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On the Attack

The similarities and differences between the US post-grant cancellation proceedings and European oppositions should guide patent challengers in their approach. Although the European system offers opponents lower costs, there is a higher chance that the patent will be found invalid in the US

Olga Partington and Paul Calvo at Sterne, Kessler, Goldstein and Fox

Mechanisms to challenge issued patents at the European Patent Office (EPO) have been in place since the late 1970s. More recently, changes to US laws have introduced two cancellation proceedings as part of the America Invents Act (AIA). Both of these proceedings – namely, post-grant review (PGR) and *inter partes* review (IPR) – are adjudicated by the Patent Trial and Appeal Board (PTAB) at the US Patent and Trademark Office (USPTO), and find their inspiration in the EPO opposition system. In the short timeframe since their incorporation into the US legal framework, these cancellation proceedings have rivalled the European system in their ability to successfully challenge issued patents.

Procedural Overview

PGRs, IPRs and European oppositions are all contentious administrative procedures intended to allow a third party to challenge the claims of a granted patent. However, only PGR is akin to its European counterpart, with IPR being more distantly related. Indeed, the one substantial similarity between all three proceedings is that lack of novelty and inventive step (referred to as 'obviousness' in the US) over prior printed publications can be grounds for challenging patents. In fact, in IPR, this is the sole basis for contesting patent claims. PGR, on the other hand, has more in common with oppositions. For example, in both PGRs and oppositions, a third party can bring an invalidity claim under any ground of patentability, except for lack of best mode in the US and lack of clarity in Europe.

Statistics regarding patent invalidation rate by PGRs are yet to become available, because the first PGR petition was filed in August 2014, and there have been just a few other petitions since. Meanwhile, analysis of the IPR proceedings completed thus far indicates that these reviews have a much higher patent invalidation rate than European oppositions. Certainly,

as of November 2014, the PTAB upheld claims in approximately 34% of all instituted cases, whereas the European opposition division usually supports the validity of almost 70% (see Figure 1). The differences in outcomes of the US review proceedings and European oppositions are largely due to the differing ways these proceedings are conducted.

