

## INTELLECTUAL PROPERTY

# The Importance of Patent Monitoring in a Post-AIA World

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It is the third anniversary of the full implementation of the America Invents Act (AIA). The AIA brought important changes in the United States patent system. These changes include new procedures for challenging issued patents and pending applications. To take timely advantage of these important new procedures, it is imperative for companies to implement a thorough program that includes monitoring of the patent filings and patent activity of its current and potential competitors.

### New Procedures for Challenging Patents and Applications at the USPTO

The new procedures for challenging patent and patent applica-

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tions at the United States Patent and Trademark Office (USPTO) include:

- “Post-Grant Review” (PGR) procedures for challenging newly issued patents on virtually any ground (e.g., 35 U.S.C. §101 ground of subject matter ineligibility; 35 U.S.C.

§102 and 103 grounds based on any type of prior art, including prior use; and 35 U.S.C. §112 grounds for lack of written description, lack of enablement and indefiniteness). A PGR petition must be filed with the USPTO within nine months of a patent’s issuance.

- “Covered Business Method (CBM) Review” procedures for challenging both pre-AIA and post-AIA patents, which meet certain criteria, based on subject matter ineligibility, lack of written description, lack of enablement and indefiniteness. A CBM petition can be filed with the USPTO any time during a patent’s lifetime.

- “Third-Party Submission” procedures, which allow anonymous submission of prior art during the prosecution of a competitor’s pending application. The Third-Party Submission includes a description of the prior art’s relevance to the claims in the pending application and can be filed during a limited time window—within six months of the publication of the application or a first substantive Office Action, whichever is later, and before a notice of allowance.

- “Derivation” proceedings, which allow a challenge to inventorship, if filed within one year of publication of a patent application.

When Congress passed the AIA, the prevailing view was that the new procedures detailed above would be employed in limited circumstances to invalidate a limited number of patents and prevent a limited number of patent applications from maturing into patents. However, the current view of the importance of the new procedures is substantially different. Since 2013, various courts including the U.S. Supreme Court and the Patent

Trial and Appeal Board (PTAB) of the USPTO have issued a number of game-changing decisions that substantially increased the importance of these challenges as essential tools for advancing and protecting a company’s position in the marketplace.

For example, *Alice Corp. Pty. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014), and its progeny established a more restrictive standard for meeting the 35 U.S.C. §101 subject matter eligibility criteria, by expanding the boundaries of the “abstract idea” exception to patentability, which disproportionately affect the business methods and software-based inventions. In another example, *Nautilus v. Biosig Instrs.*, 134 S. Ct. 2120 (2014), *Williamson v. Citrix Online*, 792 F.3d 1339 (Fed. Cir. 2015), and their progenies heightened the requirements of written description, enablement, and definiteness under 35 U.S.C. §112. On March 2, the PTAB issued a final decision in the CBM Review (Case No. CBM 2014-00182) which significantly broadened the universe of patents that can now be challenged in a CBM proceeding. Specifically, the PTAB confirmed that a CBM proceeding was proper, although the patent claims at issue did not use terms directed to a financial product or service, and the specification identified banking as just one industry among many other industries in which the alleged patented invention could be applied.

Recent USPTO statistics illustrate the increased use and significance of the new USPTO challenge procedures. For example, since the AIA’s Third-Party Submission provisions were enacted, the USPTO received over 3,500 submissions with almost 10,000 prior art documents among them. See USPTO’s Preissuance Submissions Statistics for Sept. 16, 2012, to Nov. 6, 2015. The USPTO’s statistics show that more than 50 percent of patent examiners indicated a moderate-to-great helpfulness of the Third-Party Submissions. The USPTO’s latest statistics on CBM proceedings show that as of Feb. 29, only 3.8 percent of patent claims survived a CBM challenge. Although limited USPTO statistics are available for the new PGR procedure due to its applicability to patents having a priority date after March 15, 2013, the statistics show that seven PGR proceedings have already been instituted since the beginning of 2016 out of eight PGR petitions.

## Advantages of Patent Monitoring

A patent monitoring program typically includes identification of relevant patent filings (e.g., issued unexpired patents and active patent applications) and monitoring of the examination activity of the identified active patent applications. The primary advantage of a patent monitoring program is that it provides a timely opportunity for a company

to employ one or more of the above important challenges at the USPTO and, thus, slow down or stop a competitor's ability to secure patents and/or invalidate the competitor's issued patents. Additional advantages of a comprehensive patent monitoring program include:

- Early identification of a competitor's patents, which provides an opportunity for a company to adjust its product or service before investing significant resources that may be threatened or lost entirely due to the competition's patent rights;

- Earlier opportunities for a company to obtain timely Freedom-to-Operate and Invalidity opinions directed to competitors' issued patents; and

- Based on its knowledge of the competitor's patent landscape, improvement in the quality of a company's own patents by expanding patent scope to include "white space" identified in the competitor's patent landscape.

Importantly, patent monitoring also aids a company in defining and executing its business strategy in the market place, by providing answers to the following essential questions:

- Who is my competition (existing and potential)?
- Where is my competition heading?
- Who are inventors leading my competition's R&D effort?
- Are my present and future investments threatened?

## Potential Issues with Patent Monitoring

The usefulness of patent monitoring must be balanced against the increase in a company's potential exposure to damages based on willful infringement, where specific knowledge of a patent might give rise to a claim for treble damages and attorney fees. Additional potential issues include challenges associated with patent monitoring such as the USPTO's imperfect records, delays in public display of assignments, difficulties in mapping inventors to companies, and patent drafting tricks designed to confuse automated search engines (e.g., omitting standard industry terms).

## The Advantages Outweigh the Potential Issues

As we detailed above, in view of the important new USPTO procedures for challenging a competitor's patents and patent applications, and the significant value of timely intelligence on a competitor's R&D activities, which allows for appropriate adjustment of a company's business strategy and resources, the advantages of patent monitoring now strongly outweigh the potential issues. If a company, relying on its technical personnel and counsel, establish a "laser-focused" patent monitoring to uncover only patents and patent applications that are specific to its product or service, the company will reduce its

potential exposure by minimizing the potential universe of uncovered patents and patent applications. Further, early evaluation of a competitor's patents allows for timely Freedom-to-Operate and Invalidity opinions that will mitigate the potential issue associated with willful infringement.

## How to Implement a Patent Monitoring Program

A company can establish a patent monitoring program in several ways. The company can perform patent monitoring in-house with help of its trained technical and/or legal personnel. The company can ask its outside patent counsel to conduct patent monitoring. A more modern "laser-focused" approach includes first engaging a vendor who employs sophisticated mathematical algorithms to uncover only particularly relevant patents and patent applications. Then, the company's patent counsel can substantively address the uncovered patents and patent applications by *timely* launching one or more of the USPTO challenges described herein, as required.

## Recommendation

We recommend companies immediately consider instituting a patent monitoring program in view of the growing importance and success of the new USPTO procedures for challenging patents and patent applications. ■