The Washington Post

Patent fights increasingly wind up back in government offices

By Susan Decker, Published: February 19

Google and Yahoo are among companies that are expanding the use of a strategy to fight patent suits that shuns the courtroom in favor of government reviews.

The battlefield opened last year when the two Internet giants, hit with a lawsuit demanding royalties by Paul G. Allen's Interval Licensing, got the case put on hold after asking the U.S. Patent and Trademark Office to scrutinize the patents' validity. Google took the same approach against Oracle, and TiVo is challenging a Microsoft case in a similar fashion.

Requesting a government evaluation of whether a patent was properly issued, known as reexamination, is cheaper than a lawsuit and has an easier standard for discrediting a patent than what is allowed before a judge or jury. With a success rate of about 90 percent, companies have almost doubled requests in the past five years, turning the patent office into a reliable forum to shoo away competitors' claims of patent infringement.

"It's a proxy fight for litigation,'' said Brad Wright, a lawyer with Banner & Witcoff in Washington. Companies are "having a pretty good success rate at knocking out or damaging a patent, or at least bottling up the litigation.''

There are two types of reexams: one that involves only the patent owner and a second in which a third party can participate. While total requests have almost doubled, cases in the latter category, known as inter partes, have jumped fivefold since 2006, to 374 in the year ended in September, patent office data show. About 70 percent of those cases are known to involve companies being sued for infringement.

More to come?

The agency anticipates an increase in those numbers, as changes to U.S. patent law start to take effect this year, expanding the ability to file inter partes, which had been limited to patents issued after 1999. The law signed by President Obama in September opens the process to all patents, and also creates a procedure, called an opposition, that lets third parties file challenges on a wider range of validity questions.

The law also sets a time limit of 12 months for the proceedings, with a six-month extension for good cause. The agency's new policy begins in September for business-method patents, and in March 2013 for all other types.

“It’s going to be quicker, it’s going to be cheaper, and I think it’s going to be more accurate,’’ said Robert Stoll, a lawyer at Drinker Biddle & Reath in Washington, who ran the agency’s patent operations from late 2009 until Dec. 31.

As the number of reexamination requests began to grow, the patent office created a central unit to speed the cases. Now it’s looking to hire 100 administrative law judges — doubling their ranks — by the first quarter of 2013. The Board of Patent Appeals and Interferences also has worked to keep backlogs low so it can be ready for the new cases, Chief Administrative Patent Judge James Donald Smith said.

The agency’s review is limited to questions of a patent’s validity, so companies that are being sued can’t argue that they don’t infringe the disputed patent.

As a result, the reviews are “going to be less resource-intensive,’’ said Jason Rantanen, an associate professor at the University of Iowa College of Law in Iowa City who co-authors a blog that has tracked the increase in reexam requests. “If a defendant has a really strong case, they can knock out a patent without going through the cost and time of the litigation.’’

The patent office says about 90 percent of reexams lead to some claims being canceled or altered. If a patent owner is forced to amend the patent in any way, it may limit the amount of damages accused infringers would have to pay.

Exploiting disparity

Outcomes like that shouldn’t be taken as a sign that the agency did a poor job in approving a patent in the first place, said Ken Horton, a lawyer with Kirton McConkie in Salt Lake City, who worked as a patent examiner from 1990 to 1994,

“The reality is, you look at the time frame an examiner has and the time I have as a lawyer, there’s a disparity,’’ Horton said in an interview. “I’m limited by my client’s cost. The examiners are limited by time.’’

The patent office has proposed increasing the fees for reexamination requests. The minimum cost for inter partes would triple to $27,200 from $8,800, and can max out at $97,200. For a review in which the third party can’t participate, called an ex parte, the cost would surge to $17,760 from $2,520. For companies, it may still be worth the cost vs. going to court.

“You have a much higher likelihood at prevailing at the patent office than you do at district court,’’ said Scott Daniels, a patent lawyer with Westerman Hattori Daniels & Adrian in Washington. “The patent examiners are less star-struck than judges and juries when it comes to inventors and patents.’’

The reexam petitions to the patent office are often followed by requests that U.S. District Court judges put cases on hold until the reviews are completed. Westinghouse Solar, which claims that Zep Solar infringes its patent on solar-power systems, filed its complaint with the U.S.

International Trade Commission, which rarely stays cases, because a related District Court case was put on hold.

Allen's Seattle-based Interval Licensing, which sued 11 companies including Google, Yahoo, Apple, eBay and Facebook, has fought any delay in litigation. Interval owns the patents of a defunct computer-science business that Allen, a co-founder of Microsoft, helped start in 1992.

Interval accused the companies of "gamesmanship'' and said its rights would be hurt by any delay in the case, which was filed in August 2010. It lost the argument after a judge ruled the review would simplify issues and could alter the scope of the patents.

A provision in the new patent law would mandate such stays when certain types of review requests are made.

Stoll, the former commissioner of patents, said the increase in reexam requests is a reflection of the agency's expertise.

"If you've got a strong case, go to the office,'' Stoll said in an interview. "If you go to court, it's more hit-and-miss because they don't have the expertise.''