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# ***Impact on PTAB Discretion***

## ***PTAB Proposed Rule Changes***

Friday, June 16, 2023

Stephanie Schonewald

Wen Xie

Joel Sayres

Jeremy Monaldo

# Overview

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- Advance Notice of Proposed Rulemaking (ANPRM)
  - Not yet a Notice of Proposed Rulemaking
  - Comments on ANPRM will be used to shape potential rules presented in a Notice of Proposed Rulemaking
- Office is seeking input on a number of proposals from Office itself and public
- Deadline for comments is Tuesday, June 20, 2023

# Webinar Series – USPTO Proposed Rule Changes

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- June 8: Impact on procedures
- June 12: Impact on parties
- June 16, 11 am PT/2 pm ET: Impact on PTAB discretion

# DISCLAIMER

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The views expressed today are our individual views, and are not intended to represent views of our firms, our clients, or the PTAB Bar Association.

# Prior Adjudications Upholding Validity

# New Type of Discretionary Denial

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- “These considerations do not replace other limitations on serial petitions or other mechanisms for discretionary denial, or the *Fintiv* analysis itself if there is, additionally, a parallel proceeding ongoing, but present ***an additional, independent basis for discretionary denial.***”
- General Rule
  - “prior ***final adjudications*** by a district court or by the Office in AIA post-grant proceedings ***upholding the validity*** of claims that substantially overlap the challenged claims ***will result in discretionary denial.***”
- Three-Prong Exception Test
  - Must satisfy all three prongs to avoid discretionary denial

# Final Adjudication

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- New Definition Proposed
  - “a decision on the merits by a district court that is final within the meaning of 28 U.S.C. 1295(a)(1). This means that only prior adjudications of invalidity challenges in district court that are on the merits and are part of a final, appealable judgment would be within the scope of the changes under consideration.”
  - “Similarly, a final adjudication at the Office would be a final, appealable decision of the Office.”
- Considerations
  - Does not appear to wait for appeal
    - Decision could be used as a basis for denial and later overturned
  - When does a decision become final and appealable?
    - Institution Decision?
    - Rehearing, POP Review, or Director Review requested?

# Three-Prong Exception Test

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- First Prong
  - “the petitioner has standing to challenge the validity of the claims in district court, or”
  - “intends to pursue commercialization of a product or service in the field of the invention of a challenged claim;”
- Second Prong
  - “was not a real party in interest or privy to the party previously challenging one or more of the challenged claims (unless any earlier challenge was resolved for reasons not materially related to the merits of the petition, e.g., a post-grant proceeding that was discretionarily denied or otherwise was not evaluated on the merits); and”
- Third Prong
  - “meets a heightened burden of compelling merits.”



# Extension to Ex Parte Reexamination?

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- “The Office is also considering whether to extend this proposal to including prior adjudications of validity through *ex parte* reexaminations requested by a third party other than the patent owner or the patent owner's real party in interest or privy.”
- Second examination could result in limited access to the PTAB challenges
- No third party involvement after filing and no third party appeal option

# Serial Petitions

# What is a Serial Petition?

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- Definition
  - “Serial petitioning occurs when additional petitions are filed challenging at least one claim previously challenged in a first petition:
    - (1) after the filing of a preliminary response in a first petition challenging the same claims; or
    - (2) if no preliminary response to the first petition is filed, after the expiration of the period for filing such a response under 37 CFR 42.107(b) or as otherwise ordered.”
- Second petitions filed **before** a preliminary response would be evaluated under the discretionary denial case law for parallel petitions

# Current Test – *General Plastic*

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- *General Plastic* non-exclusive factors include:
  - (1) whether the same petitioner previously filed a petition directed to the same claims of the same patent;
  - (2) whether, at the time of filing of the first petition, the petitioner knew of the prior art asserted in the second petition or should have known of it;
  - (3) whether, at the time of filing of the second petition, the petitioner had already received a patent owner preliminary response (if filed) to the first petition or received the Board's decision on whether to institute review in the first petition;
  - (4) the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
  - (5) whether the petitioner provides an adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
  - (6) the finite resources of the Board; and
  - (7) the requirement to issue a final determination not later than 1 year after the date on which the Director notices institution of review.

