



# ARE Patent Law Alert: USPTO Issues Final Rules For Implementing New Post-Issuance Patent Validity Proceedings Effective On September 16, 2012

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(September 4, 2012) Among the significant changes to the U.S. patent laws made by the America Invents Act are the introduction of new procedures for challenging the validity of issued patents before the U.S. Patent and Trademark Office (“USPTO”). These new procedures are designed to permit petitioners to bring speedy challenges to patent validity in the USPTO, in lieu of litigation. See [America Invents Act](#) (“AIA”), §§ 6 and 18.

On August 14, 2012, the USPTO issued its final rules for implementing these newly available post-issuance validity challenges, which include *inter partes* review, post-grant review, and the transitional program for covered business method patents. See 77 Fed. Reg. 48,612 (“[Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions](#)”); 77 Fed. Reg. 48680 (“[Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents](#)”); 77 Fed. Reg. 48734 (“[Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention](#)”)(Aug. 14, 2012); and 77 Fed. Reg. 48756 (“[Office Patent Trial Practice Guide](#)”). The final rules include a set of “umbrella” rules common to all proceedings, as well as separate rules governing each of these new proceedings. See 37 CFR 42.1 *et seq.* (Trial Practice and Procedure), 37 CFR 42.100 *et seq.* (new *inter partes* review proceedings), 42.200 *et seq.* (new post-grant review proceedings), 42.300 *et seq.* (new covered business method review proceedings).

## A. Common Features to New Post-Issuance Validity Proceedings

The new post-issuance proceedings have several common features, which apply to all proceedings irrespective of whether the proceeding is a post-grant review or an *inter partes* review under Section 6 of the AIA, or a covered business method review under Section 18 of the AIA.

### 1. Duration of Proceedings



The AIA requires that final determinations as to whether the challenged claims are valid or invalid issue no later than one year after institution of a proceeding. See 35 U.S.C. §§ 316, 326. This one-year statutory period will only be extendable by up to six months upon a showing of good cause. *Id.*

As required by the AIA, the new rules provide that the respective proceeding “shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause . . . .” See new 37 C.F.R. § 42.100(c) (*inter partes* proceedings), 42.200(c) (post-grant proceedings) and 42.300(c) (covered business method proceedings).

## **2. No presumption of validity**

In litigation, under 35 U.S.C. § 282, an issued patent is “presumed valid.” See, e.g., *Microsoft Corp. v. i4i Limited Partnership*, 131 S.Ct. 2238 (2011). Accordingly, “an invalidity defense [in court must be] proved by clear and convincing evidence.”

By contrast, in each of the new post-issuance validity proceedings, there will be no presumption of validity for patents that are reviewed. Thus, invalidity need only be established by a preponderance of the evidence (35 U.S.C. § 316(e) (*inter partes* review), 326(e) (post-grant review, and by extension covered business methods)). Likewise, the new Trial Practice and Procedure Rules confirm that “[t]he default evidentiary standard is a preponderance of the evidence.” 37 C.F.R. 42.1(d). This is a lower threshold than the clear and convincing evidence standard applied to invalidity determinations in litigation.

## **3. Claim Construction**

Typically during an original prosecution, claims are given their broadest reasonable construction to determine validity. See, e.g., *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004). By contrast in litigation, a narrower construction may be adopted based on various claim construction principles. See, e.g., *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*).

Under the final rules, the USPTO confirmed that in the new post-issuance proceedings “[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.” See new 37 C.F.R. §§ 42.100(b) (*inter partes* proceedings), 42.200(b) (post-grant proceedings), 42.300(b) (covered business method proceedings). Thus, the post-issuance proceedings will use the same claim construction rule applied during original prosecution, which is a broader standard than that used when litigating validity in the courts.

## **4. Estoppel**

Once a final written decision is issued by the USPTO in a post-issuance proceeding, the



petitioner, as well as the real party-in-interest and privies, will be estopped from again asserting invalidity on any ground that the petitioner *raised or reasonably could have raised* during an *inter partes* review, post-grant review proceeding, or covered business method proceeding. 35 U.S.C. §§ 315(e), 325(e), see also new 37 C.F.R. § 42.73(d)(1). Therefore, petitioners will need to consider the effect of estoppel when incorporating these post-issuance procedures into a defensive strategy.

