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**Improving IPR Practice  
Implementing the AIA Ten Years Later**

**Advanced Notice of Proposed Rulemaking  
Impact on Parties**

**Monday, June 12, 2023**

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# Advanced Notice of Proposed Rulemaking

## PTAB Bar Association

### Webinar Series

Thursday, June 8: Impact on Procedures

Monday, June 12: Impact on Parties

Friday, June 16: Impact on PTAB Discretion  
(11 am PT / 2 pm ET)

# 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.

# YOUR PANEL

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**Panel Moderator**  
**Tamara Fraizer**  
Squire Patton Boggs



**Brent Babcock**  
Loeb & Loeb LLP



**Marshal Schmitt**  
Michael Best



**Ashraf Fawzy**  
Unified Patents

# OVERVIEW

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We will address and discuss proposed rules that may impact the parties to PTAB proceedings, including:

- Special rules for under-resourced parties and certain disclosure requirements
- A “substantial relationship” test that would trigger discretionary denial
- Limitations on who can file a petition

# OVERVIEW

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- It's an ANPRM, not a NPRM – an invitation for discussion and input on the rules to be proposed
- We consider here:
  - How would the rule change the current practice?
  - Who would be affected and how?
  - What might parties do to mitigate or leverage the rule?
  - What are the benefits and downsides of the rule?
  - What issues should be considered by the USPTO?

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# **Special Rules for Under- Resourced Parties and Disclosure Requirements**

**Ashraf Fawzy**

# Special Rules for Under-Resourced Parties

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Stated purpose in the ANPRM:

- Recognize the contribution of startups, small businesses, and independent inventors
- “[L]imited resources may impact the perceived fairness of post-grant reviews”
- Supporting startups, small businesses, and independent inventors is one of the major priorities for the USPTO



# Special Rules for Under-Resourced Parties

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Absent compelling merits, **deny institution** for under resourced Patent Owners, when:

1. the patent owner 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.

# Special Rules for Under-Resourced Parties

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Definition of under-resourced **Petitioner**:

1. at the time of **petition filing**, the petitioner is a **small or micro entity** not exceeding a specified gross income level and
2. has **been accused** of making, using, selling or offering to sell in the United States, or importing into the United States the subject matter of a challenged claim.

# Special Rules for Under-Resourced Parties

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## Rule(s) for under-resourced Petitioners?

- The Office is considering how to proceed with discretionary denials where a petitioner is under-resourced.
- The Office welcomes comments on whether the resource status of a petitioner should be a consideration when analyzing discretionary denials.

# Special Rules for Under-Resourced Parties

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ANPRM seeks input on other proposals:

- Whether 8x multiplier is appropriate
- Requirement to be micro/small entity status at time of petition
- Criteria other than income
- Any other definitions for “under-resourced”

# Disclosure of Ownership Interests and Funding

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Stated purpose in ANPRM:

- To protect against government-owned or -funded entities or third-party litigation funded entities from shielding their patents
- To protect against abuse

# Disclosure of Ownership Interests and Funding

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- When?
  - In a request for discretionary denial or
  - As part of mandatory disclosures under 37 CFR 42.8 (or first paper)
- What?
  - additional information relating to **patent ownership** or entities having a **substantial relationship** with the patent owner
  - For examples, any **ownership interest in the patent owner**; any **government funding or third-party litigation funding** support, including funding for some or all of the patent owner's attorney fees or expenses before the PTAB or district court; and **any stake any party has** in the outcome of the AIA proceeding **or any parallel proceedings** on the challenged claims).
- Precondition to discretionary denial

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# **Special Rules for Under-Resourced Parties and Disclosure Requirements**

**Questions?  
Comments?**

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# A “Substantial Relationship” Test Triggering Discretionary Denial

Marshall Schmitt



# “Substantial Relationship” Test — Purpose

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Stated purpose in the ANPRM:

- “Advance the Office’s mission and vision and the congressional intent behind the AIA where the entities are in privity with a party or are, themselves, real parties in interest, and where their involvement in the proceeding is consistent with the statutory provisions or the Office’s rules, including those related to estoppel or multiple challenges to a patent”
- Cure current party relationship test that is “arguably too limited in certain circumstances” to avoid abuse