# Informed by Additional Board Precedent

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- *Valve I* – Co-defendant Petitioner
  - Board considers relationship between petitioners as part of Factor 1
- *Valve II* – Joinder
  - Factor 1 applies to a prior joinder of an instituted proceeding
- *Code 200* – Non-merits Consideration of Prior Petition
  - “Where the first-filed petition under factor 1 was discretionarily denied or otherwise was not evaluated on the merits, factors 1–3 only weigh in favor of discretionary denial when there are ‘road-mapping’ concerns under factor 3 or other concerns under factor 2”

# New Test for Serial Petitions

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- “the Board will discretionarily deny—subject to ***two exceptions***—any serial IPR or PGR petition (with at least one challenged claim that is the same as a challenged claim in a previously filed IPR, PGR, or CBM petition) that is filed by one of the following:
  - the same petitioner,
  - a real party in interest or privy to that petitioner,
  - a party with a significant relationship to that petitioner (as discussed in *Valve I*), or
  - a party who previously joined an instituted IPR or PGR filed by that petitioner (as discussed in *Valve II*).”
- General Rule = Denial

## Two Exceptions

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- “The two exceptions are that the Board will not discretionarily deny such a petition when:
  - (1) the earlier petition was resolved for reasons not materially related to the merits of the petition ( e.g., was discretionarily denied or otherwise was not evaluated on the merits); or
  - (2) exceptional circumstances are shown.”
- First exception reflects the precedent established in *Code 200*
- Second exception establishes a new three-part test for exceptional circumstances

# Exceptional Circumstances

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- “Exceptional circumstances may, for example, include
  - (a) situations in which a patentee changes the scope of the claims, for example, through amendment or a proposed claim construction;
  - (b) situations where, at the time of filing of the first petition, the petitioner reasonably could not have known of or found the prior art asserted in the serial petition; or
  - (c) situations in which the petitioner raises a new statutory challenge (35 U.S.C. 101, 112, or 102/103) that was not in the prior petition and has a justifiable explanation for why they did not raise the statutory challenge in the earlier petition.”
- Three situations are examples of exceptional circumstances:
  - Other circumstances? Fast filing of preliminary response or waiver of preliminary response?



# Considerations for Final Rulemaking

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- “The Office requests comments on this approach, including how it should define ‘exceptional circumstances’ and whether it should use the ‘at least one overlapping claim’ test or whether it should use the ‘substantial overlap’ of claims test.”
- “Whether the precedent in *Valve I* and *II* should be followed.”
- “The Office also welcomes thoughts on whether the Office should discretionarily deny any serial petition, regardless of the relationship to the first petitioner, unless the petition meets the compelling merits test.”

# Parallel Petitions

# What is a Parallel Petition?

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- Definition – “two or more petitions that:
  - (1) challenge the same patent by the petitioner or by a petitioner who has a substantial relationship with another petitioner challenging the same patent; and
  - (2) are filed on or before
    - (a) the filing date of a preliminary response to the first of two or more petitions, or
    - (b) the due date set forth in 42.107(b) for filing a preliminary response to the first petition, if no preliminary response to the first petition is filed.”
- “Serial” petitions filed before the preliminary response would be considered “parallel” petitions under the proposed rules
- Any petition to “the same patent” – not limited by the claims challenged

# New Test for Parallel Petitions

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- General Rule – “the Board will not institute parallel petitions unless the petitioner has made a showing of **good cause** as to why parallel petitions are necessary.”
- But note - higher word count option under consideration
  - Would seem to allow any second petition if you pay for additional word count
- Ranking paper available for Petitioner to establish good cause
  - Similar to current practice
  - Patent Owner would be given an equal length response

# Factors for Good Cause

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- (1) whether the patent owner has asserted a large number of claims in the parallel litigation;
- (2) whether the petitioner is challenging a large number of claims;
- (3) whether there is a dispute about a priority date requiring arguments under multiple prior art references;
- (4) whether there are alternative claim constructions that require different prior art references or mutually exclusive grounds;
- (5) whether the petitioner lacks sufficient information at the time of filing the petition, *e.g.*, the patent owner has not construed the claims or provided specific information as to the allegedly infringed claims;
- (6) whether there are a large number of claimed embodiments challenged, *e.g.*, composition claims, method of making claims, and method of use claims;
- (7) the complexity of the technology in the case; and
- (8) the strength of the merits of the petition.

