

*ADR for Post Grant Proceedings Before the USPTO PTAB:  
Start Early Because Time is of the Essence*

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## **Introduction**

The America Invents Act created three proceedings that can be used to challenge a patent in a trial proceeding before the Patent Trial and Appeal Board (Board) of the United States Patent Office (USPTO), an Inter Partes Review (IPR), a Post-Grant Review (PGR), and the Transitional Program for Covered Business Method Patent Review (CBM).<sup>i</sup> More than 6,500 of these post-grant petitions have been filed since September 2012 and, of those, more than 90% have been IPR proceedings.<sup>ii</sup>

There are strong public policy reasons to favor settlement between the parties to a proceeding before the Board, and the Board may require that a settlement discussion be made part of the proceeding.<sup>iii</sup> To that end, it is not surprising that the Board may encourage parties to certain patent post-grant proceedings to employ ADR methods to settle their disputes. Those parties who might be interested in reaching a post-grant proceeding settlement agreement using ADR might inquire about which methods of ADR will be ineffective, which will be most effective, and at what point during the proceedings should ADR methods be employed.

## **Post-Grant Proceedings: Narrowly Focused, Lower Cost and Streamlined Time Line**

Many of the advantages attributed to arbitration appear to be attributable to post-grant proceedings as well. As a form of ADR, arbitration is considered as an alternative to litigation. Similarly, employing post-grant proceedings to test the validity of US patents also represent an alternative to traditional litigation. Arbitration rules for patent disputes address issues particularly important to these types of disputes, namely, ensuring

that the arbiters have the requisite legal and technical experience, that the technical issues are clearly delineated and held constant, and that the dispute is addressed in a timely fashion.<sup>iv</sup> Post-grant proceedings are also structured to address these important factors.

Post-grant proceedings are limited to questions challenging the validity of patent claims.<sup>v</sup> Any non-patent owner third party may file a petition challenging the validity of a patent's claims, subject to certain limitations.<sup>vi</sup> The cost to file and institute post-grant proceedings with the Board are in the low tens of thousands of dollars.<sup>vii</sup> The petition must state with particularity which claims are challenged, the basis for making the challenge, and must provide appropriate documentation to support the challenge.<sup>viii</sup> In response to a filed petition, the patent owner has the right to file a preliminary response to the petition, and has up to three months to file a response.<sup>ix</sup>

Each IPR and PGR will be heard by at least three members of the Board.<sup>x</sup> “The administrative patent judges [of the Board] shall be persons of competent legal knowledge and scientific ability...”<sup>xi</sup> After reviewing the filed petition and the patent owner's preliminary response to the filed petition, the responsible Board members will decide within three months whether the question of claim validity has surpassed the required threshold, and whether a proceeding should be instituted.<sup>xii</sup> Should a proceeding be instituted, procedures for discovery, comment and oral argument are spelled out such that a final written decision may, under normal circumstances, be completed within one year of the institution of the proceeding.<sup>xiii</sup> A party dissatisfied with the final written decision may appeal to the Federal Circuit.<sup>xiv</sup>

## **Post-Grant Proceedings: Early Neutral Evaluation, Mediation and Direct Negotiations Between the Parties**

Under normal conditions, it will take eighteen (18) months or less from the time a petition to initiate a post-grant proceeding is filed until the time a final written opinion is published by the Board.<sup>xv</sup> With this timing in mind, ADR methods that provide

expeditious resolution of disputes are likely the most effective. These methods include early neutral evaluation, mediation and direct negotiation between the parties.

As previously described, the post-grant proceeding is initiated with the filing of a petition, by a third party non-patent owner, challenging the validity of a patent's claim(s).<sup>xvi</sup> Prior to the filing of the petition, presumably all these forms of ADR are available to the petitioner and the patent owner, assuming they opt to take advantage of them. Having said this, the filing of the petition would suggest that either the parties opted not to take advantage of them or did not explore the possibility prior to the petition having been filed.

Similarly, all these forms of ADR are available to the petitioner and patent owner subsequent to the filing of the petition. Early neutral evaluation, mediation and/or direct negotiations may be used singly or in a combined fashion to settle the dispute after the petition is filed.

To employ an early neutral evaluation process, a party to a dispute (or a potential dispute) makes a presentation to a neutral third party and solicits an opinion about the strength of that party's position with respect to the dispute (or potential dispute). To render the necessary opinion as regards to patent validity, the neutral third party must be legally and technically qualified to render the opinion. Of course, this approach may be used by each party standing alone, or by both parties together.

Mediation and direct negotiation between the parties may be effective means of ADR when applied to patent validity disputes. As would be the case with early neutral evaluation employed by the parties together, for mediation and/or direct negotiation between parties to be effective, the issues relating to patent validity must be sufficiently developed to allow the parties to evaluate each other's position. This will likely require the parties to exchange sufficient information to allow them to gain the appropriate understanding (and this might not occur until after the patent owner has filed the preliminary response to the petition).

