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Legislative and Regulatory Proposals to Incentivize Post-Grant Review over Inter Partes Review

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Introduction

This article presents options for policymakers to consider if they wish to increase the use of post-grant review ("PGR") over inter partes review ("IPR") as the means by which a third party can challenge the validity of an issued patent in the U.S. Patent & Trademark Office ("Office"). To date, fewer than 200 petitions for PGR have been filed, whereas in the same period, over 10,000 petitions for IPR have been filed.[1] Thus, IPRs have outnumbered PGRs at a rate of 50-to-1. Despite the popularity of IPRs, there are reasons why policymakers might want to incentivize the use of PGRs over IPRs. First, unlike IPRs which address only a narrow subset of patentability issues, PGRs cover the gamut of patentability issues. Second, PGRs are filed and decided early in the life of the patent, whereas IPRs can be brought much later—indeed even after expiration of the patent. Thus, unlike IPRs, PGRs offer the possibility of a comprehensive resolution of all patentability issues early in the life of a patent, which in turn would increase both (a) the public's confidence in the validity of patents that have survived PGR, and (b) patent owners' sense of quiet title in such patents. If policymakers wish to incentivize third party challengers to choose PGRs over IPRs, then policymakers might consider the following legislative and regulatory proposals.

Legislative Proposals

Congress might consider the following options to make PGRs more attractive to petitioners.

1. **Increase the 9-month PGR window to 18 or 24 months or more.**

35 U.S.C. 321(c) provides that a PGR "may only be filed not later than the date that is 9 months after the date of the grant of the patent." For many petitioners, this 9-month filing window may be too short to assess all potential unpatentability arguments, locate all necessary

[1] USPTO Trial Statistics, Dec. 2019, https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_20191231.pdf

evidence, and draft a comprehensive PGR petition. Congress can make it easier to file a PGR by extending the filing deadline, for example, by extending the deadline to 18 months or 24 months. To put these time periods in perspective, 18 months is how long a patent application remains in a confidential status within the Office prior to being published under section 122(b)(1)(A); and 24 months (2 years) is how long a patent owner can wait to file a broadening reissue under section 251(d).

2. Make PGRs available to all patents issued after enactment of this Amendment, regardless if the patent is a first-to-file or first-to-invent patent.

The effective date of the PGR chapter of the statute states that PGRs "shall apply only to patents described in section 3(n)(1)" of the AIA.[2] Section 3(n)(1) describes patents that are so-called first-inventor-to-file patents.[3] Those patents, generally speaking, are ones containing a claim with an effective filing date on or after March 16, 2013. Thus, PGRs cannot be filed against the majority of patents currently in force (so-called first-to-invent patents), whose claims have an effective filing date prior to March 16, 2013. To make PGRs more widely available, Congress could expand the universe of patents against which a PGR can be filed. For example, Congress could add a new category of patents to which PGRs apply—namely, any patent that issues after Congress makes this amendment to the statute, regardless if the patent is a first-inventor-to-file or a first-to-invent patent.

3. Limit 325(e) estoppels to "raised" grounds only.

35 U.S.C. 325 contains two estoppel provisions, one applying to Office proceedings and a second applying to district court and ITC proceedings. In both provisions, the PGR petitioner, real party in interest, or privy of the petitioner, is precluded from raising in a subsequent proceeding "any ground that the petitioner raised or reasonably could have raised during that post-grant review." The scope of these estoppels might dissuade some would-be petitioners

[2] Pub. L. 112–29, §6(f)(2), (3), 125 Stat. 311

[3] Pub. L. 112–29, §3(n), 125 Stat. 293.

from filing a PGR petition. Congress could narrow the scope of the estoppel provisions by limiting one or both to "any ground that the petitioner raised during that post-grant review."[4]

4. **Increase IPR burden of proof to clear and convincing evidence (while keeping PGR burden at preponderance of evidence).**

35 U.S.C. 316(e) and 326(e) each sets the "preponderance of the evidence" standard as the burden of proof for proving unpatentability in an IPR or PGR, respectively. This burden is lower than the "clear and convincing evidence" standard that governs a patent invalidity defense in a district court infringement suit.[5] If Congress wishes to incentivize PGRs over IPRs, then Congress could amend section 316(e) by increasing the IPR burden to "clear and convincing evidence," while maintaining the "preponderance of the evidence" standard for PGRs.

Regulatory Proposals

The Office can make the following changes by rule under its existing statutory authority. Of course, Congress could also legislate these changes in order to lock the changes into place.