# Denial Under § 325(d)

## 35 U.S.C. § 325(d)

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“In determining whether to institute ... the Director may take into account whether, and reject the petition or request because, **the same or substantially the same prior art or arguments previously were presented to the Office.**”

# Denial Under § 325(d)

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**Current Framework:** *Advanced Bionics* informed by *Becton, Dickinson*

- (1) whether **the same or substantially the same art or arguments** were previously presented to the Office
  - (a) the **similarities and material differences between the asserted art and the prior art** involved during examination;
  - (b) the **cumulative nature of the asserted art and the prior art** evaluated during examination;
  - (d) the **extent of the overlap** between the arguments made during examination and the manner in which petitioner relies on the prior art



# Denial Under § 325(d)

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## Current Framework: *Advanced Bionics* informed by *Becton, Dickinson*

- (2) whether petitioner has demonstrated that the Office erred in a manner material to the patentability of challenged claims
  - (c) the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection;
  - (e) whether petitioner has pointed out sufficiently how the examiner erred in its evaluation of the asserted prior art;
  - (f) the extent to which additional evidence and facts presented in the petition warrant reconsideration of the prior art or arguments

# Denial Under § 325(d)

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**ANPRM Proposal:** Promulgate rules for application of § 325(d) “to supersede the guidance” of *Advanced Bionics* and *Becton, Dickinson*

## Why?

- “To promote more consistency, clarity and efficiency”
- “To implement the intent of the AIA—to improve patent robustness and reliability—while providing appropriate deference to USPTO decisions on art or arguments previously before the Office”

# Denial Under § 325(d)

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## ANPRM Proposals:

1. 325(d) only applies where USPTO “evaluated the art or arguments and **articulated its consideration of the art or arguments** in the record” (mere citation in IDS not enough)
2. Applies to art/arguments that were addressed during proceedings re:
  - (a) the challenged patent;
  - (b) any parent/family application of challenged patent (but only if claims contained **substantially the same limitations** as those in challenged claims);
  - (c) but not non-related applications (maybe???)
3. Prior art is “substantially the same” only if disclosure **contains same teaching relied upon in petition and addressed by USPTO** (e.g., references have the same disclosure, or “teach the same claim limitation in the same way as the challenged claim”)
4. Applies to any USPTO proceeding in which art/arguments previously addressed
5. If PO shows same art/arguments considered, Petitioner must show material error (e.g., overlooked teaching, misconstrued term)

# Denial Under § 314(a) (Parallel Litigation)

## 35 U.S.C. § 314(a)

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“The Director **may not authorize an *inter partes* review to be instituted unless** the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”

# Denial Under § 314(a) (Parallel Litigation)

## Current Framework: *Fintiv*, as clarified by **June 2022 Guidance Memo**

- (1) whether **stay** granted or one may be granted if instituted;
- (2) proximity of **trial date** [based on median time-to-trial date] to projected deadline for **FWD**;
- (3) **investment** in the parallel proceeding;
- (4) **overlap** of issues;
- (5) whether **petitioner and defendant are the same party**; and
- (6) **other circumstances** that impact Board's discretion, including **merits**

But no *Fintiv* denial if:

- (1) petition presents **compelling merits of unpatentability**;
- (2) request for denial based on **ITC proceeding**; or
- (3) Petitioner submits **Sotera stipulation** (will not pursue in DCT the same grounds or any grounds that could have reasonably been raised in the petition)

# Denial Under § 314(a) (Parallel Litigation)

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## ANPRM Proposals:

- **No denial:**
    - (1) PGRs
    - (2) Where based on parallel ITC proceedings
  - **Potential denial:**
    - (1) “Clear, predictable rule”; or
    - (2) “Clear, predictable rule” with streamlined *Fintiv*
- Safe harbors available for both

# Denial Under § 314(a) (Parallel Litigation)

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## ANPRM Proposals:

### (1) “Clear, predictable rule”:

- (a) Denial if trial likely to occur before FWD (considering relevant evidence)
- (b) No denial if petition filed within 6 months of service of complaint alleging infringement



# Denial Under § 314(a) (Parallel Litigation)

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## ANPRM Proposals:

### (2) “Clear, predictable rule” with streamlined *Fintiv*:

- (a) Omit *Fintiv* factor 1 (likelihood of stay)
- (b) Omit *Fintiv* factor 5 (petitioner/defendant same party) – replace with RPI/privy or “substantially related” test
- (c) Three non-exclusive factors (similar to existing *Fintiv* factors):
  - 1. Past and future investment in parallel proceeding by court and parties
  - 2. Overlap of issues
  - 3. Other relevant circumstances (e.g., abuse of process)

# Denial Under § 314(a) (Parallel Litigation)

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## ANPRM Proposals:

