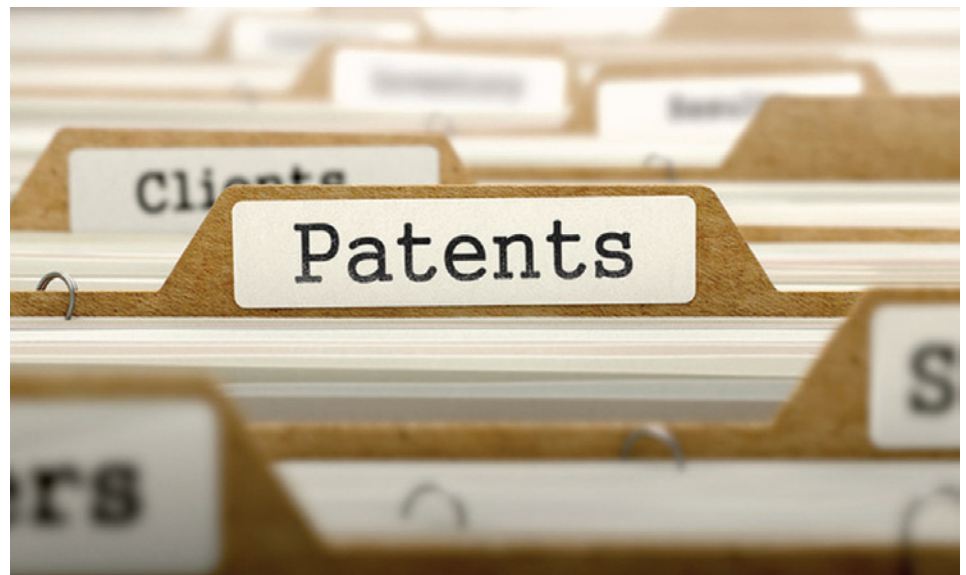


## Congressional Research Service Reports on AIA's Impact on Innovation and Proposed Reform

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Recently the Congressional Research Service published a report on the state of post-grant proceedings before the Patent Trial and Appeals Board (PTAB): “Inter Partes Review of Patents: Innovation Issues,” by John R. Thomas, July 26, 2017. The report analyzes of the current state of the 2011 Leahy-Smith America Invents Act (AIA) as a backdrop for proposed changes put forth in the Support Technology and Research for Our Nation’s Growth and Economic Resilience (STRONGER) Patents Act of 2017. Here, we discuss the report and key components of the bill regarding post-grant proceedings, particularly, inter partes reviews (IPRs).

According to the report, the AIA was Congress’ most recent attempt to provide a fair, streamlined and effective means for the public to contest the validity of issued patents. The AIA introduced three administrative review proceedings that patent challengers could use as a platform for their post grant opposition: covered business methods (CBM), post-grant review (PGR) and IPR. Each proceeds before a three-judge panel at the PTAB, and incorporates certain trial-like procedures including use of witnesses, limited discovery, oral hearings and the ability to terminate in lieu of settlement. CBMs are limited to patents that claim a “business method,” or, per the AIA:



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“perform[]data processing operations utilized in the practice, administration, or management of a financial product or service....” PGRs and IPRs replaced the old ex parte and inter partes reexamination procedures, respectively. PGRs enable a challenger to contest the validity of a patent under 35 U.S.C. §§101, 112, 102 and 103 grounds. In contrast, IPRs are confined to validity challenges under §§102 and 103.

The report states that some commentators fault recent PTAB and Supreme Court decisions as having precipitated a weakened U.S. patent system. Most notably, in February of this year, the U.S. Chamber of Commerce’s international ranking of patent system strength identified the United States as falling from first to 10th in the world. The report identifies this drop as largely

attributed to the surprisingly popular and controversial IPR proceeding. Recent data from the USPTO reflects that 6,712 IPRs have been filed, making up 92 percent of all administrative proceedings.

