

PATENT AND TRADEMARK LAW

Surging Ex Parte Reexamination Filings Expected To Increase by 40%

By Rob Maier

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Since its enactment under the 2011 America Invents Act (AIA), inter partes review (IPR) has remained a pivotal tool for challenging the validity of patents. IPR was introduced under the AIA's initiative to improve the quality of the patent system and reduce the cost of challenging and invalidating bad patents. IPR is a trial proceeding held before the U.S. Patent and Trademark Office's (USPTO) Patent Trial and Appeals Board (PTAB) through which a third party can petition to challenge the validity of a patent.

IPR has become a standard tool for efficiently and effectively invalidating overly broad patents and has for over a decade been considered a critical weapon for defending against patent infringement charges. Still, from 2017 through 2023, IPR filings have been trending downwards, with 86 fewer petitions filed each year on average over that period. However, ex parte reexamination (EPR) filings—another patent invalidation process available long before IPR—have increased by approximately 28 more EPR filings each

year over that period, and are on track to increase by over 100 new EPR filings this fiscal year. This article explores potential reasons for these surprising trends.

EPR and IPR Trends and Considerations

The numbers don't lie: Despite the multi-year decline in IPR filings, which generally tracks the overall downward trend in new district court patent litigation filings, EPR filings are surging. A number of different factors may be contributing to these trends. Noteworthy considerations include proceeding costs, petition and reexamination grant rates, and the unpredictability surrounding the PTAB's discretionary denial of petitions challenging patent claims subject to parallel litigation.

1. Decline in Patent Litigation

Since the number of patent litigations filed annually has declined since 2016, it is not

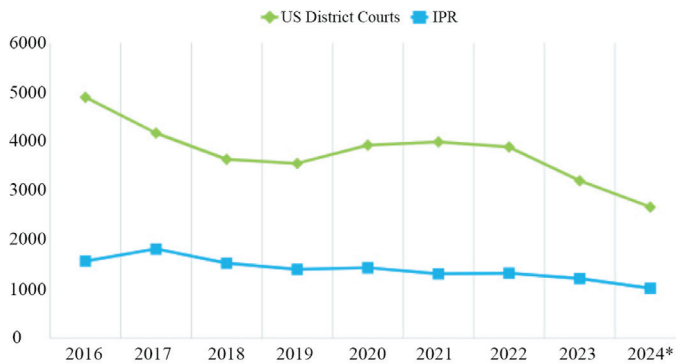


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Courtesy photo

surprising that the preferred avenue for defending enforcements of bad patents—IPR—have steadily declined in tandem. That data is shown in Figure 1:

Figure 1: US District Court and IPR Filings by Fiscal Year



*Data acquired from Docket Navigator and USPTO statistics for FY2016 through July 31, 2024.

Of course, this declining trend does not necessarily bear a relationship to the surge in EPR filings, but it is notable in connection with any analysis of the decline in IPR. In other words, the decline in IPR does not necessarily indicate a preference for EPR over IPR. And in fact, there are significant disadvantages to EPR when compared with IPR: Most notably, once a requestor files a request for EPR, the requestor's participation then typically ends, leaving the patent owner free to argue its case to the USPTO examiner without a meddling third party to make counter-arguments. Furthermore, a first action allowance of all challenged claims can immediately follow the grant of reexamination. Comparatively, IPR is an inter partes proceeding in which the petitioner remains involved throughout, thus resulting in greater percentages of invalidation. On average, all instituted claims are fully invalidated in nearly 40% of completed IPR proceedings, whereas EPR only invalidates all third party challenged claims in 15.2% of reexaminations.

2. Costs

One factor that may be contributing to the recent decline in IPR filings relative to EPR is the cost of the proceedings. IPR costs have significantly increased in the last few years. The current USPTO costs associated with filing an IPR include a \$19,000 request fee and an additional \$22,500 post-institution fee, not including attorney costs. This latest fee increase was implemented in 2020 when the USPTO issued its Final Patent Fee Rule (the Rule). The Rule increased the IPR request fee by almost 30% and the post-institution fee by 50%. See 85 Fed. Reg. 149, 46945 (2020). As illustrated in Figure 2, IPR petitions dipped in 2021 shortly after the fee increase and have continued to do

The district court granted LNC's motion, finding all claims of the '903 Patent obvious over three prior art references.

so (although, as noted above, this may somewhat be correlation rather than causation, given how closely IPR filings tend to track declining patent litigation filings).

