Congress passed the America Invents Act (AIA) in 2011 because of serious concerns that low-quality patents were dragging down innovation and eroding public confidence in the patent system. The AIA created the Inter Partes Review (IPR) program at the Patent and Trademark Office (PTO). IPR allows the PTO to take a second look at questionable patents in a procedure that is faster and cheaper than litigation. By one estimate, IPR has saved litigants $2 billion in legal fees.

In response to baseless claims about its unfairness, the PTO has taken multiple steps in the last year to weaken IPR, and has been using its broad discretion to reject more cases for procedural reasons rather than considering whether the patent is likely invalid and harming businesses and the public. Abusive patent litigation is rising as a direct result. Congress should protect this critical program.

IPR Is a Necessary Tool to Combat Invalid Patents

The concept of IPR is simple. Any member of the public (often a defendant in a patent litigation) can ask the PTO to evaluate whether a patent should have been granted in the first place. The requester submits a petition along with “prior art” showing that someone else made the invention or something very similar first.

A panel of expert administrative patent judges on the PTO’s Patent Trial and Appeal Board (PTAB) then compare the patent and the prior art and decide whether the IPR should move forward, applying a high standard so that only strong petitions are instituted. If instituted, the patent holder and the challenger will make their cases through written briefing and oral argument. The IPR ends within one year with the panel of judges issuing a final decision.
The realities of the patent examination process and the high number of invalid patents that are issued make a strong IPR process a necessary tool for American businesses. The PTO must grant a patent unless a patent examiner can prove it is invalid. But examiners have on average only 19 hours to look for prior art, understand the claimed invention, make a detailed comparison to decide what, if anything should be patentable, and engage in a back-and-forth with the applicant. This is not enough time, so it is not surprising that examiners often miss the best prior art or fail to evaluate it correctly, and issue an invalid patent. With record-setting numbers of patent applications being submitted, and more than 300,000 patents issuing each year, IPR is more important than ever.

IPR Has Been Critically Important to Small and Main Street Businesses

Because IPR is faster and cheaper than litigation, the impact it has had on the ability of small businesses and Main Street companies to fight frivolous claims of patent infringement, and not give into the aggressive demands of non-practicing entities (NPE)s, has been significant. For example:

• Real estate agents in Texas were sued by an NPE that claimed that the simple concept of mapping out houses for sale online infringed its patent. The Texas Association of REALTORS® used IPR to invalidate that patent.

• Dozens of small, independent podcasters were sued by Personal Audio LLC, an NPE that claimed to have invented the concept of podcasting. When the PTAB invalidated that patent, the decision allowed the podcasters to stay on the air and avoid devastating settlement payments.

• One NPE, a company called MPHJ, claimed to own the idea of scanning a document to email. It sent letters to more than 16,000 small businesses nationwide, demanding a patent licensing fee of thousands of dollars each. MPHJ's shakedown scheme was put to a halt when their patent was found invalid in IPR.

IPR Has Been Weakened and Abusive Litigation Is Making a Comeback

IPR is integrated into the patent system by statute, and the data shows it has been fair and balanced. The high standard for institution prevents nearly 40% of petitions from moving forward. The ample opportunity for patent owners to present arguments and evidence supporting validity means that a majority of challenged patents survive with some claims intact. Eighty-seven percent of patents challenged in IPR face only 1 or 2 petitions, and the additional petitions are typically necessary to address a large number of asserted claims or filed by another defendant sued on the same patent. The facts debunk claims that “multiple petitions” are a problem.

Despite these facts, the PTO has responded to unfounded complaints of unfairness in IPR by significantly weakening the program, contrary to Congress’s intent. Through new regulations, precedential decisions, and guidance to its judges, the PTO has made it harder to invalidate patents that never should have been granted. Through regular use of its unfettered discretion to deny IPRs, the PTO has turned away challenges to invalid patents for procedural reasons, forcing businesses to choose between fighting expensive district court litigation or settling.

NPEs have noticed. In recent months, the frequency of patent litigation brought by NPEs has increased by 37%. Much less deterred by the potential of IPR, these NPEs are increasingly threatening small and Main Street businesses with drawn out and costly litigation to spur quick settlements. Congress should defend IPR to stop this trend.