

## **Leveraging New Patent Office Post Grant Proceedings To Decrease Litigation Risk and Cost**

According to a recent survey of district court rulings, in approximately 2/3 of cases where validity was at issue, at least some of the claims of the patent were found to be invalid or unenforceable. This is significant. Although patent validity might be determinative of a lawsuit, a party that is accused of infringing the claims of a patent must nevertheless typically defend itself in court on many issues not limited to validity. For example, the resolution of validity usually moves in parallel with other litigation issues such as infringement and damages. Since the validity issue is intertwined with other issues, the cost of resolving the validity issue during litigation before the district court can be the same as the cost of the entire case (on average about \$5 million dollars in the United States if the litigation goes through trial).

In the past, alleged infringers could request a reexamination proceeding at the U.S. Patent and Trademark Office (USPTO), which is the same government agency that examines and issues patents. Such a proceeding would typically take multiple years before resolution at the USPTO. Subsequent appeals of the ruling by the USPTO could add further years and expense. Further, because of this indefinite time period, courts were sometimes reluctant to grant stays of co-pending litigation, leading to a risk of increased rather than decreased costs.

On September 16, 2012, new "post grant" proceedings were put in place by the USPTO to help address this problem. The proceedings allow alleged infringers to invalidate the claims of a patent in an expedited administrative proceeding managed by the USPTO prior to or in lieu of district court litigation. The proceedings are limited to validity issues and are required to be completed within one to one and a half years. These new post grant proceedings are designed to avoid the spiraling costs of litigating in court, as well as the delays of traditional reexamination proceedings before the USPTO.

Though the decision by the USPTO regarding validity is ultimately reviewable by the courts, the new post grant proceedings will substantially decrease uncertainty regarding the validity of patent claims. The post grant proceedings have a strong estoppel effect on revisiting similar issues in later litigation in court. It is our experience that the decisions by the USPTO are typically given significant deference by the court and juries. Also, as a practical matter, more deference is afforded to these USPTO decisions when the very same arguments and evidence (prior art) asserted during litigation are the same as those previously considered in the administrative proceeding by the USPTO.

Although the post grant proceedings that are available vary depending on the posture of an accused infringer and the type of patent, each of the new post grant proceedings has a number of common features that may be advantageous. The administrative law judges that decide the outcome of the proceedings have technical expertise in the relevant technical field, as well as expertise in analyzing validity issues. In addition, the new proceedings encourage exhaustion of most validity challenges before the USPTO. This is designed to result in either (1) resolution of all issues through a finding of

invalidity, or (2) bolster of the surviving claims through removal of the validity issue from subsequent district court litigation on infringement and damages issues.

Furthermore, at least in part because of the more certain timeframe for resolution, courts have been routinely grant stays of co-pending litigation pending the resolution of these new post grant proceeding. And, unlike existing reexamination proceedings, decisions in these new post grant proceedings are considered “final” after the administrative stage for estoppel purposes, so any other issues to be litigated will not have to wait until all validity-based appeals are completed. Removing validity issues from a patent dispute within a relatively certain timeframe, either favorably or unfavorably, provides increased clarity to the patentee and patent challenger, and therefore promotes resolution of disputes before trial.

The new post grant proceedings before the USPTO share many common features with other proceedings conducted before the USPTO. One component of the new proceeding involves asserting arguments and claim amendments to distinguish an invention from the prior art based on technical features. This portion of the procedure is essentially the same as the process that is employed by registered patent practitioners when obtaining patents. The post grant proceedings are held before a Patent Office board that also hears traditional patent application appeals. Traditional Patent Office claim construction standards are applied, rather than those applied in district court litigation. In our experience, familiarity with Patent Office rules and procedure, familiarity with the practice and culture of the Patent Office, and familiarity with administrative law judges is critical to success in actions before the Patent Office generally.

Finally, since it is becoming clear that discovery available in the new post-grant proceedings is quite limited in scope, an understanding of Patent Office practice and a clear early strategy regarding claim construction and evidence issues are critical in pursuing these procedures in a successful and cost-effective manner. Furthermore, given the estoppel effect that accompany these new proceedings, coordination between the patent attorneys conducting the post grant proceeding before the USPTO and the patent litigators involved in the related or anticipated court proceeding is essential.

The new post grant proceedings provide a lower-cost and faster alternative to litigation to test the validity of patent claims. We expect that the process can be most effectively leveraged by teams that have core competencies in both practice before the USPTO and in patent litigation before district courts.