Comparatively, the Rule increased EPR costs by a mere 5%, raising the associated USPTO fee to \$12,600. See 85 Fed. Reg. 149, 46975 (2020). And, beyond the filing fees, the continued involvement of the petitioner's attorneys in IPR leads to increased attorneys' fees, whereas an EPR requestor's involvement typically ends after filing, thus limiting attorneys' fees. As a result of the fees and costs, EPR is more accessible, particularly for entities concerned with the growing IPR costs, or particularly in disputes involving very large numbers of patents for which IPR may be cost prohibitive.

3. Institution and Reexamination Grant Rates

Institution and reexamination grant rates may be another factor driving the recent trends in IPR and EPR filings. Overall, the PTAB institutes about 60% of the petitions for which a decision on petition is provided, the overwhelming majority of which are IPR petitions. As illustrated in Figure 3, this average has held steady from 2016 through 2024. Although favorable to the petitioner, there is still a risk that the PTAB will deny institution of a petition.

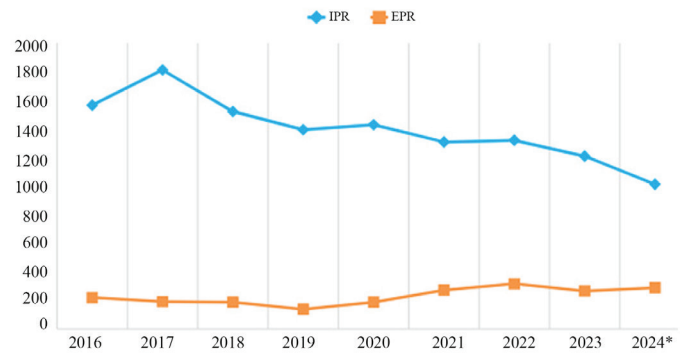
Comparatively, reexamination is granted in 90% of the EPR requests for which a decision on reexamination is provided. See Figure 4. The significant EPR request grant rate provides patent challengers with some assurance in successfully clearing the initial request hurdle, making EPR a compelling tool for challenging patentability in that sense.

That said, it is worth noting that statistics regarding the initial hurdle do not tell the full story, as noted above. Indeed, the fact that third party requestors are not involved in EPR after filing is probably one of the key reasons that, while IPR initial institution rates are lower than for EPR, IPR ultimately tends to lead to a higher number of invalidation decisions.

4. Uncertainty Surrounding Discretionary Denials for Parallel Proceedings

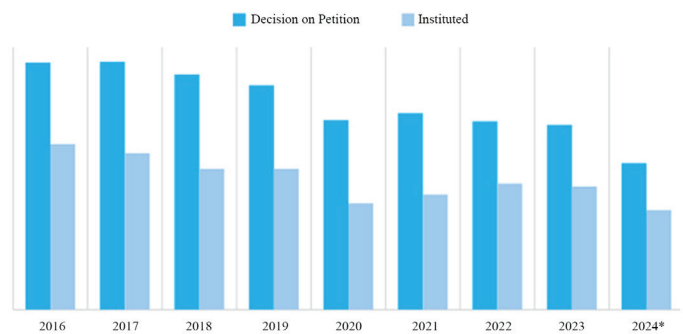
As noted above, patents challenged in IPR proceedings are frequently subject to parallel district court litigation. However, in recent years the PTAB had issued a flurry of discretionary denials on IPR petitions challenging patents in parallel litigation. Under 35 U.S.C. Section 314(a) and delegation by the USPTO director, the PTAB has discretion to decide whether to institute a petition for IPR.

