

Daily Journal

www.dailyjournal.com

WEDNESDAY, NOVEMBER 20, 2013

A new patent venue on the rise

By Ben M. Davidson

Are administrative judges of the Patent Trial and Appeal Board going to be “acting as death squads, killing [intellectual] property rights”? That is how Chief Judge Randall Rader of the Federal Circuit characterized the PTAB in informal remarks at an annual meeting of IP professionals in Washington, D.C. last month. Judge Rader was not commenting on or criticizing any decisions made by the PTAB. The board is relatively new and, at the time Judge Rader made his comment had not reached a final decision on any contested, inter partes reviews. Judge Rader was questioning the efficiencies of a system that gives the public patents presumed to be valid on one hand through 7,000 patent examiners, but that with the other hand takes away through up to 300 administrative judges whose mission is to scrutinize those same patents.

If Judge Rader was predicting that the PTAB will be a favorable forum for challenging patents, he was certainly not alone. The PTAB is now the third busiest venue for challenging patents, just behind the Eastern District of Texas and the District of Delaware. The reason for that popularity, according to the PTAB’s own chief judge, James Smith, is that the board has decided to initiate trials in fully 80 percent of all inter partes review petitions it receives.

Inter partes review became available Sept. 16, 2012, as part of the America Invents Act patent reforms. It is a powerful procedure that allows anyone to seek cancellation of patent claims based on prior art documents, such as patents and printed publi-

cations. Inter partes review gives no presumption of validity to the patents, and unlike district court litigation, it does not require “clear and convincing” evidence of invalidity. It can be won based on a “preponderance of the evidence.” The PTAB must initiate an inter partes review when a challenger shows “a reasonable likelihood of succeeding on the merits” of at least one patent claim. As Judge Smith explained, “Once potential petitioners saw the high percentage that result in trials, it boosted the level of confidence that the board is taking these seriously.”

It should have been no surprise that the PTAB would be a favorable forum for companies challenging patents. It was designed that way.

It should have been no surprise that the PTAB would be a favorable forum for companies challenging patents. It was designed that way. When it passed the AIA, Congress created the PTAB, inter partes reviews and other procedures (such as reviews of Covered Business Method patents on any grounds) to deal with complaints about the patent system. The PTAB’s members include the administrative law judges of the former Board of Patent Appeals and Interferences, as well as approximately 90 newly hired judges with scientific or technical backgrounds and significant patent litigation or trial experience of their own. Unlike juries and even many judges without a scientific background or interest in patent law, the PTAB is composed of expert lawyers who have spent their careers reading prior art referenc-

es, construing patent claims, and analyzing the validity of patent claims. Most of these new judges do not come directly out of the ranks of the patent examining corps, which many believe makes them less inclined to adopt the analysis of patent examiners who issued the challenged patents in the first place.

Companies looking to the PTAB to help them challenge patents were not disappointed by the board’s first written inter partes review decision. On Nov. 13, in *Garmin International v. Cuozzo Speed Technologies LLC*, the PTAB invalidated a patent on a speed-limit indicator *Garmin* was accused of infringing. The patented system eliminates the need for drivers to take their eyes off the road to look at speed limits. It automatically updates speed limits and gives drivers a warning when they’re exceeding them. The PTAB sided with patent challenger *Garmin* on nearly every issue. It rejected patent owner Cuozzo’s claim construction, rejected Cuozzo’s attempt to antedate or “swear behind” the prior art, and went onto find the claims obvious based on a combination of five prior art patents. The board also rejected Cuozzo’s attempt to add new claims to its patent, finding that Cuozzo failed to show that these new claims were described by the original patent application its inventor had filed.

The board’s analysis in *Garmin* was not a departure from precedent. For example, it was not that unusual for the predecessor BPAI to combine references to cancel patent claims, particularly where, as in *Garmin*, the invention combined well-known technologies. But the inter partes review delivered for *Garmin* on the AIA’s

promise of reaching a decision both inexpensively and quickly. Under the AIA, inter partes reviews must be concluded within 18 months of being initiated, and patent office rules have further required that most cases be decided within one year. 35 U.S.C. Section 316(a)(1); 37 C.F.R. Section 42.100(c).

