ARE PATENTS LOSING PRESUMPTION OF VALIDITY?

The Supreme Court and the Patent Office could be changing patent law

In the Commil v. Cisco Systems case (Case No. 13-896) before the Supreme Court, Commil accused Cisco of inducing users to infringe on its patented method to implement short-range wireless networks. Cisco denied the claim, and successfully won on appeal based on a good-faith belief that Commil's patent was invalid. If the Supreme Court upholds the appeals court ruling, the decision could have a profound impact on patent law. "It would basically eviscerate the impact of a method of use patent and raise the bar to prove induced infringement," says Angus Chen, a partner at Frommer, Lawrence & Haug LLP in New York City.

The ruling could have an even broader impact than that. During oral arguments, the justices discussed whether a presumption of validity for patents was justified given the number of patents (40%) that are invalidated through the court system. The figures are even higher through the U.S. Patent and Trademark Office's Inter Partes Review (IPR) proceedings, which hold no presumption of validity. "What we're seeing in the IPR process and the Cisco case is a reduction in the presumption of the validity of patents," says Steven Steger, Chicago-based founder and managing partner of Global IP Law Group LLC.

IPRS BY THE NUMBERS: IPRs are cheaper and quicker than litigation, but they follow very different standards. "The standard of review is broader at the patent office than in the court, which opens up the amount of prior art considered," says Gregory Lampert, Glendale, Calif.-based managing partner at Christie, Parker & Hale LLP. Patents are more vulnerable in IPRs, which makes them the go-to choice for defendants in U.S. patent litigation cases.

Early media reports portrayed the Patent Trial and Appeal Board (PTAB) as a "death squad," but those claims may have been exaggerations. The Patent Office's own numbers for IPR proceedings (as of Jan 15, 2015) claim the PTAB received 617 petitions with 20,206 total claims.[1] Only 45% of those claims were challenged, and the PTAB dismissed close to a third of the challenges outright. Ultimately, only one in four challenged claims was found to be unpatentable. "It's not nearly as devastating as I expected based on the initial media reports," says Mark Zimmerman, managing partner of Chicago-based Hanley, Flight & Zimmerman LLC.

The board may not be a death squad, but it is busy. "The board handling these cases is overloaded," says Keith Gilman, a partner at Westfield, N.J.-based Lerner, David, Littenberg, Krumholz & Mentlik LLP. That might become an issue since the PTAB must review cases within 12 to 18 months, and speeding up the process isn't a simple task. "The judges have a very

Continued

ARE PATENTS LOSING PRESUMPTION OF VALIDITY? *Continued*

high skill level, so it's going to be difficult to increase the number of judges to handle any extra cases," adds William Mentlik, a managing partner of the same firm.

NO CRYSTAL BALL: It's always risky to bet on the outcome of a Supreme Court case. "They may choose to keep induced infringement intact, and say the IPR is a great new streamlined procedure to go through if you really think the patent is invalid," says Steven Haas, a partner at Cleveland-based Faye Sharpe LLP. The court could also uphold the ruling, but point to the IPR process as a reasonable way of supporting a good faith belief. Either way, IPRs may assume a bigger role going forward. "At this point IPRs are not part of the formal process," says Sadiq Ansari, co-founder of Alexandria, Va.-based Ledell Ansari LLP. "But the case suggests IPRs may become a formal factor in showing a reasonable belief." The IPR process is not without its risks, however. If you lose, you risk being subject to estoppel. "You could lose a really good bargaining chip as you head back to the courts to finish trying your case," says Joseph Thomas, managing partner and co-founder of Irvine, Calif.-based Thomas Whitelaw. Ultimately, the more patents that are funneled toward the IPR process, the more the Patent Office's lack of presumption of validity could eat away at the current patent system. "We are gutting the value of the patent," says Chandran Iyer, Washington, D.C.-based partner at Sughrue Mion PLLC. "Whether due to court rulings or congressional action, it is becoming harder and harder to be a patent owner."

[1] *Inter Partes Review Petitions Terminated to Date (as of 1/15/2015) (http://www.uspto.gov/sites/default/files/documents/inter_partes_review_petitions_terminated_to_date%2001%2015%2015.pdf)*