Figure 2: EPR and IPR Filings by Fiscal Year



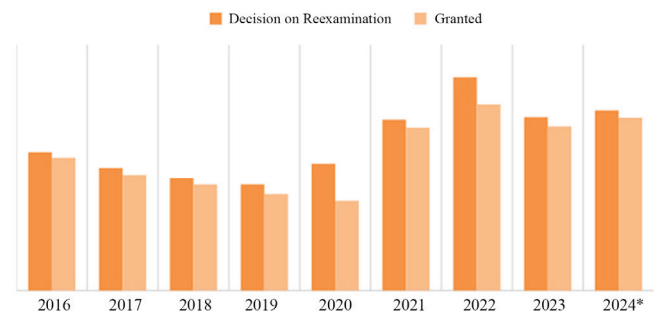
*Data acquired from USPTO statistics – IPR filings include data from FY2016 through July 31, 2024, and EPR filings include data from FY2016 through June 30, 2024.

Figure 3: PTAB Petition Decisions and Institutions



*Data acquired from USPTO statistics reporting PTAB petition decisions and institutions for FY2016 through July 31, 2024.

Figure 4: EPR Decisions on Reexamination and Grants



*Data acquired from USPTO statistics reporting all EPR filings and reexamination grants for FY2016 through June 30, 2024

The considerations for institution include the requirements enumerated in the statute (e.g., the petition shows a reasonable likelihood that the petitioner will prevail with respect to at least one of the challenged claims), as well as the *NHK-Fintiv* factors, originating from the precedential PTAB decisions *NHK Spring v. Intri-Plex Techs.* and *Apple v. Fintiv*. See *NHK Spring v. Intri-Plex Techs.*, IPR2018-007852,

Paper 8 (PTAB Sept. 12, 2018) (precedential); *Apple v. Fintiv*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential).

The PTAB's broad discretion has resulted in somewhat inconsistent denials of such petitions, raising uncertainty surrounding IPR. More recently, the USPTO sought to provide clarity on these discretionary denials through its 2022 Director's Memorandum (the Memo) released by USPTO Director Katherine Vidal. The Memo addressed a number of issues surrounding discretionary denials in cases of parallel litigation, including consideration of *NHK-Fintiv* factors, *Sotera* stipulations, compelling merits, and parallel ITC litigations.

The Memo confirmed that petitioners may avoid discretionary denial of institution under the *NHK-Fintiv* factors through *Sotera* stipulations. Namely, the PTAB will not discretionarily deny institution in view of parallel litigation when petitioners stipulate not to pursue in the parallel district court case the same invalidity grounds or any grounds that could have reasonably been raised in the petition. See *Sotera Wireless v. Masimo*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (precedential as to Section II.A.). However, *Sotera* stipulations lead to estoppel before a final written decision is issued, therefore some petitioners are reluctant to make such stipulations and instead face the uncertainty of the *NHK-Fintiv* factors.

Further efforts by the USPTO to shed light on discretionary denials include a Notice of Proposed Rulemaking (NPRM) on PTAB reform seeking public comment on proposals to codify and expand existing guidance and precedential

decisions, and to formalize PTAB practices. See 89 Fed. Reg. 77, 28694-28695 (2024). Notably, the NPRM does not discuss the *NHK-Fintiv* factors or any discretionary denial of petitions challenging patents subject to parallel litigations. The lack of further guidance on this form of discretionary denial may also provide a downward pressure on IPR filing trends.

Conclusion

In view of the growing costs and considerable uncertainty, it comes as no surprise that EPR is becoming an increasingly interesting option for challenging patent validity. IPR has been the preferred defense tool for accused infringers looking to challenge the validity of patents over the past decade, but, based on these factors, it appears that EPR is resurging. Although the USPTO's past guidance has had little impact on IPR petition institution rates, many are hopeful that the proposed PTAB reform will provide more transparency and guidance in future IPR proceedings, which may reverse these trends. Ultimately, the facts and circumstances of any particular scenario will tend to steer patent challengers to one of these options over the other—and the balancing of these factors, and others, will continue to guide those decisions.

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