



# High Tech Inventors Alliance

## Inter Partes Review is Working

In 2011, Congress established Inter Partes Review proceedings (IPR) to restore confidence in a patent system plagued by litigation over invalid patents that should never have issued. These proceedings were intended to provide a cheaper, faster alternative to litigation to determine patent validity and enable the U.S. Patent and Trademark Office (PTO) to correct its own errors in granting invalid patents. In spite of the fact that IPR has been a success and working as Congress intended, in the last year the program has undergone numerous changes by the PTO to address perceived imbalance in the system. Any future changes should further Congress' intent of providing an alternative to litigation. Otherwise, we risk hobbling one of the most successful tools for reducing wasteful litigation and improving patent quality.

### About HTIA members

- \$75 billion R&D investment
- More than 175,000 patents
- Over 1.3 million jobs
- More than \$600 billion in annual revenues

### THE NEED FOR IPR

IPR is needed due to the substantial number of invalid patents that are erroneously granted and the drag those patents place on innovation. While the PTO endeavors to conduct adequate examinations, the agency is under-resourced and the examination process is heavily slanted in favor of granting patent claims. Patent examiners exclusively bear the burden of demonstrating that the proposed patent claims are invalid, and are given only 19 hours on average to evaluate complex, often highly-technical inventions. Unless an examiner is able to show that the claims are unpatentable, the patent will be automatically granted. As a result of this skewed process, the U.S. has a very high grant rate – almost 80% – resulting in more than 300,000 new patents issuing each year. But when these patents are challenged in litigation, district courts find them to be invalid about 42% of the time, and it often costs millions of dollars and takes several years to make this determination.<sup>1</sup>

### IPR is balanced

- Only 17% of patents in litigation face an IPR
- 40% of IPR petitions are denied
- Only 32% of decisions result in a patent being cancelled

### IPR HAS BEEN SUBSTANTIALLY WEAKENED

Substantial changes have been made in recent years which have weakened IPR proceedings to the detriment of patent quality and the public. These changes include interpreting patents in IPR in a way that makes it less likely to find them invalid, and making it easier for patent owners to amend challenged claims to avoid invalidation. More recently, the program has seen an aggressive uptick in the PTO's use of its discretion to deny institution.

The PTAB has denied petitions despite finding that the petitioner has satisfied the statutory threshold standard for institution. The PTAB has also begun to deny institution on the basis that the prior art was

<sup>1</sup> AIPLA 2017 Report of the Economic Survey; <https://www.aipla.org/detail/journal-issue/economic-survey-2017>.

considered during examination, even though IPR was put in place to review examination errors. The PTAB has also begun to deny petitions based on the fact that a different petitioner has already filed a petition challenging the same patent.

The PTAB can deny institution of an IPR for virtually any reason (or for no reason at all), and institution decisions are typically unappealable, resulting in almost unlimited and unreviewable discretion.

### **MULTIPLE PETITIONS: A SOLUTION IN SEARCH OF A PROBLEM**

The most recent effort to undermine IPR proceedings is based on the purported scourge of “multiple petitions.” Despite the loud complaints of IPR critics, the fact is that multiple petitions challenging the same patent claims are rare and, when they do occur, are almost always filed for entirely legitimate reasons. The most common of these is compliance with the word limit set by the PTAB itself. In a complex patent litigation where numerous patent claims are at issue, petitioners often have no choice but to divide their arguments into several petitions challenging the same patent. And often it is the patent owner’s own behavior in litigation – e.g., the refusal to narrow the number of claims or provide sufficiently detailed infringement contentions – that necessitates this. Another legitimate reason for multiple filings are “me too” petitions. In these cases, a second petition is filed that is substantially identical to an existing petition filed by a different party. In effect, these petitions operate as a request to join the prior petition and do not impose any additional burden on patent owners. And, again, it is frequently the patent owner’s own litigation decisions – e.g., suing multiple defendants based on the same patent and accused device – that results in the need for multiple “me too” petitions. Other litigation behavior by plaintiffs similarly necessitates multiple petitions. For example, patent owners often refuse to agree to a single claim construction, refuse to disclose their infringement contentions, or seek to assert additional claims that were not disclosed in their initial complaint, each of which can create the need for an additional petition.

The PTO’s own data show that multiple petitions are rare and that it is often the patent owner’s own behavior that creates the need for more than one petition. Moreover, all of the purported “evidence” of alleged abuses of IPR – much of which relies on misrepresentations regarding individual proceedings or deeply flawed analyses of the underlying data – predates the PTO’s recent efforts to address perceived abuses and is not based on current IPR statistics or PTAB practice. In sum, the prior data provide no indication of IPR abuses, and there is no evidence of any systemic abuse in the wake of PTO’s reforms. It is clear that the PTO has ample authority to address any problems that may arise, and a legislative “solution” is not only unnecessary but would tie the PTO’s hands, reducing its ability to respond to challenges that emerge in the rapidly-evolving area of IPR practice. Simply put, there is no evidence of ongoing misconduct, and recent proposals to “reform” the IPR process are solutions in search of a problem.

#### **The PTO’s study of multiple petitions found:**

- 84.8% of patents were challenged by one petitioner
- 94% of patents were challenged by one or two petitioners
- 87% of patents faced only one or two petitions

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