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Navigating the PTAB: A Primer on The Patent Trial and Appeal Board

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In 2011 the America Invents Act (AIA) became law. According to President Obama’s White House statement at the time, the America Invents Act offered “entrepreneurs new ways to avoid litigation regarding patent validity, without the expense of going to court, and will also give the USPTO new tools and resources to improve patent quality.” In this article we will discuss one of the most significant AIA creations: the [Patent Trial and Appeal Board](#) (PTAB) which handles three types of matters: (1) ex parte appeals, (2) post grant reviews and (3) inter partes reviews.

The PTAB came into existence on September 16, 2012. From its inception the inventor community and frequent patent infringement defendants have been critical of the PTAB. While there will be challenges and changes in the future, the PTAB here to stay for the foreseeable future. This article discusses PTAB proceedings, presents a snapshot of its most recent activity, and describes the differences between PTAB and Federal court trials. This article also a discusses some actions inventors can take to survive at the PTAB and closes with some thoughts about the PTAB’s future and how inventors can use their knowledge of PTAB developments strategically.

PTAB Proceedings

[Ex Parte Appeals](#)

A patent applicant can request an ex parte appeal if an examiner (1) rejects an application twice or (2) issues a final rejection. Applicants who file an ex parte

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appeal will have the opportunity to submit a written brief and deliver an oral presentation in support of their position. From there, the PTAB will either affirm or reverse the examiner’s rejection.

PTAB Trials

[Post Grant Review \(PGR\)](#)

The PGR is intended to provide an inexpensive process to allow broad patent validity challenges to address perceived patent quality issues and to move the matter quickly to resolution. A PGR must be brought within nine months after a patent issues and can challenge any patent invalidity basis, in contrast to Inter Partes Reviews that can only challenge novelty and obviousness. For a variety of reasons PGRs have not been a popular trial option. According to USPTO data PGRs constituted only seven percent of trial petitions between Oct. 1, 2020 to Sept. 30, 2021.

[Inter Partes Review \(IPR\)](#)

Between Oct. 1, 2020 and Sept. 30, 2021, 93-percent of all PTAB proceedings were IPRs. The IPR is intended to provide a less costly and more efficient alternative to Federal court litigation to resolve patent validity disputes. An IPR is limited to novelty and non-obvious subject matter and only on the basis of prior art consisting of patents and other printed publications. “Prior art” is a phrase that broadly refers to patents, publication, or use (domestic or foreign) known at the time when the inventor submits a patent application. “Novelty,” “non-obviousness,” and “printed publications” are terms of art with specialized legal meanings. For a deeper dive on these terms check out the Intangible Advantage, “Section 1.7: Criteria for Patenting” and the USPTO Manual for Patent Examination Procedures, Section 2128 “Printed Publications” as Prior Art.

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PTAB IPR Activity Snapshot

Here is an [IPR activity snapshot](#) for activity between October 1, 2020 to September 30, 2021

New Patent Grants	340,000 (+/-)
Patents Challenged at the PTAB	1,135
Patents with Final Written Decision at PTAB	340
Settlements Pre-Institution	192
Settlements Post-Institution	273

Sixty-five per cent of institutions were in the electrical and computer field. By contrast seven percent of institutions were in the bio pharm and six percent were in the chemical fields.

According to one study, when the PTAB institutes an IPR the claim [cancellation rate](#) [has](#) been around 70 percent.

PTAB Trials

Overview

For third parties who wish to challenge an already-approved patent, the AIA established a bifurcated system for reviewing patents. The bifurcated system simply means the process occurs in two distinct phases – the institution phase and the trial phase.

It is simplest to think of the institution phase as the gatekeeper to the more complex trial phase.

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Once a challenger files a petition disputing the validity of a patent, the patent owner has three months to file a preliminary response. At this stage, the decision-making process is governed by agency regulations and the USPTO Director has broad discretion to deny institution.

If the PTAB opts to deny institution, the challenge will not move forward to the trial phase. If the Board determines that a trial is necessary, the [nine-step trial phase](#) will begin. This second phase is designed to take 12 months, although six-month extensions are possible in some circumstances.

Institution Phase

In the institution phase the PTAB must determine whether there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition. The PTAB typically will not initiate an IPR if: (1) the same or substantially the same prior art or arguments previously were presented to the examiner, (2) if the petitioner fails to make a showing of material error during patent prosecution, (3) if other IPRs are pending (although there are some exceptions), and (4) under some circumstances, if there is pending Federal court litigation.

Trial Phase: Differences Between Federal Court and PTAB Tribunals

There are several differences between PTAB and Federal court trials. The PTAB process is intentionally fast moving and more limited in scope than in Federal courts to comply with the AIA’s mandate for fast and less costly patent dispute resolution.

Time to decision. PTAB proceedings are faster than the typical Federal court case. The PTAB must issue a final written decision on the patentability of any challenged claim within one year of instituting a trial. Only if the PTAB establishes good cause

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can it extend the one-year period. By contrast, patent trials often commence two to three years after the complaint filing date.