## 5. Discovery

The final rules for post-issuance proceedings permit limited discovery, see new 37 C.F.R. § 42.51. Parties may seek additional discovery. However, a moving party must show that such additional discovery is “in the interests of justice,” except for in post-grant reviews. See 37 C.F.R. § 42.51(b)(2). In post-grant reviews, additional discovery is limited to evidence directly related to factual assertions advanced by either party in the proceeding. See 37 C.F.R. § 42.224.

## 6. Claim Amendments and Adding New Claims

Notably, during post-issuance proceedings, the patentee may make limited amendments to the claims and/or add substitute claims to the challenged claims.

The AIA provides that the patentee has one opportunity to make amendments to the claims, and that only a “reasonable number” of substitute claims may be added for each challenged claim. See new 35 U.S.C. §§ 316(d)(1). The final rules further tighten this provision, by setting forth a rebuttable presumption of only one new claim for each challenged claim. See new 37 C.F.R. §§ 42.121(a)(3) (*inter partes* review), 42.221(a)(3) (post-grant and covered business method review). The patentee may rebut this presumption, through a showing of need. The USPTO underscores in its comments to the rules that “[a]dding more claims beyond those that are needed to respond to a ground of unpatentability most likely would cause delay, increase the complexity of the review, and place additional burdens on the petitioner and the Board.” See 77 F.R. 48,705.

While the rights to amend claims and enter new claims is more limited in these new post-issuance proceedings than in prior *inter partes* reexamination practice, the patentee’s ability to amend and add new claims must still be taken into account when considering whether to initiate a post-issuance proceeding.

## B. Particular Post-Issuance Proceedings

Here, we provide an overview of each of the three new post-issuance proceedings and summarize some of the more pertinent provisions of the AIA and the final rules as they relate to each new proceeding:



## 1. *Inter Partes* Review

On September 16, 2012, *inter partes* review will replace the current *inter partes* reexamination proceeding. A petitioner may seek *inter partes* review to challenge the validity of any issued patent, provided that a petition is filed:

- 9 months after the issuance of the patent; or
- after termination of any post-grant review of the patent, whichever is later

35 U.S.C. § 311(c), *see also* 37 C.F.R. § 42.102(a).

However, an *inter partes* review cannot be initiated if: (1) the petitioner is a declaratory judgment plaintiff seeking to invalidate the same claims in a court action, or (2) it is more than one year after the petitioner has been served with a complaint alleging infringement of the challenged patent. 35 U.S.C. § 315(a), *see also* 37 C.F.R. § 42.101. This time limitation is an important strategic consideration for if and when a proceeding should be brought.

A petition requesting the institution of an *inter partes* review will be granted where there is “reasonable likelihood that the requester would prevail with respect to at least one of the claims.” 35 U.S.C. § 314(a), *see also* 37 C.F.R. § 42.108(c). This standard, while different than the pre-AIA standard for reexaminations, was already being applied to *inter partes* reexamination proceedings since September 16, 2011. *See* AIA § 6(c)(3).

Significantly, an *inter partes* review can only raise novelty or obviousness grounds for invalidity, and the prior art that can be used is limited to patents, published applications and printed publications. 35 U.S.C. § 311(b), *see also* 37 C.F.R. § 42.104(b)(2).

As to estoppel, as noted above, the final rules clarify that estoppel will not apply upon filing of the *inter partes* review, but only upon issuance of a final written decision. 35 U.S.C. § 315(e)(1); *see also* 37 C.F.R. § 42.73(d)(1). Thus, if an *inter partes* review is terminated before a written decision issues, no estoppel will apply. 35 U.S.C. § 317(a).