While the pre-AIA inter partes reexamination procedure was also effective in challenging patents, it was not as fast — taking on average 36 months to complete, before appeals to the Federal Circuit. Citing these delays, many district court judges were reluctant to stay parallel patent litigation pending the outcome of an inter partes reexamination. In *Garmin*, the PTAB issued its decision in just over 11 months, within the statutory period. That statutorily promised speed gave *Garmin* a powerful argument to ask the New Jersey district court presiding over parallel litigation to stay the case until the PTAB reached its decision on patentability.

While the district court did not completely stay litigation, it slowed litigation down long enough to receive the PTAB’s decision so that it could have the benefit of the board’s claim construction decision. And the PTAB construed the claims the way *Garmin* proposed, which will apparently lead to a finding of noninfringement by the district court if it adopts the PTAB’s detailed claim construction analysis, which is likely. Had *Garmin* chosen to present its invalidity defenses to the district court, the patent owner could have forced a trial on factual issues concerning the prior art, including obviousness. And a typical jury would

have been skeptical of an “obviousness” defense that pieced together five prior art patents to show that the patent office made a mistake when it issued the patent.

As the *Garmin* case shows, although PTAB inter partes reviews are still in their infancy, they can drastically change how patent cases can be decided or settled. Companies facing the threat or reality of patent infringement litigation need to be aware of their benefits as well as their dangers. Some of the pitfalls of inter partes practice include:

Estoppel. An unfavorable decision on an inter partes review estops the challenger from challenging a patent claim on any ground that was raised or reasonably could have been raised in the inter partes review. An incomplete petition that does not rely on reasonably available prior art can inoculate the patent owner against all future documentary prior art challenges. In some cases, prior art documents need to be explained by deposition testimony, including depositions of third parties or of the inventor himself. Such discovery is not ordinarily

available through the PTAB, and, in these cases, an inter partes petition may need to be delayed, even at the risk of foregoing or lessening the opportunity to seek a stay of district court litigation. Discovery may also be needed to establish the motivation to combine references — the PTAB will deny a petition where the only rationale for combining references is that they all related to the same field of endeavor. In unusual cases, the invalidity defenses may be more persuasive to a jury, for example when the patent owner is guilty of some misconduct or misrepresentation that casts doubt on the validity of the patent — even where expert analysis of the prior art may not show each limitation of the claims clearly met.

Denial of petition on asserted claims. The PTAB may initiate review on only some of the patent claims alleged to be infringed. It will often do so where the petition fails to explain just how every element of dependent claims is shown in the prior art, or why missing elements would have been obvious to those skilled in

the art. If these dependent claims are infringed, the PTAB decision is a victory for the patentee — and some have argued that the challenger will be estopped from raising those same grounds again at trial or in subsequent reviews.

Claim construction. The PTAB will carefully construe claims before deciding if they are invalid, and it is required to give each claim its “broadest reasonable construction.” If these constructions are followed by district courts in parallel litigation, they may result in a finding of infringement that could otherwise have been avoided.

Claim amendments. The AIA allows patent owners to add a reasonable number of substitute claims to overcome prior art challenges in inter partes reviews. The specifications of many patents describe details that are not captured by the broad claims the patent owners decided to pursue during the initial patent examination. In these situations, initiating inter partes reviews gives the patent owner a chance to strengthen its patent to claim details that are found in

the challengers’ accused technology, but not in the prior art.

The PTAB is taking center stage as an important forum for challenging patents. The decisions it makes in the coming months in inter partes proceedings — as well as in other procedures available through other patent office rules — will be closely watched to determine how well the AIA has accomplished its objectives in reforming the patent system, and whether PTAB panels are the “death squads” companies accused of infringement are hoping they will be.

Ben M. Davidson is the founder of the Davidson Law Group. He is a former examiner at the United States Patent & Trademark Office and represents corporations in patent infringement litigation and proceedings before the Patent & Trademark Office.



BEN M. DAVIDSON
Davidson Law Group

Reprinted with permission from the *Daily Journal*. ©2013 Daily Journal Corporation. All rights reserved. Reprinted by ReprintPros 949-702-5390.

Davidson Law Group