- **Safe Harbors:**
  - (a) *Sotera* or *Sand Revolution* stipulations (or, instead of safe harbor, *Sotera* stip **required**, either with *Fintiv* analysis, or entirely replacing *Fintiv*)
  - (b) No denial if DCT stayed and reasonably likely to remain stayed until institution decision
  - (c) No denial if petition presents compelling merits

# COMPELLING MERITS

# COMPELLING MERITS

## OVERALL QUESTION – ANPRM

The changes under consideration also provide for several threshold definitions that apply to one or more of these categories of petitions subject to discretionary denials. Those definitions set forth the criteria used to determine: (1) what constitutes a “substantial relationship” between entities sufficient to trigger or avoid discretionary denial, (2) when claim sets are deemed to have “substantial overlap” with challenged claims, and (3) what constitutes “compelling merits” sufficient to trigger an exception to discretionary denial.

# COMPELLING MERITS - DEFINITION

## PROPOSED DEFINITION ANPRM

A challenge presents “compelling merits” when the evidence of record before the Board at the institution stage is highly likely to lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence. See *OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper 102 at 49 (PTAB Oct. 4, 2022) (Director decision, precedential) (describing compelling merits as those that “plainly lead to a conclusion that one or more claims are unpatentable,” and noting that such standard can be met only “if it is highly likely that the petitioner would prevail with respect to at least one challenged claim”).

## DEFINITION JUNE 2022 GUIDANCE MEMO

Given those objectives, compelling, meritorious challenges will be allowed to proceed at the PTAB even where district court litigation is proceeding in parallel. Compelling, meritorious challenges are those in which the evidence, **if unrebutted in trial**, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence. That said, the PTAB retains discretion to deny institution for proceedings where abuse has been demonstrated.

# COMPELLING MERITS - NOTABLE POINTS

- Higher standard than the reasonable likelihood required for the institution of an IPR under [35 U.S.C. 314\(a\)](#).
- Higher standard than more likely than not required for institution of a PGR under [35 U.S.C. 324\(a\)](#).
- Higher standard than the preponderance of the evidence standard (more likely than not) that applies to final determinations of patentability at the close of trial.
- The Board provides written decision? - Board would provide its reasoning in determining whether the merits of a petition are compelling.
- Petition needs to be **candidate for discretionary denial** - The Board would not reach any issue regarding “compelling merits” until all other discretionary denial issues have been evaluated and the petition is a candidate for discretionary denial.

# COMPELLING MERITS - IN THE PRESS

THE VIEWS EXPRESSED BY CONTRIBUTORS ARE THEIR OWN AND NOT THE VIEW OF THE HILL

## **Leahy: New USPTO rulemaking should seek to strengthen, not weaken, the America Invents Act**

BY FORMER SEN. PATRICK LEAHY (D-VT.), OPINION CONTRIBUTOR - 05/25/23 2:30 PM ET

Now, the current USPTO director, [Kathi Vidal](#), has announced that she is [considering additional rulemaking](#) that flies in the face of the AIA and exceeds her office's statutory authority. The proposed rules announced so far would rewrite the AIA's standard for instituting PTAB review from a "reasonable likelihood" threshold to a "compelling merits" test — which even the USPTO acknowledges is a higher threshold and will weaken access to review for job creators that are under attack.

# COMPELLING MERITS - BRIEF HISTORY

Director's Memo – June 2022

Compelling merits is workaround to FINTIV

"[T]o benefit the patent system and the public good, the PTAB will not rely on the Fintiv factors to discretionarily deny institution in view of parallel district court litigation where a petition presents compelling evidence of unpatentability." - Director Vidal

OPENSKY DECISION Determining Abuse of Process, Issuing Sanctions, etc. - October 4, 2022

PTO elevates Intel on the basis of the compelling merits of Opensky's petition

"I recognize that some may believe that I am allowing Intel to benefit from OpenSky's wrongdoing by not immediately terminating the proceeding. However, there is no evidence that Intel was complicit in OpenSky's abuse. I therefore focus on a principled, replicable approach that is in the best interest of the public and advances the USPTO and AIA goals to "consider . . . the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings." - Director Vidal