## **Post-Grant Proceedings: Time is of the Essence**

As previously described, a post-grant proceeding before the Board will take eighteen (18) months or less.<sup>xvii</sup> Parties could enter into some form of ADR at most any time along the timeline described by the USPTO, and reach agreement to settle a case. To illustrate this fact, USPTO trial statistics as of February 28, 2017 indicate that 738 cases had been settled prior to institution of proceedings, and 575 cases had been settled subsequent to institution of proceedings.<sup>xviii</sup>

There are benefits to the petitioner with respect to reaching a settlement agreement sooner rather than later, namely the petitioner will save time and money relating to the post-grant proceeding and, should settlement be before the institution decision, the petitioner can avoid any negative impact resulting from the institution being denied. There are benefits to the patent owner as well with respect to reaching a settlement agreement sooner rather than later, namely the patent owner may avoid public disclosure of prior art and invalidity theories, may avoid statements on the record regarding scope of patents, and may avoid Board statements adverse to the patent.

Should the parties to a post-grant proceeding reach a settlement agreement, the proceeding will terminate after the filing of the settlement agreement, unless the Board has already decided the case.<sup>xix</sup> The closer a case comes to the hearing date, the larger the risk that the Board will have already decided the merits of the proceeding, in which case the Board may deny requests for termination of proceedings. The Board may proceed and issue its final written decision even if no petitioners remain in the proceeding.<sup>xx</sup>

## **Conclusion**

Disputes involving patents include many issues other than just validity and, as a result, many patent disputes lie outside the narrow jurisdiction of the Board.<sup>xxi</sup> Arbitration may make a great deal of sense for parties involved in patent disputes that

implicate issues broader than those addressable by post-grant proceedings before the Board. In the case of validity challenges, the post-grant proceedings resemble patent dispute arbitration near enough to indicate that arbitration of disputes before the Board is inappropriate.

The total time of the post-grant proceeding, from start to finish, is generally eighteen (18) months, absent any extraordinary circumstances. As a result, for ADR to be effective, ADR methods that provide for a quicker resolution are more appropriate. ADR methods such as early neutral evaluation, mediation and direct negotiation between the parties seem to be suitable for post-grant proceedings. For these methods to be effective, though, the issues relating to patent validity must be sufficiently developed for each of the parties to evaluate the case.

Parties who will consider settlement of post-grant proceedings should employ the appropriate ADR methods as early in the process as possible. More benefits will likely accrue to the petitioner and patent owner if a proceeding is settled earlier rather than later. Should the parties wait too long to reach a settlement agreement, they run the risk that the Board will deny requests for termination of the proceedings, despite the filing of a settlement agreement, and that the Board will proceed to issue its final written decision, contrary to the wishes of the parties.

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- <sup>i</sup> Leahy-Smith America Invents Act Public Law 112-29 – September 16, 2011.
- <sup>ii</sup> See <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/appeals-and-interferences>
- <sup>iii</sup> Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768, para. (N) (Aug 14, 2012)
- <sup>iv</sup> See e.g. American Arbitration Association, Resolution of Patent Disputes Supplementary Rules, January 1, 2006.
- <sup>v</sup> For IPR and PGR, see 35 U.S.C. §311(b) and §321(b), respectively.
- <sup>vi</sup> For IPR and PGR, see 35 U.S.C. §311(a) and §321(a), respectively.
- <sup>vii</sup> See <https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule#PTAB%20Fees>
- <sup>viii</sup> For IPR and PGR, see 35 U.S.C. §312 and §322, respectively.
- <sup>ix</sup> For IPR and PGR, see 35 U.S.C. §313 and §323, respectively.
- <sup>x</sup> 35 U.S.C. §6(c).
- <sup>xi</sup> 35 U.S.C. §6(a).
- <sup>xii</sup> For IPR, see 35 U.S.C. §314 (threshold is “a reasonable likelihood that the petitioner would prevail” with respect to at least one challenged claim); and for PGR, see 35 U.S.C. §324 (threshold is “more likely than not that at least one of the claims challenged in the petition is unpatentable”).
- <sup>xiii</sup> For IPR and PGR, see 35 U.S.C. §316 and §326, respectively.
- <sup>xiv</sup> For IPR and PGR, see 35 U.S.C. §319 and §329, respectively.
- <sup>xv</sup> For IPR and PGR, see 35 U.S.C. §§311-316 and §§321-326, respectively.
- <sup>xvi</sup> For IPR and PGR, see 35 U.S.C. §311(a) and §321(a), respectively.
- <sup>xvii</sup> See <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials>
- <sup>xviii</sup> See <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/appeals-and-interferences>
- <sup>xix</sup> Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768, para. (N) (Aug 14, 2012)
- <sup>xx</sup> 37 C.F.R. §42.74(a).
- <sup>xxi</sup> 35 U.S.C. §6.