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**Notice of Proposed Rulemaking:  
Discretionary Denials, Rule 325(d),  
Parallel/Serial Petitions,  
Filing of Settlement Agreements**

Wednesday, June 12, 2024

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## Overview

- Notice of Proposed Rulemaking (NPRM)
  - One of several Notices currently pending
- The Office seeks comments on the proposals
- Deadline for comments for this NPRM is Tuesday, June 18, 2024

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*Rulemaking Bases;  
Pre-Institution Settlement*

Rulemaking Authorities  
and Possible Issues

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# **RULEMAKING BASES**

- Rulemaking is Important
  - Predictability for expensive and important proceedings
  - Transparency and accountability for the agency
- Rulemaking requires authority and an intelligible principle
  - General authority: 35 U.S.C. 2(b)(2)
    - §2(b)(2)(B) expressly requires notice and comment under 5 U.S.C. 553, the general Executive agency rulemaking statute
  - PTAB specific: 35 U.S.C. 316(a), 326(a) – laundry list of authorities
  - Intelligible principle: a legislative directive on how to exercise the authority to avoid an unbounded delegation
    - Failure to cite or apply an intelligible principle could expose rulemaking to attack
    - *Cf. American Power & Light v. SEC*, 329 U.S. 209, 105 (1946)

# How does this rulemaking measure up?

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- Authority
  - This rulemaking cites §§2(b)(2), 316, and 326 generally
  - Only cites one specific provision, §§316(a)(4) and 326(a)(4), and only for one rule: pre-institution settlement
    - “establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title”
- Intelligible principle: a mixed bag
  - §325(d) provides a clear statutory basis: “the same or substantially the same prior art or arguments previously were presented”
  - §§314(a), 326(a): “may not authorize ... review to be instituted unless ... a reasonable likelihood that the petitioner would prevail”
    - provides no intelligible principle for discretionary denials
    - §§316(a)(6), 326(a)(b) *DO* provide an intelligible principle:
      - “prescribing sanctions for ... abuse of process, or any other improper use of the proceeding, such as to harass...”
      - BUT would require somewhat different rules

## Implications

- Parties very unlikely to challenge rulemaking defects
  - Rarely worth the costs
  - Likeliest challengers will be repeat players, particularly petitioners
    - *Cf. Apple v. Vidal*, 63 F.4th 1 (Fed. Cir. 2023)
  - Still, a consideration in advising clients in high-stakes cases
- PTAB Bar Association role
  - A general, professional interest in the Office getting it right
  - As lawyers, an interest in agencies following the law even when it rarely matters



# **DISCRETIONARY DENIALS**

Kristi Sawert  
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# Discretionary Denial NPRM

- **89 Fed. Reg. 28693-28706**
  - Comment period closes June 18, 2024
  - Proposed rules developed based on comments received with respect to April 2023 Advanced Notice of Proposed Rulemaking (ANPRM)
  - Addresses various discretionary denial issues, as well as filing of settlement agreements



This document is scheduled to be published in the Federal Register on 04/19/2024 and available online at <https://federalregister.gov/d/2024-08362> and on <https://govinfo.gov>

3510-16-P

## DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO-P-2023-0048]

RIN 0651-AD72

**Patent Trial and Appeal Board Rules of Practice for Briefing Discretionary Denial Issues, and Rules for 325(d) Considerations, Instituting Parallel and Serial Petitions, and Termination Due to Settlement Agreement**

**AGENCY:** United States Patent and Trademark Office, Department of Commerce.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The United States Patent and Trademark Office (USPTO or Office) proposes modifications to the rules of practice for inter partes review (IPR) and post-grant review (PGR) proceedings before the Patent Trial and Appeal Board (PTAB or Board) that the Director and, by delegation, the PTAB will use in exercising discretion to institute IPRs and PGRs. The Office proposes these provisions in light of stakeholder feedback received in response to an October 2020 Request for Comments (RFC) and an April 2023 Advance Notice of Proposed Rulemaking (ANPRM). The proposals enhance and build on existing precedent and guidance regarding the exercise of the Director's discretion pursuant to the America Invents Act (AIA) to determine whether to institute an IPR or PGR proceeding with regard to serial petitions, parallel petitions, and petitions implicating the same or substantially the same art or arguments previously presented to the Office. The proposed rules also provide a separate briefing process for discretionary institution arguments and align the procedures for termination of proceedings pre- and post-institution.

## What is not addressed?

- *Fintiv* or other considerations of parallel litigation
- “For-profit” petitioners
- “Under-resourced” patent owners
- Impact of final adjudication in district court

## Definitions

- “**Parallel**” —two or more petitions that (1) challenge the same patent and (2) are filed *by the same petitioner* on or before: (a) the filing of a patent owner preliminary response to any of the petitions, or (b) the due date set for filing a POPR to the first petition (if no POPR is filed).
- “**Serial**” —a petition that (1) challenges overlapping claims of the same patent that have already been challenged *by the petitioner, the petitioner's real party in interest, or a privy of the petitioner*; and (2) is filed after (a) the filing of a POPR to the first petition; or (b) the expiration of the period for filing a POPR, or as otherwise ordered, if no POPR filed.
- Does not include or rely upon the “**substantial relationship**” language from the Board’s precedential *Valve* decisions
  - “[A]dopting the established common-law concepts of real party in interest and privity provides a body of case law . . . .”