Trial Judges. A single judge, often with little patent law and technical experience (with some notable exceptions) will hear a complaint brought in Federal court. At the PTAB a three-judge panel of administrative law judges (ALJs) who hear the case will have a deeper background on patent law and the USPTO will try to assign at least one ALJ with some technical knowledge of the patent subject matter.

Patent Validity Presumption. The most notable substantive difference between PTAB and Federal court trials is that there is a presumption of patent validity in Federal courts which is not the case before the PTAB. This means that patents are easier to invalidate at the PTAB.

Standing. For a party to file a suit in Federal court the party must have what is called “standing.” To have standing in Federal court a party must demonstrate a specific “injury in fact” that can be traced directly to the other party’s conduct. This is different at the PTAB. Virtually anyone, who is not the owner of a patent, may institute an IPR, including unknown infringers, parties who feel threatened (but not sued), or a competitor.

Patent claim amendments. During an IPR patent owners can move to amend the challenged patent claims. There no such opportunity to amend patent claims in Federal court.

Litigation expense. On average, PTAB trials are less costly than Federal court litigation. According to the AIPLA 2019 Report of Economic Survey, an IPR may costs \$500,000 and litigation in Federal court (with \$1-10 million at stake) could cost \$1.5 million. Actual litigation costs are often well above these averages.

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Discovery. The scope of discovery, the types of discovery, and the discovery process is much more limited before the PTAB than in Federal court.

For a deeper dive into the PTAB trial process refer to the [PTAB Trial Rules and Practice Guide](#).

Potential Inventor Actions

There have been many lessons inventors have learned from nine years of PTAB experience. This part of the article identifies actions an inventor may consider if the patent is core to the inventor’s business and is likely to be attacked at the PTAB. Certainly, the majority of inventors’ patents do not fit into this category and some of these actions may not be feasible for the inventor even if they do. In fact large, deep pocketed, companies rarely undertake many of these actions. They often rely on large patent portfolios as part of their IP and business strategy and rarely have one or two business-critical patents.

Actions Before the Petition

There are a number of actions an inventor may consider during prosecution and after the patent issues before a petition is served to improve the inventor’s odds of a successful response to PTAB challenges.

Conduct an extensive prior art search. An extensive prior art search provides the best chance to minimize novelty and anticipation invalidity determinations at the PTAB and in Federal courts. Many accused or potential infringers have the deep pockets and the incentive to conduct exhaustive prior art research employing a variety of professionals and even pay bounties to those who find prior art.

Engage an experienced patent prosecutor. A well-drafted patent provides an inventor with the best shot at surviving an attack at the PTAB or in Federal court. Hiring experienced patent prosecutors, familiar with your technology, may be a

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worthwhile investment since they understand your technology and the numerous patents drafting best practices and pitfalls to avoid. Keep in mind that a deep pocketed adversary may end up paying their patent litigation attorneys hourly rates of \$1,000 per hour, or more. At those rates these lawyers have a great incentive to find flaws in the inventor’s patent.

Create a good patent prosecution record. An inventor is best served when the PTAB decides against institution in the first place. The PTAB says that it will generally exercise its discretion not to institute an IPR if the petitioner fails to make a showing of material error during prosecution. Therefore, it may make sense for an experienced patent prosecutor to work with the examiner to create a detailed prosecution record for the PTAB to consider at the institution phase. This approach may come with some risk because the record may provide an adversary with evidence that some of the claim’s scope was surrendered during prosecution.

Engage litigation counsel to review the application. Patent litigators often bring a different perspective than patent prosecutors. Some inventors have been disappointed to find that after spending the time and money to prosecute a patent that seemingly complied with patent drafting best practices it did not withstand a fierce litigation challenge.

Create a Litigation Readiness Plan. After a patent issues, an inventor may consider creating a litigation response plan. The blessing and curse of a PTAB trial is it moves quickly. A litigation-ready inventor asks and answers the question: “What will I do if I am served with a petition?” One place to start planning is with the [PTAB Trial Guide](#), and walk through each step of the process and determine how to respond. You may consider engaging experienced PTAB counsel to work with you to develop and document a readiness plan. Include a discovery response plan which identifies the inventor’s primary data sources, focusing primarily on the “mandatory initial disclosures” described in the PTAB Trial Guide.

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Identify/engage patent litigation counsel. If an inventor is served with a petition, precious time may be lost trying to identify and engage counsel while the PTAB clock is ticking. The inventor’s counsel should:

1. Have PTAB experience,
2. Understand your technology and business,
3. Explain counsel’s billing structure, including whether they offer alternative fee arrangements, or incentive-based billing, and
4. Be a good fit, someone you can work with during the intensely stressful litigation.

It may make sense to identify alternative, back-up counsel. Lawyers’ rules of professional responsibility are very strict when it comes to conflicts of interest. If your counsel’s law firm represents a party that has filed the PTAB petition against you, lawyers in your counsel’s firm may not be able to represent either you or the other party.

