

INTELLECTUAL PROPERTY | A SPECIAL REPORT

It's an era of growing pains for patent law. Legislators and the courts are grappling with parties sparring for rights amid rapidly evolving technology. We focus this week on claims stemming from new procedures created by the America Invents Act that are flooding the courts. In addition, we explore challenges for intellectual property lawyers following the landmark decision in *Alice v. CLS Bank International*. Finally, a look at one firm that's adapting with success.



Don't Let Your Patent Appeal Get Lost in the Crowd

New laws have opened the floodgates for challenges to the Federal Circuit. Will your client's stand out?

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In 2011, the America Invents Act created a new system for challenging the validity of issued patents. Since becoming available in 2012, inter partes review and covered business-method review proceedings have already accounted for thousands of trials before the Patent Trial and Appeal Board, and now hundreds of appeals to the U.S. Court of Appeals for the Federal Circuit.

The tidal wave has officially hit the court with serious consequences for intellectual property stakeholders in terms of how patents are obtained, valued and enforced.

Based on current estimates, the Federal Circuit can conservatively expect an extra 250 appeals per year from the Patent Trial and Appeal



Board (PTAB) that never would have existed, more than doubling its existing U.S. Patent and Trademark Office docket.

The bottom line is that the highly deferential standard of review makes

winning on appeal difficult. And parties involved in PTAB trials should set their sights on creating a solid record, winning at trial, preserving legal issues, and then being highly selective about which cases and issues to appeal.

More than 4,250 petitions to review patents have been filed since post-grant proceedings became available in 2012, according to data our firm has compiled. Current statistics show that, of filed petitions, about 47 percent proceed to a final written decision on the merits. Of those, 60 percent of final written decisions have been appealed by one or both parties to the Federal Circuit.

Of appealed cases, 67 percent are brought by losing patent owners, 15 percent by losing petitioners, with the remainder being appeals brought by both parties on direct and cross appeal.

If roughly 1,000 petitions are filed per year, that will conservatively translate into about 250 cases appealed to the Federal Circuit per year. And that, in turn, equates to an extra 20 cases per court week, or one extra panel per day dedicated to American Invents Act-generated PTAB appeals.

CROWDED DOCKET

The Federal Circuit's official statistics have already begun to show signs of the inundation. In 2013, prior to the docketing of most America Invents Act appeals, the Federal Circuit's Patent Office case load was less than 150 appeals per year. In 2014, it increased to almost 250. In 2015, it exceeded 400. Specifically, with respect to America Invents Act trials, the Federal Circuit docketed 104 appeals from inter partes review or covered business-method review proceedings in 2014 and 309 in 2015. The America Invents Act case load for 2015 alone is more than twice the

historical Patent Office docket, and is unlikely to subside in 2016.

How is the Federal Circuit handling the volume? First, the court appears to be aggressively consolidating related proceedings. Due to page limits and the streamlined nature of America Invents Act trials, a common strategy is to file numerous petitions against the same patent. But beyond this, there are also large families of postgrant proceedings that can range in size from two to literally dozens of related cases.

Although these families may not involve the same patent, the same issues, or even the same parties, the Federal Circuit has nonetheless been aggressively consolidating them shortly after docketing. The practical result is combined briefing and argument for multiple cases, which can be a challenging proposition for the parties.

Second, the court is frequently exercising its discretion to summarily affirm cases. The historical affirmance rate of Patent Office decisions is relatively high, and summary disposition is not uncommon.

Specifically, Federal Circuit Rule 36 allows the court to affirm without opinion in a manner that does not endorse or reject any specific part of the lower tribunal's reasoning. A Rule 36 affirmance is nonprecedential and typically issues shortly after the court hears argument. Of the 60 appeals of America Invents Act trials decided to date, the court's affirmance rate is currently above 90 percent, with Rule 36 summary affirmances representing well above 50 percent of the judgments. The affirmance rate in these America Invents Act cases is a natural

consequence of the highly deferential standard of review applicable to the majority of issues appealed.

MEANING OF TRENDS

What do these trends mean for parties? First, the affirmance rate on appeal underscores the importance of winning at trial. It also highlights the importance of developing a sound record and a strategy for appeal early so that opportunities to raise arguments are not missed. Second, arguments on appeal should focus on dispositive legal errors, and not on the PTAB's fact findings, where the standard of review is at its most deferential. Third, parties should carefully consider which issues to present to the court given the vast number of appeals that are likely to resemble their own.

Even on issues of first impression, the trend has been to affirm the Patent Office's interpretation and application of the law. In sum, the deck is stacked against appellants, a fact the tidal wave of appeals only exacerbates. With this in mind, parties should be prepared to face an uphill battle before the Federal Circuit.

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