## Rules About Parallel Petitions

- The Board *will not* institute parallel petitions, as defined in § 42.2, absent a showing of *good cause* as to why more than one petition is necessary.
- Information relevant to the good cause determination *may* include:
  - A petitioner's ranking of their petitions in the order in which petitioner desires the Board to consider the merits of their petitions relative to the other parallel petitions;
  - An explanation of the differences between the petitions and why the issues addressed by the differences are material;
  - The number of patent claims of the challenged patent that have been asserted by the patent owner in district court litigation;
  - The number of claims the petitioner is challenging;
  - Whether there is a dispute about the priority date of the challenged patent;
  - Whether there are alternative claim constructions that require different prior art references on mutually exclusive grounds;
  - Whether the petitioner lacked information, such as the identity of asserted claims, at the time they filed the petitions;
  - The complexity of the technology in the case; and
  - Any other information believed to be pertinent to the good cause determination.



## Rules About Serial Petitions

- The Board, in its discretion, *may* deny institution of any serial petition challenging claims of the same patent that overlap with claims challenged in a previously filed petition
- The Board *will* consider the following factors in determining whether to deny institution:
  - 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;
  - Whether, at the time of filing of the second petition, the petitioner had already received the patent owner preliminary response to the first petition or had received the Board's decision on whether to institute review in the first petition;
  - 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; and
  - Whether the petitioner provided an adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent.
- Generally adopts the *General Plastics* factors, except factors (6) and (7)

## Rules About § 325(d)

- A petition for IPR may be denied under 35 U.S.C. 325(d) if the same or substantially the same prior art was *previously **meaningfully addressed** by the Office* or the same or substantially the same arguments were *previously **meaningfully addressed** by the Office* with regard to the challenged patent or a related patent or application, unless the petitioner establishes material error by the Office.
- Art or arguments are deemed to have been **meaningfully addressed** when the Office has evaluated the art or arguments and articulated its consideration of the art or arguments in the record of the patent or the application from which the patent issued or the record of a related application or patent with claims that are substantially the same.

## Rules About § 325(d)

- Prior art is deemed to be “the **same prior art**” if a reference that forms the basis of the challenges in the petition was previously meaningfully addressed by the Office and the petition relies on the reference for a factual proposition that *directly contradicts a finding made by the Office* when the reference was previously meaningfully addressed.
- Prior art is “**substantially the same prior art**” if the disclosure in the prior art previously meaningfully addressed by the Office *contains the same teaching* as that relied upon in the petition.
- Any grounds in a petition that implicate this rule may lead to discretionary denial, if institution would not promote the efficient administration of the Office or support the integrity of the patent system



**Impact on Procedures:  
PTAB Proposed Rule Changes**  
*Discretionary Denials Topics*

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## Impact on Procedures: Proposed Rule Changes

PTAB proposes  
separate briefing for  
discretionary denial  
topics

- The Office is proposing amended rules that provide a procedure for separate briefing on discretionary denial under any of 35 U.S.C. 314(a), 324(a), and 325(d).

# Separate Briefing on Discretionary Denials

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## Current Procedure

- Petitioner may preemptively address discretionary denial issues under any of 35 U.S.C. 314(a), 324(a) and 325(d) in the petition (within word count)
- POPR argues for discretionary denial (within word count)
- Petitioner requests a Reply to further address discretionary denial issues—Board grants or does not, with or without corresponding conference call
  - Typically also Patent Owner gets a Sur-reply

# Separate Briefing on Discretionary Denials

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**Proposal**

3. Amend § 42.24 by adding paragraph (e) to read as follows:

§ 42.24 Type-volume or page limits for petitions, motions, oppositions, replies, and sur-replies.

(e) Requests for discretionary denial. The following page limits apply to briefing in connection with a patent owner request for discretionary denial but do not include a table of contents; a table of authorities; a listing of facts that are admitted, denied, or cannot be admitted or denied; a certificate of service; or an appendix of exhibits:

- (1) Patent owner request: 10 pages.
- (2) Petitioner opposition: 10 pages.
- (3) Patent owner reply: 5 pages.