## Opensky - Decision on Remand Assessing Merits at Institution - October 14, 2022

### Board finds compelling merits in Opensky's petition

"We conclude that the expert testimony relied on in the Petition (Ex. 1002 ¶¶ 231–233), if unrebutted at trial, would plainly lead to a conclusion of unpatentability based on Shaffer's multiple CPUs. See Memorandum at 4. That testimony supports the aspects of Petitioner's contentions that were challenged by Patent Owner, and we conclude that testimony presents logical, supported assertions, rooted in Shaffer's disclosures. In particular, Dr. Jacob's testimony asserts that Shaffer's multiple CPUs would operate on the shared "system bus," depicted with shared-bus organization, and using a single clock module. Ex. 1002 ¶¶ 231– 232 (citing Ex. 1005, 6:2–5, Fig. 1)." - PTAB

## Commscope Ordering Rehearing, Vacating the Decision on Institution, and Remanding - February 27, 2023

"In this case, the Board assessed compelling merits without first determining that the other Fintiv factors favor discretionary denial. My Guidance Memo (Guidance Memo at 5) states that "the PTAB will not deny institution based on Fintiv if there is compelling evidence of unpatentability." [Although I now recognize that this instruction could be read to allow for a compelling merits determination as a substitute for a Fintiv analysis, that was not my intent.](#) By that instruction, I intended for PTAB panels to only consider compelling merits if they first determined that Fintiv factors 1–5 favored a discretionary denial." - Director Vidal

# COMPELLING MERITS - SEEKING COMMENTS

- Should this be the standard at institution?
  - The USPTO is considering whether the compelling merits standard is the most appropriate standard for the Board to apply at the institution stage when determining if the merits of a petition are sufficiently strong to avoid discretionary denial.
- Resolving factual disputes
  - How the compelling merits standard would apply if the patent owner raises a factual question that cannot be resolved at institution ( e.g., presenting evidence of secondary considerations of nonobviousness).
  - What presumptions should apply and whether pre-institution discovery would be appropriate.
  - The Office is considering whether, in assessing compelling merits, the Office should adopt a test whereby (1) the record will be viewed in the light most favorable to the patent owner and (2) the Board will draw all reasonable inferences in favor of patent owner.
- Cases for application
  - Should it apply as an exception to all of the bases for discretionary denial discussed below and, if not, which ones it should and should not apply to? Under current USPTO guidance, the compelling merits test does not apply when certain entities are attempting to challenge a patent after a final adjudication of patentability in post-grant proceedings or in district court or when serial challenges are being made by the same party or a real party in interest or privy.

# COMPELLING MERITS - PRIOR ADJUDICATIONS UPHOLDING VALIDITY

- The changes under consideration would provide that prior final adjudications by a district court or by the Office in AIA post-grant proceedings upholding the validity of claims that substantially overlap the challenged claims **will result in discretionary denial, except** in cases in which
  - the petitioner has standing to challenge the validity of the claims in district court or intends to pursue commercialization of a product or service in the field of the invention of a challenged claim,
  - was not a real party in interest or privy to the party previously challenging one or more of the challenged claims (unless any earlier challenge was resolved for reasons not materially related to the merits of the petition, e.g., a post-grant proceeding that was discretionarily denied or otherwise was not evaluated on the merits);
  - and **meets a heightened burden of compelling merits.**

## COMPELLING MERITS - PETITIONS FILED BY CERTAIN FOR-PROFIT ENTITIES

The Office is considering discretionarily denying any petition for IPR or PGR filed by an entity that:

- (1) is a for-profit entity;
- (2) has not been sued on the challenged patent or has not been threatened with infringement of the challenged patent in a manner sufficient to give rise to declaratory judgment standing;
- (3) is not otherwise an entity that is practicing, or could be alleged to practice, in the field of the challenged patent with a product or service on the market or with a product or service in which the party has invested to bring to market; and
- (4) does not have a substantial relationship with an entity that falls outside the scope of elements (1)–(3).

\*\*\*The USPTO is also considering whether, even if the petitioner is an entity satisfying the four elements discussed above, the Office should institute petitions where the petitioner satisfies a heightened standard of demonstrating compelling merits.

## COMPELLING MERITS - PROTECTING PATENT OWNER WHO IS MICRO ENTITY

Absent compelling merits, should the status of the patent owner lead to a denial of institution when:

- (1) the patent owner had claimed micro entity or small entity status at issuance of the challenged patent and timely requested discretionary denial when presented with the opportunity;
- (2) during the calendar year preceding the filing of the petition, the patent owner did not exceed eight times the micro entity gross income level under 37 CFR 1.29(a)(3); and
- (3) at the time the petition was filed, the patent owner (or a licensee of the patent that started practicing the patent after becoming a licensee) was commercializing the subject matter of a challenged claim.

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***QUESTIONS?***

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