1. **Use BRI claim construction standard for PGR, but not for IPR.**

Both 37 C.F.R. 42.100(b) and 42.200(b), governing IPRs and PGRs respectively, provide that a patent claim "shall be construed using the same claim construction standard that would be used to construe the claim in a civil action under 35 U.S.C. 282(b), including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent." This "ordinary and customary meaning" standard for claim construction is more favorable to patent owners than the earlier version of this rule, which prior to 2018 contained a more petitioner-friendly "broadest reasonable construction" standard.[6] To make PGRs more attractive to petitioners, the Office could revert section 42.200(b) back to the "broadest reasonable

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[4] See, e.g., Coalition for 21st Century Patent Reform, *Why RCHR Estoppel Should Not Apply to PGR,* http://patentsmatter.com/issue/pdfs/Why%20RCHR%20Estoppel%20Should%20Not%20Apply%20to%20PGR.pdf.

[5] Microsoft Corp. v. i4i Ltd. P'ship, 564 U.S. 91, 95 (2011).

[6] Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51340 (Oct. 11, 2018).

construction" standard for PGRs, while keeping the "ordinary and customary meaning" standard for IPRs.

2. Lower the cost of PGRs relative to IPRs (and subsidize PGRs with higher IPR fees).

35 U.S.C. 311(a) and 321(a) authorize the Office to establish "fees to be paid by the person requesting the review, in such amounts as the Office determines to be reasonable, considering the aggregate costs" of the review. Those fees established by the Office are set forth in 37 C.F.R. 42.15. The fees for a PGR are significantly higher than the fees for an IPR, as summarized in the table below:

Current Fee Schedule		
Fees for	IPR	PGR
Filing – up to 20 claims	$15,500	$16,000
Filing – each excess claim over 20	$300	$375
Post-institution – up to 15 claims	$15,500	$22,000
Post-institution – each excess claim over 15	$600	$825

In addition, Section 10 of the AIA gives the Office the authority to "set or adjust by rule any fee established, authorized, or charged under title 35," including any fee previously set by statute or rule. AIA § 10(a)(1). Patent fees may be set or adjusted under Section 10 "only to recover the aggregate estimated costs to the Office for processing, activities, services, and materials relating to patents ... including administrative costs." AIA § 10(a)(2). The Office's view of Section 10 is that it "permits any individual patent fee to be set or adjusted so as to encourage or discourage any particular service, so long as the aggregate revenues for all patent fees match the total costs of the Patent operation."[7]

Using its Section 10 authority, the Office can "encourage" the filing of PGRs by lowering PGR fees, and can "discourage" the filing of IPRs by increasing IPR fees. The increased IPR fees could subsidize PGRs, with the aim of making the aggregate revenues from both types of proceedings equal to their total cost. For starters, given the current 50-to-1 disparity in filing rates of IPRs over PGRs, the Office could cut PGR fees by 50%, while increasing IPR fees by only 5% or less.

[7] USPTO General Counsel Memorandum, USPTO Patent Fee Setting (Feb. 10, 2012).

3. Stop discretionary denials of PGRs under 324(a) and 325(d).

35 U.S.C. 324(a) gives the Office the discretion not to institute a PGR even if the petition meets the "more likely than not" institution threshold. In addition, 35 U.S.C. 325(d) gives the Office the discretion not to institute a PGR if "the same or substantially the same prior art or arguments previously were presented to the Office." If the risk of discretionary denial is discouraging people from filing PGRs, then the Office could announce that it will no longer deny any PGR petition under §§ 324(a) or 325(d), so long as the petition satisfies the "more likely than not" institution threshold and meets all other requirements of the statute.

4. Consider under 314(a) whether the IPR petitioner could have filed a PGR.

35 U.S.C. 314(a) gives the Office the discretion not to institute an IPR even if the petition meets the "reasonable likelihood that the petitioner would prevail" institution threshold. In exercising this discretion to deny IPRs, the Office has enumerated a list of non-exclusive factors for the Board to consider in *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (PTAB Sept. 6, 2017) (precedential). Over time, the Office has added additional factors to this list. *See, e.g.*, *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential) (considering the advanced state of co-pending district court litigation as an additional factor). The Office could consider yet another factor: whether the IPR petitioner can and should have filed a PGR petition against the patent. This factor would consider why the IPR petitioner did not earlier seek to challenge the patent via PGR. If there is no good reason for having not filed a PGR petition (e.g., the patent was not eligible for PGR, or the petitioner did not have plans during the PGR window to make a potentially infringing product), then this factor would weigh in favor of denying the IPR petition.

Conclusion

If either Congress or the Office sees a social benefit in encouraging greater use of PGRs, there are multiple ways to do so. Both legislative and regulatory options are available to incentivize petitioners to pursue a patentability challenge early in the life of the patent via a PGR, rather than waiting much later to file an IPR.

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