# Separate Briefing on Discretionary Denials

## Proposal

8. Amend § 42.207 by revising the section heading and paragraphs (a) and (b) to read as follows:

*(b) Request for discretionary denial*

- (1) In addition to a preliminary response to the petition, the patent owner may file a single request for discretionary denial of the petition. Section 42.20(b) notwithstanding, no prior Board authorization is required to file the single request for discretionary denial. The request is limited to addressing any applicable discretionary institution issues and factors other than those involving parallel petitions under § 42.208(e). Applicable discretionary institution issues include those enumerated in § 42.208(f) and (g), as well as any issue that the patent owner believes, based on Office rules, precedent, or guidance, warrants discretionary denial of the petition. If the patent owner files a request for discretionary denial, the petitioner may file an opposition limited to the issues raised in the request, and the patent owner may file a reply limited to the issues raised in the opposition. The request, opposition, and reply are subject to the page limits under § 42.24(e). The Board may also sua sponte raise discretionary denial, in which case the Board will provide an opportunity for briefing by the parties.
- (2) A request for discretionary denial must be filed no later than two months after the date of a notice indicating that the petition to institute a post-grant review has been accorded a filing date. An opposition to the request for discretionary denial must be filed no later than one month after the filing of the request for discretionary denial. A reply in support of the request must be filed no later than two weeks after the filing of the opposition.

# Separate Briefing on Discretionary Denials

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## Proposal

- Separate briefing on discretionary denial
- Patent Owner files a request (10 pages)
  - Within two months after notice granting filing date
- Petitioner opposition (10 pages)
  - Within one month after PO request
- Patent Owner reply (5 pages)
  - Within two weeks of Petitioner opposition



# Separate Briefing on Discretionary Denials

## What Would Change?

- No need for Petition to preemptively address; saves word count
- Saves POPR word count
- Saves separate request to Board for Reply (& Sur-reply)
- Merits may not be addressed in the separate briefing
- The Board may raise discretionary denial issues *sua sponte*

# Separate Briefing on Discretionary Denials

## Who Benefits?

- Petitioner
  - Saves Petition word count (up to ~2,000 words)
  - Doesn't have to guess what discretionary denial challenges PO might raise
  - No need to contact Board after POPR to request a Reply, which is not granted as a matter of right
- Patent Owner
  - Saves POPR word count (up to ~2,000 words)
    - But limits PO discretionary denial arguments to 10 pages
- Board
  - No time crunch following POPR
  - Puts limits on length of discretionary denial arguments



# Separate Briefing on Discretionary Denials

## Real Change?

- Procedurally, yes:
  - Eliminates deciding how much of initial paper (Petition/POPR) to dedicate to the issue
  - Separate timelines for Request/Response/Reply
    - Earlier request than POPR; opposition due at same time as POPR
- In substance/effect, unclear:
  - Aside from separate papers, arguably codifies current procedure of Petitioner requesting a Reply if further briefing is needed
  - Possible length limits may be felt, mostly by PO

# Separate Briefing on Discretionary Denials

## Questions

- Were you surprised to see this proposal?
- Is it likely to favor one party more than the other?
- What is the likely effect of Board's ability to raise *sua sponte*?
- Would this change be positive on the whole?

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# **PRE-INSTITUTION SETTLEMENT: A CASE STUDY**

## Congressional Directive

- §§317, 327:
  - (a) “An inter partes review instituted under this chapter shall be terminated....”
  - (b) “Any agreement ... made in connection with ... the termination of an inter partes review under this section....”
  - Textualist construction: Congress only required filing of settlements for instituted reviews
  - Historical analogue: §135(c) interference settlements
    - no analogue to pre-institution
    - statute only applied after interference declared
- Did Congress just err?
  - As written, statute incentivizes pre-institution settlement by withholding a barrier to settlement
  - No pre-trial analogue in other proceedings

## Costs

- Impedes abandonment: settlement implied
- May give one party additional leverage
  - In forcing an agreement, weaker party might be forced to give up ancillary matters
- Risk of leaks
  - USPTO, *Notice of potential erroneous release of patent application titles* (May 17, 2024)
- Triggers reverse Freedom of Information Act suit
  - Statute provides no basis for exemption under 5 U.S.C. 552(b)
  - (b)(4) (“trade secrets and commercial or financial information obtained from a person and privileged or confidential”) just results in a show-cause to parties why the agreement is confidential
  - Enforcement requires parties to file a “reverse FOIA” suit
- Rulemaking does not address costs to parties

## Benefits

- Beneficiaries

- (b) “...shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.”

- Shifts costs of access from requester to parties
    - Agencies with legitimate need usually have subpoena power
    - Persons with legitimate need usually have discovery

- PTAB concern with reviews recurring without a settlement

- *PNC Bank v. Parus Holdings*, CBM2015-00109 (2015)
      - Pre-institution denial where patent was not CBM-eligible anyway
    - BUT
      - No bar to PTAB entering merits decision, see *PNC Bank*
      - Sanctions for abuse of process, §§316(a)(6), 326(a)(6), 37 CFR §42.12

## Implications

- New rule requirement for pre-institution settlement lacks apparent statutory authority
  - Rulemaking cites existing practice
    - Which also lacks authority so does not help
    - Executive Order 14036 provides no authority for USPTO requirement
  - §§316(a)(4), 326(a)(4) provide for establishing/governing reviews and relationships to other proceedings
    - No mention of settlements
    - No substantive authority for creating a new substantive requirement
- Facially contravenes the settlement statutes, §§317, 327
  - Congress could add requirement if it wants
- Probably does not matter for virtually all parties
  - But sets a disturbing precedent in USPTO rulemaking



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Questions? Comments?

Thank you!