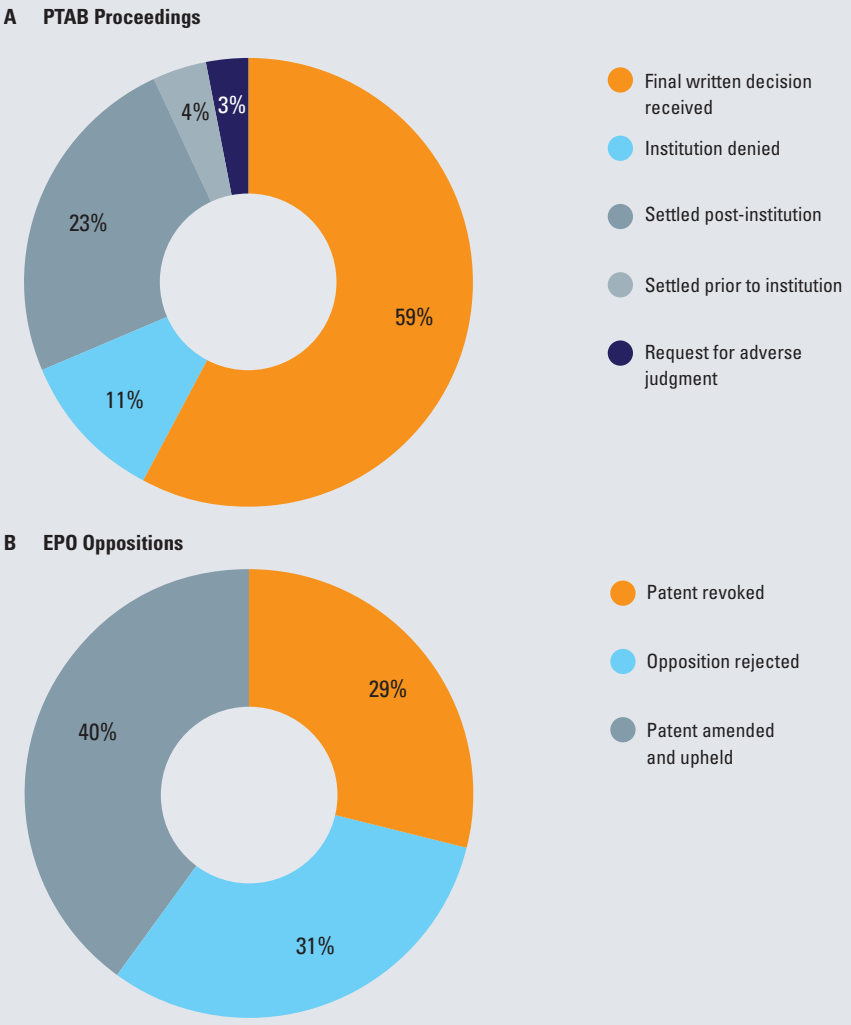
Substantive Differences

Procedure Threshold

A key variation between the US cancellation proceedings and European oppositions is the threshold that a challenger must clear to begin the process. The PTAB applies a much more rigorous standard when deciding whether to institute PGR or IPR than the standard used by the EPO. As long as a patent challenger meets the formality requirements and provides at least one ground for opposition, the EPO will institute an opposition for all claims. In stark contrast, an opponent in an IPR must demonstrate a reasonable likelihood of prevailing on at least one contested claim – essentially, a 50/50 chance of success in the challenge. The threshold for trial institution is even higher in a PGR: a contender must show it is more likely than not that at least one challenged claim is unpatentable. Thus, in a PGR, there must be a greater than 50% chance of prevailing. If the patent challenger is unable to clear these hurdles, review of any kind will not be instituted.

In addition to the relatively high standard that a challenger must meet for the PTAB to institute a trial in an IPR or a PGR – compared to a European opposition – if the Board refuses to institute a proceeding, then an opponent is unable to appeal the decision. Therefore, at least theoretical chances of defending a meritless patent challenge are much higher in Europe than in the US. This could explain why the patent invalidation rate in IPRs has been so much higher than that in European oppositions – in instituting a trial, the PTAB already concedes it is half-way convinced of the patent's invalidity.

Figure 1: Comparison of outcomes of PTAB proceedings and EPO oppositions



Additional Discovery

An interesting distinction between the US proceedings and European oppositions is a limited amount of discovery that is allowed in PGR/IPR, but not in oppositions. For example, both parties can question any experts that provide testimony, through the use of expert declarations, in either PGR or IPR. Furthermore, parties in the US may agree to additional discovery, or file a motion for extra discovery with the PTAB. In contrast, oppositions do not have adversarial discovery. In general, the EPO will consider expert and witness testimonies only when they are highly relevant, and will focus primarily on the prior art references offered in support of the parties' arguments.

Making Amendments

An important similarity between PGRs and EPO oppositions – but not IPRs – is the ability of a patent owner to amend claims that are being challenged in an attempt to preserve their validity. In both PGR and opposition proceedings, a patent owner has a right to amend claims; however, the right to amend is more limited in PGR and a patent owner may file claim amendments by right only once, while in oppositions the right is unlimited.

A patent owner has even less liberty to modify claims in IPR. In these instances, a patent owner cannot revise claims by right, and can only do so by motioning the PTAB to permit amendments. This translates into a lack of meaningful

procedural tools for amending claims in IPR. In fact, the threshold is so high that, as of February 2015, the PTAB had allowed claim amendments in only two cases. In one of these, the patent challenger did not oppose the motion of the owner – the US government – to revise claims. In the other case, the PTAB allowed claim amendments only in part.

