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AIA Review Denials Don't Always Free Patent Owners

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Law360, New York (April 09, 2015, 8:12 PM ET) -- Persuading the Patent Trial and Appeal Board not to institute an America Invents Act review feels like a victory for patentees, but the AIA sometimes allows accused infringers to keep filing new petitions on the same patent, leaving some patent owners worried about facing an unending stream of challenges.

Filing multiple petitions challenging a patent in inter partes review, the most common type of AIA proceeding, is difficult because the law mandates that petitions be filed within a year of when the petitioner was accused of infringement. But there is no such restriction on the AIA's business method patent review program, letting accused infringers repeatedly challenge patents even if the first petition was denied.

That's what happened in a late March decision when the PTAB instituted review of an Intellectual Ventures Management LLC patent challenged by Motorola Mobility LLC in the covered business method, or CBM, program, after denying a petition by Motorola that challenged the same patent last year.

Ameranth Inc., which has accused a slew of companies of infringing its patents related to online ordering technology for the hospitality industry, is facing a similar situation. Last year, the PTAB instituted review of some claims of its patents under the business method review program, but denied review of others.

Earlier this year, accused infringers, including Apple Inc., filed new petitions challenging the remaining claims. Ameranth President Keith McNally said in an interview Wednesday that allowing accused infringers to file multiple business method review petitions is unfair to patent owners and effectively creates an "inventor's purgatory."

"Because there's no limit whatsoever on filing CBM petitions in terms of quantity, grounds or timelines, it creates an opportunity to abuse patent owners," he said.

Attorneys who work on AIA reviews said because nothing in the law prohibits accused infringers from filing multiple business method review petitions, patent owners should be aware that the denial of an initial petition might not be the end of the story.

"Patent owners could be subject to serial attacks by the same petitioner if the board allows them,"

Bernard Knight of McDermott Will & Emery LLP said. "It seems unfair to the patent owner in many respects, since they've already defended their patent."

The AIA's business method patent review program applies to a fairly narrow subset of patents related to financial services and mandates that only companies that have been accused of infringement can use the program to challenge patents. But when those conditions are met, petitioners have a chance to keep challenging patents "ad nauseam," according to David Cochran of Jones Day.

"If the patent falls within the categories of the CBM program, you could file petitions on the same patent over and over again, as long as they raise new prior art," he said.

The inter partes review program, which is available for most patents, is markedly different in that petitions filed more than one year after a lawsuit are not allowed. Given that it takes six months for the PTAB to decide whether to institute a petition, the time limit prevents multiple filings in many cases.

During debate in Congress over the AIA, Sen. Harry Reid, D-Nev., praised the time limit in inter partes review as a way to ensure that program "operates fairly and is not used for purposes of harassment or delay."

Attorneys said it is not clear why the business method patent review program, which lawmakers said was needed to weed out weak patents being used to sue the banking industry, was designed without the time limit.

Although multiple petitions are permitted in the business method program, it is by no means guaranteed that the PTAB will actually institute a review based on a second petition if the first was unsuccessful, and attorneys say that follow-on petitions face some notable hurdles.

A provision of the AIA, known as Section 325(d), gives the board discretion not to institute a review based on a later-filed AIA petition if "the same or substantially the same prior art or arguments previously were presented to the office."

As a result, the key issue for the board when a second petition is filed is whether it actually raises any new issues, said Knight, who was general counsel of the U.S. Patent and Trademark Office when the AIA was being instituted.

The board has thousands of cases pending, so the petitioner will need to make a very strong argument for why a review should be instituted on a new petition if review was denied once before, he said.

"I think that the board would be reticent to institute based on a second petition unless it really raises a new argument or new prior art," he said.

The board has been closely scrutinizing follow-on petitions and has denied several on the ground that they duplicated the same issues raised in an earlier proceeding, Cochran said.

"The PTAB has been pretty tough on follow-on petitions," he said. "They've been using Section 325(d) much more often in the last several months."

The Intellectual Ventures case is an example of a situation where the board decided to institute a business method patent review based on a second petition after denying the first one.

Intellectual Ventures invoked Section 325(d) when it opposed Motorola's second petition, writing that it simply rehashed the earlier arguments.

"Fundamental principles of fairness and due process counsel against allowing the same petitioner to relitigate the exact same issue that was already decided by the board," Intellectual Ventures said.

But the PTAB ruled it never reached the merits of Motorola's invalidity argument the first time around because it denied review on the ground that the patent did not qualify for review under the business method program. Motorola made new arguments on that point in the second petition, and the board found that the patent did qualify for review and was likely invalid, so it instituted the review.

When the first petition is denied for a reason other than a finding that the petitioner failed to prove the patent is invalid, the door might be open to getting a second petition instituted, according to Brian Mudge of Kenyon & Kenyon LLP.

"If the denial was not on the merits and was based on some other issue, I think the petition would have a better chance," he said.

The battle lines at the institution stage are clearly drawn when a new petition is filed following the denial of the first one: The petitioner has to clearly show how its new petition differs from what it argued before, while the patent owner's job is to show the board that the petition includes nothing new.

Patent owners will likely feel that the accused infringer is abusing the AIA process and should try to make that case to the board, Cochran said.

"From the patent owner's perspective, you can paint a picture that you're being harassed and the follow-on petition is redundant to the first one," he said.

While accused infringers have an opportunity to take another shot at the patent in the business method review program, they may get a skeptical response from the board, said Erika Arner of Finnegan Henderson Farabow Garrett & Dunner LLP.

"I would think the petitioner runs a significant risk in filing a second petition of having the board say, 'we have discretion and we're going to deny it,'" she said.

A petitioner's chances of getting a second petition instituted may largely depend on the views of

the PTAB members on the panel, because the law does not provide a lot of guidance on what constitutes a repeated argument that the board can decline to hear.

"The board probably needs to think about how it's going to determine whether a follow-on petition raise the same arguments and grounds or not," Knight said.

--Editing by Chris Yates and Emily Kokoll.