Current IPR protocols require a petition to be submitted and approved, after which the IPR is commenced and then adjudicated. Any party except the patent owner may file the petition, which must demonstrate a “reasonable likelihood” that the petitioner would prevail as to at least one of the claims challenged. Once accepted, the PTAB presides over the IPR, the decisions of which may be appealed to the U.S. Court of Appeals for the Federal Circuit. If the contested patent survives, the petitioner may not challenge it in later civil actions or other administrative proceedings based upon

issues that were “raised or reasonably could have been raised” during the IPR.

The report notes that the AIA’s objective for IPR proceedings was to improve patent quality by providing an expedient and cost-effective mechanism (i.e., less costly than litigation) to determine if a patent was erroneously issued by the USPTO. The goal is/was to harness the technical expertise of the USPTO when making such validity decisions. IPRs have become commonplace for challenging the validity of patents, reflecting a tactical shift away from the federal courts to the PTAB. The Report also notes, however, that some commentators have expressed concern with the current state of post-grant proceedings, especially IPRs, due to the increased number of appeals from the USPTO to the Federal Circuit, which appears to potentially be frustrating the congressional goal of providing the court with a well-rounded caseload.

As described in the report, the STRONGER Patents Act is Congress’ attempt to “right the ship” by refocusing how contested patents are adjudicated through a revised IPR protocol. On its face, the bill appears to be Congress’ attempt to sway the public’s confidence in post-grant proceedings. Particularly, as mentioned in the report, IPRs are sometimes deemed “unfriendly” or biased by patent owners. The bill attempts to remedy this mindset with updated procedural measures. The report addresses the major reforms the bill proposes, including issues of claim construction, presumption of validity, standing, claim amendments and PTAB panel composition.

Regarding claim construction, the bill requires the PTAB to give claim terms their ordinary meaning, in contrast to the current “broadest reasonable interpretation” (BRI) standard. This change in course would align

the PTAB with the standard used in the federal courts: “the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art to which the claim invention pertains.” The report notes that proponents of this change agree that the courts and the USPTO should have the same standard, while combatants believe that the heightened standard increases the cost and complexity of IPRs, thereby muting the purpose and lessening any advantage in filing an IPR rather than litigating.

The bill addresses the presumption-of-validity standard by proposing that patent challengers must prove invalidity by “clear and convincing” evidence, rather than the “preponderance of the evidence” standard that currently applies. The preponderance standard, which refers to the “degree of relevant evidence that a reasonable person, considering the record as a whole, would accept as sufficient to find that a contested fact is more likely to be true than untrue,” is more friendly to patent challengers because it is less rigorous than the heightened clear and convincing standard, which refers to a factfinder’s conclusion that the contentions are “highly probable.” Therefore, this proposed change appears to be more patent-owner friendly, thus specifically addressing some critics’ concerns about IPRs.

The bill additionally proposes that to have standing to file a petition, a person, or real party in interest or privy of that person, must have been charged with infringement of the challenged patent. For example, the report indicates that proponents to having a standing requirement believe that “[i]f IPRs and PGRs were meant to serve as low-cost alternatives to determine validity of patent claims, then ... only those parties who could have brought litigation should be able to initiate an IPR or PGR.”

Additionally, “[o]thers have suggested that ‘reverse trolling’—the practice of demanding payments from patent proprietors in exchange for not filing petitions for review or settling cases that have been filed—might have less impact if a standing requirement applied.”

The bill also addresses the availability of claim amendments in light of the fact that the PTAB has rebuked many attempts by patent holders to amend claims. The bill seeks to establish an alternative procedure for amending claims by enabling a patent owner to request, upon approval from the PTAB, a non-binding, “expedited patentability report” from a patent examiner on a proposed substitute claim that the PTAB reviews.

Finally, the bill also proposes to change having the same PTAB judges see the case through by instead having two different groups of judges: one panel to decide whether to commence the IPR, and another entirely separate panel to conduct the proceeding and reach the final decision.

All of this said, the report does not handicap any legislative outcome, so it remains to be seen whether the bill maintains traction.

Since its inception, the IPR process has been deemed by commentators and industry as either a blessing or a plague, depending on the lens through which it is viewed. The IPR changes proposed by the bill have apparently been sparked by these concerns. Meanwhile, practitioners wait with interest to see how and what changes are ratified, and how they will impact the future of patent practice. •

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