Insights: Alerts

Weighing the Recent Decline in Post-Grant Institution Rates

APRIL 5, 2016

The Patent Trial and Appeal Board's ("PTAB") rate of institution of trials under the America Invents Act ("AIA") has been steadily declining since its inception. During the U.S. Patent and Trademark Office's (USPTO) first fiscal year of AIA institutions, FY2013, the PTAB instituted trials at a remarkably high rate—86.2% of *inter partes* review ("IPR") and covered business method ("CBM") petitions were instituted. For FY2014, the institution rate dropped dramatically, to 74.4%. Continuing this trend, the PTAB's institution rate for FY2015, which ended at the end of September, was down to 65.6%. A quarter into FY2016, the statistics are nearly identical to those for FY2015.

One qualification regarding these statistics is that they are limited to the number of trials instituted divided by the number of trials instituted and denied—they do not include cases that were joined. Adding joinders into the calculation (the number of institutions and joinders divided by the total number of decisions), the institution rates for FY2013, FY2014, and FY2015 are slightly higher—86.8%, 74.9%, and 68.5%, respectively.

Many have speculated as to the reason for this drop in institution rates, attributing it to a variety of factors. For example, some have postulated an increased number of petitions that are denied under 35 U.S.C. § 325(d) for presenting the "same or similar art or arguments" previously considered by the USPTO. Similarly, some have pointed to an increase in the number of petitions that are denied for failing to identify the real party in interest. Others have argued that the high invalidation rates of initial Final Written Decisions have prompted accused infringers to view the PTAB as a favorable forum. Regardless of the reason, it is undeniable that the institution rates are declining.

Despite the declining institution rate, the PTAB can undoubtedly be a useful forum for accused infringers. In total, 21.9% of all completed IPR and CBM petitions resulted in the cancellation of all instituted claims. More than 45% of all completed petitions, and more than 92% of instituted cases, have had some form success—either settlement or the cancellation of some claims. Even if district court continues because less than all of the asserted claims are cancelled, the issues for the district court are significantly narrowed. Clearly, there is opportunity for accused infringers to benefit from filing a petition for an AIA trial.

Unfortunately, there is no bright-line rule that determines whether it would be beneficial to file an AIA petition in any particular case. A cost-benefit analysis should be weighed before making a determination. Key considerations for this analysis include a cost comparison and the merits of the arguments that can be raised before the PTAB. If the damages sought are comparatively low or the likelihood of settlement without an AIA trial is fairly high, filing an AIA petition might not be worthwhile. In addition, the arguments that can be raised in an AIA trial are limited, but an accused infringer may face estoppel issues that hurt its ability to raise invalidity arguments before the district court regardless of whether the arguments could have been raised before the PTAB. In the end, factors that are difficult to measure (such as the strength of technical arguments, the difficulty of succeeding in district court versus the PTAB,

and so on) may hold more weight than decreased institution rates amidst favorable disposition rates. Either way, the PTAB continues to be a forum worth considering with counsel for many accused infringers.

Note: These statistics were obtained from the USPTO's published data, as of December 31, 2015. See Patent Trial and Appeal Board Statistics at 7 & 9, U.S. Patent & Trademark Office (Dec. 31, 2015), available by clicking here (providing institution statistics for FY2014, FY2015, and FY2016, and disposition statistics through December 31, 2015); Patent Trial and Appeal Board Statistics at 7, U.S. Patent & Trademark Office (Sept. 30, 2015), available by clicking here (providing institution statistics for FY2013, FY2014, and FY2015).