## 2. Post-Grant Review

The AIA also created a new post-grant review procedure, which allows validity challenges to be raised on any ground within nine months after a patent issues. 35 U.S.C. § 321(c), *see also* 37 C.F.R. § 42.102(a). However, post-grant review will be available only for patents issuing from applications subject to the new first-inventor-to-file provisions of the AIA. *See* AIA §§ 6(f)(2)(A), 3(n)(1). Therefore, post grant review will apply generally only to patents issuing from applications that have claims with an effective filing date on or after March 16, 2013, and are thus not likely to be used until 2014 and beyond.

Post-grant review permits patents to be invalidated on broader grounds than *inter partes* review, namely on any grounds for invalidity, including § 101 (patent-eligibility)<sup>1</sup>, § 102 (anticipation), § 103 (obviousness), or § 112 (written description/enablement), and



may use any type of prior art. See 35 U.S.C. §§ 321(b), 282(b), *see also* 37 C.F.R. § 42.204(b)(2). By contrast, as noted above, the grounds for seeking *inter partes* review are limited to § 102 or § 103 defenses based on patents, published applications or printed publications. See 35 U.S.C. § 311(b), *see also* 37 C.F.R. § 42.104(b)(2).

To initiate post-grant review a petitioner will have to establish that it is “more likely than not that a challenged claim is unpatentable.” 35 U.S.C. § 324(a), *see also* 37 C.F.R. § 42.208(c). This is intended to be a somewhat higher standard than the “reasonable likelihood” standard that applies to *inter partes* review.

Because post-grant review allows challenges based on any grounds for invalidity, estoppel may have a broader reach, since a petitioner will be precluded from raising any invalidity defense in litigation that was raised or reasonably could have been raised during post-grant review. See 35 U.S.C. § 321(e)(1).

### **3. Transitional Program For Covered Business Method Patents**

Section 18 of the AIA establishes a new “transitional program,” beginning on September 16, 2012 and in effect for the next 8 years, specifically aimed at allowing validity challenges of “covered business method” patents, provided that the petitioner, real party-in-interest, or privy has been sued for infringement of the patent or has been charged with infringement under that patent. See AIA § 18(a).

Rule 42.302(a) clarifies that “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).

Despite considerable criticism by the patent community that the USPTO had not provided a clear definition of what types of patent claims qualify as “covered business methods,” the agency made no further clarifications in promulgating its final rules. According to Rule 42.301(a) the definition of a “covered business method,” tracks the AIA statutory language: “a patent that 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 that the term does not include patents for technological inventions.” 37 C.F.R. § 42.301(a). Rule 42.301(b), in turn, provides: “In determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods (Section 42.301(a)), the following will be considered 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). We expect the USPTO, at least initially, to broadly interpret what are covered business methods to allow more challenges rather than less.

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The America Invents Act creates significant new proceedings under which the validity of patents can be adjudicated before the USPTO instead of during litigation. These proceedings will allow parties to resolve validity issues in what should be a less expensive proceeding than district court litigation. However, patents surviving such validity challenges may be treated as “gold plated” patents, whose validity may be more difficult to challenge in subsequent litigation. Understanding the rules that govern each of these new proceedings, as well as their strategic benefits and pitfalls, will be of great importance for both accused infringers and patentees going forward.

We will continue to monitor ongoing developments in the implementation of the America Invents Act and encourage you to review the publications and events page of our firm website for more information. Please feel free to contact one of our firm’s attorneys to learn more.

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<sup>1</sup> Recently, there has been some dispute by commentators as to whether a challenge under 35 U.S.C. § 101 falls under the list of defenses available pursuant to 35 U.S.C. § 282, which is referenced by the AIA as providing the basis for challenges in post-grant reviews. See, e.g., “Can a Third Party Challenge Section 101 Subject Matter Eligibility in the USPTO’s new Post-Grant Review Procedure?”, <http://www.patentipr.com/patent/2012/08/can-a-third-party-challenge-section-101-subject-matter-eligibility-in-the-uspto-new-post-grant-review-procedure.html> (August 29, 2012). The USPTO appears to be assuming that a challenge under 35 U.S.C. § 101 is an appropriate ground for post-grant proceedings.