sup>156</sup> See Federal Register Vol. 77, No. 157 at 48630; see also STERNE, KESSLER, GOLDSTEIN & FOX, ET AL., PATENT OFFICE LITIGATION, Ch. 6, § 6:12 (2012).

<sup>157</sup> See 37 C.F.R. § 42.51(b)(1)(iii).

<sup>158</sup> *Id.*

The USPTO most recently indicated that although it considered various standards for the duty of disclosure, including 37 C.F.R. § 1.56, the standard set out by *Therasense Inc. v. Becton, Dickinson and Co.*<sup>159</sup>, and even “all information relating to secondary considerations,” it decided to use the aforementioned inconsistent statement standard because “such terminology is already employed in the Office’s rules of evidence.”<sup>160</sup> The USPTO also emphasized that the duty is limited to “information that is inconsistent with a position advanced by a party *during* the proceeding,” and that the information only needs to be served, not filed.<sup>161</sup> While these statements by the USPTO will help to ease the concerns of practitioners about the types of information they will have a duty to disclose, until the effects of this duty in practice are tested, patent owners and third parties must remain attuned to the possibility that they may have to disclose information it would otherwise not disclose in the context of a civil action in the Federal courts or at the ITC.<sup>162</sup>

### **Confidentiality**

PGR, IPR, and PGR-BMP each have enhanced confidentiality provisions that both patent owners and third parties will likely appreciate. In all three proceedings, parties are free to negotiate their own protective orders.<sup>163</sup> If the parties are unable to reach agreement with respect to the protective order, however, a default protective order that limits access to confidential information to patent owners, other named parties, the parties’ representatives of record, qualified experts, parties’ in-house counsel, other employees of a party (if approved by the parties or the PTAB), employees and representatives of the USPTO, and support personnel for any of the aforementioned people, is effective as of the date the filing party requests, and the protective order remains in place until lifted by the PTAB.<sup>164</sup>

There are no established rules pertaining to confidential information for SE. However, because only patent owners can request SE, they can control the information they submit to the USPTO for purposes of policing confidential information. If the subject of the request for SE is confidential, the patent owner can likely work within the confines of the USPTO rules to submit confidential information. Likewise, because ExPRs and RIAs are examined in a manner similar to originally filed patent applications, the same measures available to applicants during original prosecution for maintaining confidentiality of information are also available to patent owners in ExPRs and RIAs. As with original prosecution, documents that include trade secrets, proprietary

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<sup>159</sup> 649 F.3d 1276 (Fed. Cir. 2011) (en banc).

<sup>160</sup> See Federal Register Vol. 77, No. 157 at page 48640.

<sup>161</sup> See *id.* (emphasis added).

<sup>162</sup> See STERNE ET AL. *supra* note 156 at Ch. 11, § 11:16 (indicating concerns about duty should be diminished in view of legally recognized privileges trumping the rule, PTAB’s limited resources to review an Information Disclosure Statement, and ability for parties to craft arguments around potentially inconsistent information, but likening relevant requirement to materiality requirement under 37 C.F.R. § 1.56).

<sup>163</sup> See 37 C.F.R. § 42.54.

<sup>164</sup> See 37 C.F.R. § 42.55; Office Patent Trial Practice Guide, Appendix B, pp. 67-79.

materials, or material subject to a protective order will be kept confidential so long as they are submitted in accordance with USPTO guidelines.<sup>165</sup>

In considering the implications of confidentiality with respect to the post-patent proceedings options, the choice by patent owners is not really affected because each proceeding at its disposal has similar confidentiality options. The choice for third parties is likewise not really affected by the confidentiality factor. While the enhanced confidentiality provisions are useful in the context of three of the four options (PGR, IPR, and PGR-BMP) at a third party's disposal, the provisions are equally applicable to all three options. Meanwhile, the fourth option (ExPR) limits the third party's involvement to filing the Request, and it is unlikely that the Request will include confidential information of the third party. Finally, the impact of the third party's post-patent proceeding selection on the patent owner's desire for confidentiality is likely minimal. Although ExPR does not have the same default protective order in place, the patent owner can seek other, previously and still available remedies for maintaining the confidentiality of any information during the course of the ExPR. A default protective order is unnecessary because there is not a third party to have a dispute with about the terms of the protective order.

### **Identifying the Challenger**

One advantage to ExPR is that third parties initiating a challenge do not need to identify themselves.<sup>166</sup> In an ExPR, a straw man can request reexamination so long as the requester certifies that no estoppel provisions prohibit the filing.<sup>167</sup> Thus, if a third party is keen on not identifying itself to the patent owner while still challenging the patent, then ExPR is a preferable option. This factor will not have an impact on any decisions the patent owner makes regarding which post-patent proceeding(s) it wants to pursue. SE and RIAs necessarily require the patent owner identify itself.

### **Conclusion**

As United States patent owners and potential challengers begin to test and navigate the various post-patent options proceedings now available after the AIA, it is likely that these proceedings will begin to grow in popularity. Thus, it is important that owners and challengers alike understand the various strategic options available to it, both when deciding whether to pursue a post-patent proceeding and throughout the course of any initiated proceeding. While a decision to initiate a proceeding will be a fact and situation dependent one, the insight provided herein should help parties weigh the different options they have at their disposal. Even in situations where the patent owner does not control the initial decision, the factors discussed are important to remember throughout the course of any proceeding to help formulate the best strategies for approaching the proceeding and any other related actions before the USPTO, Federal courts, or the ITC.

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<sup>165</sup> See MPEP § 724.02.

<sup>166</sup> See 35 U.S.C. §§ 301, 302, 312(a)(2), and 322(a)(2).

<sup>167</sup> See 35 U.S.C. § 302; 37 C.F.R. § 1.510(b)(6).