

Reform Law Would Allow for Quick Challenges to Patents

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Technology companies, venture-capital financiers and leaders in the U.S. government have recognized that high-quality patents promote innovation and economic growth, while lower-quality patents hinder technology development and investment. To improve the quality of patents in the United States, both houses of Congress have undertaken efforts to reform U.S. patent law, and so far one clear message emerges — companies should challenge poor-quality or potentially threatening patents and applications earlier.

The new legislation, “The America Invents Act,” was passed by the Senate on March 8, and the House Judiciary Committee approved a parallel bill on April 14 for consideration on the floor of the House. Although the Senate and House versions differ in some respects, both include distinct procedures, or “windows” of opportunity, to allow earlier and broader challenges to competitors’ pending applications and newly issued patents than now available. These procedures, if used effectively, can clear a path forward for new technologies and products.

Both versions of the legislation create a new proceeding for challenging competitors using “post-grant review.” Both revise inter partes reexamination and reintroduce it as “inter partes review.” Both also provide a substantially improved mechanism to submit documents in an application prosecuted by a competitor using “preissuance submissions by third parties.” Although these procedures collectively allow broader grounds for challenges and more types of evidence to be presented to the U.S. Patent and Trademark Office (PTO) than now possible, each procedure is open to a competitor only during a distinct time frame. Additionally, some of the procedures have a specific threshold for initiating the challenge and, in some cases, limitations on the types of evidence that may be used. Therefore, if the legislation is enacted, in order to maximize the benefit of these opportunities, companies will need to dramatically rethink how and when to begin challenging competitors’ patents and applications.

Both the House and Senate versions of patent reform create a revised procedure that allows a third party to submit materials to the PTO that are of potential relevance to the examination of a pending application, along with a concise description of the asserted relevance of each submitted document. This procedure differs from a current procedure that allows submission of a document, but expressly prohibits an explanation of the submitted document or any other information. Companies

would be able to use this procedure to much more effectively challenge competitor patents during prosecution. A challenger can use this procedure up to the later of six months after publication or the date of the first rejection, so long as a notice of allowance has not issued already. Therefore, in order to have the art considered by the examiner, the challenger would need to learn of and act on a potentially threatening application shortly after it has published.

Challengers could significantly influence prosecution, since they would have an opportunity to present both prior art or other relevant published documents, as well as comment on the relevance of the documents during the formative period when the examiner is first evaluating the claims in an application. Challengers are not limited to an attack on prior-art ground, but may raise any other ground of patentability (such as enablement or even written description or definiteness if they identify a document relevant to those requirements). Challengers who wish to remain anonymous should also consider third-party submissions, which do not require a statement identifying all real parties in interest.

From a budgetary standpoint, companies could save a significant amount of money compared to making later challenges, since the cost to file a third-party submission of prior art would be quite low. Nevertheless, in order to take advantage of this procedure, companies would need to intimately familiarize themselves with the ever-changing portfolios of their competitors and may need to conduct near-continuous searching for applications that could hinder their own technologies.

Post-Grant Review

Even if a company misses the window for filing a third-party submission of prior art early in prosecution, the proposed legislation provides additional cost-effective opportunities to challenge the validity of a newly issued patent in a new post-grant review procedure. Compared to current inter partes reexamination, post-grant review allows for additional types of challenges. Both the Senate and House versions allow broad challenges to a patent based on any ground of invalidity, including prior-art challenges allowed in inter partes reexamination, as well as utility, patent-eligibility, enablement, written-description and definiteness challenges, which are not currently encompassed by inter partes reexamination. Therefore, this proposed procedure would allow more grounds for challenging a patent outside litigation than those available currently.

The proposed legislation encourages challengers to use post-grant review instead of inter partes review because the PTO will initiate post-grant review if the challenger meets a lower initial threshold: The information presented by the third party, “if not rebutted,” would demonstrate that it is more likely than not that at least one of the claims is unpatentable, or that the challenge raises a novel or unsettled legal question of importance to other patents. Interestingly, the language “if not rebutted” suggests that the PTO, in making the threshold determination, may not need to consider the arguments that could be presented against the third party’s submission. The threshold analysis essentially asks if the challenger presents a prima facie case of unpatentability of one or more claims. By setting a lower threshold than inter partes review and by allowing more grounds of challenge, the legislation encourages earlier challenges to poor-quality or potentially threatening patents.

Yet, as in the third-party submission of prior art, the legislation provides a very narrow window of time for requesting a post-grant review proceeding. Although the Senate and House versions of the legislation differ in the details — the House allowing one year after issuance and the Senate only nine months — both versions similarly require companies to closely follow their competitors’ patent

portfolios and identify potentially threatening applications and patents during pendency or immediately upon grant.

Inter Partes Review

Finally, inter partes review replaces the current inter partes reexamination procedure and would allow a third party to request reexamination of a patent only on the basis of prior art, not for failure to comply with 35 U.S.C. 112. This narrows the types of challenges that may be brought against a patent compared to post-grant review, and shows that as time passes, a challenger has fewer opportunities to attack a competitor's patent in the PTO. The legislation further encourages earlier challenges to patents by limiting, in certain circumstances, the availability of inter partes review if the parties engage in civil litigation.

Both the Senate and House versions propose changing the threshold for initiating inter partes review compared to the current law. The threshold question currently asked is whether the prior art raises a substantial new question of patentability. If Congress enacts inter partes review, the threshold question asked will be whether there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged. Unlike post-grant review, the threshold for inter partes review considers the effect of arguments that could be made against the prior-art submission and also requires a reasonable likelihood of success rather than merely more likely than not. Thus, it would also be more difficult to initiate this proceeding.

This legislation would affect how companies approach competitors' patents, as well as how they will defend their own. Companies should consider actively challenging pending applications and recently granted patents, although petitioners for post-grant and inter partes review should balance the advantages of these procedures against future litigation estoppel. Technology companies should begin more frequent searching for published applications or newly issued patents that could present challenges to their current and future products, especially those held by litigious competitors. Companies should further identify potentially validity-destroying documents to submit in a third-party submission or in a post-grant review procedure, which allow for broader challenges at a lower threshold than later available in inter partes review. Planning for and adjusting to regular searching will require significant change for companies accustomed to assessing the patent landscape at internal milestones. At the same time, companies will need to respond to challenges from competitors seeking to market products in areas encompassed by their own pending applications and newly granted patents. Although the new legislation presents broader means to challenge patents early, finite windows of opportunity mean that companies would need to act quickly to remove obstacles to their commercial success. Thus, both in-house and law firm attorneys would need to develop new strategies and practices to advise and advocate for their clients. In an effort to increase the strength of U.S. patents and eliminate poor-quality patents, the legislation would allow invalidity disputes to begin earlier and, if companies obtain the right advice, use these opportunities to their commercial advantage.

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