Effect on Litigation

A significant difference between both US post-grant proceedings and European oppositions is the effect the proceedings have on later litigation. In the US, once the PTAB issues a final written decision, the challenger is barred from introducing any questions that were raised, or could have been raised, during the review proceedings at either the USPTO, district court or US International Trade Commission. This estoppel translates into the inability of a patent challenger to attack – in another administrative proceeding or a civil action – the claims the PTAB found to be patentable. The goal of this is to avoid giving patent contenders two bites at the same apple. The challenger, however, should still be able to make infringement defences in district court litigation, because infringement issues are not adjudicated in PGR or IPR. In contrast, a challenger in a European opposition is never in danger of forfeiting arguments in any future patent invalidity proceedings. Indeed, the same party that lost an opposition is free to contest the same claims in national courts, on the grounds that were considered in the lost opposition or on grounds that are similar.

Process Variation

Because PGR and IPR were originally inspired by European oppositions, some similarities exist between these proceedings, especially on the procedural level. From a timing standpoint, PGRs and oppositions must be filed within nine months from patent grant, whereas IPRs can only be filed after nine months of patent issuance. All three practices also require a patent challenger to identify the claims that are being challenged, the grounds for challenge, and evidence supporting the grounds for challenge. In addition, all three proceedings have similar timelines from the filing of a petition to reaching a final decision – about 18 months in IPR and PGR, and around 15-24 months in an opposition. However, because both IPRs and PGRs are statutorily required to be completed within one year from an institution of a trial, with a possible extension of six months for good cause, these proceedings are much more likely to have a predictable end time. Contrastingly, in some circumstances, an opposition can take three to five years until final resolution. Furthermore, in all three proceedings, either party can appeal the final decision to a higher judicial authority and parties can retain the ability to settle the contested case.

From a cost perspective, both PGR and IPR are considerably more expensive than European oppositions. In the US, a patent challenger can expect to pay about $30,000 to file a petition contesting 20 claims in either a PGR or IPR, and upwards of $300,000-700,000 in attorney fees throughout the proceedings. In contrast, an opposition is considerably less expensive, with cost to a challenger of about $1,000 in filing fees, and between $20,000-40,000 in total attorney fees. EPO oppositions also differ from PGRs and IPRs in that anonymity of the challenger is allowed. In contrast, both PGRs and IPRs require that the 'real party in interest' is identified.

Balancing Act

Both similarities and differences in the overall structure of US post-grant cancellation proceedings and European oppositions should dictate how challengers approach attacking a patent. In the US, a challenger has only one chance to institute review, be it an IPR or PGR. Therefore, they must develop their best invalidity arguments and put forth the best prior art at the start of proceedings. In Europe, because the challenger is not under any pressure to put forward their best arguments in front of the EPO, they may choose to save the best attack for later proceedings. At the same time, coordinating patent contests in Europe and the US should also be considered in circumstances where lack of novelty and obviousness arguments might be applicable to patents in both jurisdictions. Opponents are also encouraged to balance the low costs of European oppositions with the higher probability that the patent will be found invalid in the US.

About the authors

Dr Olga Partington is an Associate in the Biotechnology/Chemical Group at law firm Sterne, Kessler, Goldstein and Fox. She has been involved in a number of IPR proceedings on behalf of both petitioners and patent owners. Olga's practice also includes drafting patentability, infringement and validity opinions, as well as domestic and foreign patent prosecution, particularly in chemical patents. She has extensive technical experience in the areas of nucleic acid chemistry, organic and bioinorganic chemistry, biochemistry and spectroscopy. **Email: opartington@skgf.com**

Dr Paul Calvo is a Director in the Biotechnology/Chemical Group of Sterne, Kessler, Goldstein and Fox. He has over 13 years of experience advising US and international biopharma companies ranging in size from startups to industry-leading multinationals, on complex legal issues such as global patent portfolio strategy, patent validity, infringement and strategy design. Paul's practice also includes representing both patent owners and petitioners in post-grant challenges in the US and Europe. He practises primarily in the fields of immunology, molecular biology and diagnostics, with a particular focus on therapeutic antibodies and biotherapeutics. **Email: pcalvo@skgf.com**