Identify funding sources. Since IPRs can cost \$500,000, or more, the inventor should identify funding sources if the inventor’s patent is challenged at the PTAB. If the inventor is operating in a highly litigious market, it may make sense to create a “rainy day fund” for such an event.

Inventor Actions After Petition Service

If you are served with an IPR petition, consider whether you can argue that the petition allegations are not material, or that there are pending Federal court proceedings or IPR(s) and that the PTAB should not institute the IPR.

Like any crisis situation, dealing with litigation can be a major operational distraction. If possible, an inventor should consider appointing a trusted advisor to manage the litigation and communicate with counsel and other stakeholders and

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parties including, for example, employees, investors, lenders, customers, insurers, regulators, accountants, and the press.

An early and objective assessment of the potential case costs and outcomes will help the inventor determine the point at which settlement is the best alternative. About 30 percent of recent IPRs settle, and more than half of those before the PTAB's institution decision.

Inventor-Initiated IPRs

In some cases an inventor may consider filing an IPR (or PGR) on competitors' patents. Obviously, this decision requires a very careful risk assessment. The IPR is considerably cheaper than Federal court litigation and invalidating a patent at the PTAB is easier than in Federal court. In some cases invalidating the competitor's patent may provide the inventor with the potential for greater market share. Another possible outcome is that the inventor and the competitor agree to cross license their patents (or patent portfolio). This cross license may provide the inventor with greater freedom to operate without patent infringement threats by the competitor. Here is an interesting [Freedom to Operate](#) article.

Other Inventor Actions

There are some free or low-cost actions an inventor can take to reduce prosecution and litigation costs and stress and help the inventor in assessing the risks before the PTAB.

Educate yourself. One great investment an inventor can make is educating themselves about patent law, patent prosecution, patent disputes, and patent developments. Becoming more educated about this complex and dynamic subject matter may help the inventor determine what investments to make and the potential risks the inventor could face with the inventor's IP and business strategy. A deeper patent law and process knowledge may identify some actions that the

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inventor could take without having to pay outside counsel. The Michelson 20MM Foundation, the USPTO, and many universities and law schools have patent-related resources available to inventors. The USPTO also has a number of resources at its [Pro Se Assistance Program](#) website. There are also many prosecution and litigation conferences and webinars available to inventors, several of which are free

Enroll in the Patent Pro Bono Program (if you can). While obtaining the strongest patent possible can be very expensive, there may be help available to some inventors. One result of the AIA is that the USPTO created a [Patent Pro Bono Program](#) for certain eligible inventors to get free legal assistance in preparing and filing patent applications. These [videos](#) describe the Program.

The PTAB’s Future

The PTAB has faced, and continues to face, challenges from several fronts. The PTAB has survived two constitutionality challenges in [Oil States Energy Services v. Greene’s Energy Group](#) and after [U.S. v. Arthrex](#). Despite complaints from the inventor community and also other complaints from frequent patent infringement defendants, the PTAB is likely to be around for a while. No doubt legal challenges to PTAB jurisdiction and processes will continue. There may be changes brought on by new legislation, a few patent reform bills are pending before Congress. Furthermore, President Biden has nominated a new USPTO Director and, if confirmed, she may change some PTAB policies and practices.

There may be changes affecting the PTAB in the future, so inventors will be well-served to monitor these developments and consider becoming active in efforts to lobby the USPTO and Congress to address the impact of the AIA (and other laws, policies, and practices) on inventors and small businesses.

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Conclusion

Each inventor has finite resources and their own risk appetite. Understanding potential litigation costs and consequences are some things an inventor should include in the inventor’s IP strategy and business risk analysis. Statistically, the risk that any one patent will be litigated before the PTAB or in Federal courts is very, very small. Some technologies are more susceptible to patent litigation at the PTAB (for example, electrical and computer patents). The inventor’s business model is also a risk analysis factor. If the inventor is operating in a highly competitive and litigious market patent litigation may be more likely. If the inventor intends to assert patents aggressively then the inventor most certainly will face a similarly aggressive response by potentially deep pocketed adversaries.

Thomas Jefferson, who himself was an inventor and sometimes called the first patent examiner, said that “knowledge is power.” If you are an inventor aware of the implications of nine years of PTAB developments, you are more empowered to shape your future IP and business strategy.

Further Resources

The Michelson 20MM Foundation, [*The Intangible Advantage, Understanding Intellectual Property in the New Economy*](#)

The Michelson Institute for Intellectual Property [*Video Series*](#)

USPTO, [*Patent process overview*](#)

USPTO, [*Patent Trial and Appeal Board*](#)

Disclaimer: Nothing in this article shall be construed as legal advice, or as creating an attorney/client relationship.

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The Michelson Institute for Intellectual Property, an initiative of the Michelson 20MM Foundation, provides access to empowering IP education for budding inventors and entrepreneurs. Michelson 20MM was founded thanks to the generous support of renowned spinal surgeon Dr. Gary K. Michelson and Alya Michelson. To learn more, visit 20mm.org.