# “Substantial Relationship” Test — Options

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- PTO is seeking input on what parties would be subject to automatic discretionary denial
- Options include:
  1. Previous Petitioner;
  2. Real Parties in Interest and Privies (to which estoppel provisions currently apply if Final Written Decision entered);
  3. Party with significant relationship to previous Petitioner, e.g., co-defendants in district court (*Valve I*);
  4. Parties who join an earlier petition (*Valve II*);
  5. Members of organization that file previous petition; and
  6. Parties that pool their resources to file a joint claim

# Balancing Discretion and Estoppel

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- Sections 314(a) and 324(a) of Title 35 provide the Director discretion to deny a petition, even meritorious.
- Section 315 of Title 35 provides:
  - The **petitioner** in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the **real party in interest or privy of the petitioner**, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.
  - Section 325 provides a similar estoppel for post-grant review petitions
- Congress struck a balance between discretion and estoppel to further the interest of efficiency and providing a less expensive alternative to litigation

# “Substantial Relationship” Test — Issues

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- Authority of PTO
- Address Perceived Need to Limit Overlapping Petitions
- Increase Necessity to Receive Evidence and Find Facts
- Create Unintended Consequences, *e.g.*, more discretionary denials will limit value of estoppel
- Need for Analytics to Implement Balance

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# A “Substantial Relationship” Test Triggering Discretionary Denial

Questions?  
Comments?

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# Limitations on Who Can File a Petition

Brent Babcock

# Limitations on Nonmarket Competitors— Petitions Filed by Certain For-Profit Entities

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AIA Statute: 35 U.S.C. § 311 (IPR):

“Subject to the provisions of this chapter, **a person who is not the owner of a patent** may file with the Office a petition to institute an Inter partes review of the patent.”

AIA Statute: 35 U.S.C. § 321 (PGR):

Subject to the provisions of this chapter, **a person who is not the owner of a patent** may file with the Office a petition to institute a post-grant review of the patent.

# Perceived Problems Articulated in ANPRM

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- Some petitions are filed by for-profit entities who had not been sued for infringement and may not have an apparent reason for challenging validity of patent claims.
- Certain for-profit entities may use the IPR and PGR processes not to advance the mission and vision of the Office to promote innovation or the intent behind the AIA to provide a less-expensive alternative to district court litigation, but instead to advance other interests.



# RPI/Estoppel “Shield” Articulated in ANPRM

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- The USPTO is considering changes that would limit institution on filings by for-profit, non-competitive entities that in essence seek to **shield the actual real parties in interest and privies from statutory estoppel provisions.**
- The objective of the proposed rule is to address perceived end-runs around the RPI and estoppel rules.

# Potential Solution Proposed in ANPRM

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- The Board would discretionarily deny 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).

# Additional Considerations Articulated in ANPRM

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- Whether the PTAB should discretionarily deny an IPR or PGR if the patent owner provides a covenant not to sue to a for-profit petitioner **and its customers** prior to initiating litigation against those entities.
- Potential definition: “For-profit” entity could include any party with a **substantial relationship** with a for-profit entity.
- Potential exception: 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.

# Carve-Out Articulated in ANPRM

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- Where multiple entities are defending infringement claims in district court litigation, or have related interests in challenging the patentability of patent claims, they may join together to challenge the subject patent claims before the PTAB. Such activity may advance the Office's mission and vision and the congressional intent behind the AIA so long as the entities are real parties in interest or in privity, such that the activity does not work to avoid the effect of statutory provisions or the Office's rules, including those related to estoppel and/or multiple challenges to a patent.

# Issues to Consider with ANPRM Proposal

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- Essentially a new standing requirement for petitioners
- Scope of rule's impact – entities falling within the rule
- Compare/contrast with legislation for “domestic market” in ITC proceedings
- Consistency with Congressional intent for petitioner standing in view of broad AIA statutes
- Breadth and scope of PTAB's discretion vis-à-vis statutory provisions
- Consideration of other purposes of the AIA, e.g., cancelling invalid patents
- Maintaining a “level playing field” for all stakeholders

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## Limitations on Who Can File a Petition

Questions?  
Comments?

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- Please write down the following affirmation code:

**PTAB612**

- After today's session you will receive a Uniform Certificate of Attendance to submit to our colleague, [robin.hallagan@squirepb.com](mailto:robin.hallagan@squirepb.com). Please add the code to your form.



# THANK YOU & REMINDER

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Thank you for attending our webinar.

Comments responsive to the ANPRM must be submitted on or before June 20, 2023.

The PTAB Bar Association will be submitting comments and welcomes your input!