
***PTAB Bar Association
2021 Annual Conference***

**Patent Office Policy Post-lancu: Where does the
office go from here?**

September 23, 2021

Major Iancu Policy Objectives

- Certainty to §101
 - Examination Guidance
- Adjustments to PTAB
 - Rules
 - Adjudication
 - Other

Director's Institution Discretion: Statutory Language

- 35 U.S.C. § 314(a): “The Director *may not* authorize an *inter partes* review to be instituted *unless* . . . [reasonable likelihood of unpatentability of one or more claims challenged in petition]”
- 35 U.S.C § 314(d): Director’s determination “whether to institute an *inter partes* review under this section shall be *final and nonappealable*.”
- 35 U.S.C. § 315(b): An *inter partes* review *may not* be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner . . . is served with a complaint alleging infringement of the patent.
- 35 U.S.C. § 325(d): 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.

Director's Policy Authority Over PTAB

- Rulemaking
 - 35 U.S.C. § 316(a)(4): “[The Director shall prescribe] regulations . . . establishing and governing *inter partes* review under this chapter.”
- Adjudication
 - Precedential Decisions, POPs
 - Unilateral Director Review of Adjudication (*Arthrex*)
- Other Policy Setting Mechanisms
 - 35 U.S.C. § 3(a)(2)(A): “The Director shall be responsible for providing policy direction and management supervision....”
 - SOPs, Trial Practice Guide Updates, Pilots, POP and Precedential Decisions
- Choice between Rulemaking, Adjudication, and Other

Use of Director Rulemaking Authority

- Claim construction in AIA proceedings
- Instituting on all claims and grounds and eliminating the presumption at institution favoring petitioner's testimonial evidence
- Allocating the burden of persuasion on motions to amend

Use of Director Discretion/Policy Setting Authority

- SOPs
 - E.g., SOP2 – establishing the POP and providing for Director ratification of Board decisions as “precedential”
- Precedential Decisions
 - E.g., *General Plastic* (2017), *NHK* (2019), *Fintiv* (2020) – discretionary denials in the context of multiple petitions and other litigation
- POP Decisions
 - E.g., *Hulu* (2018) – evidentiary burden at time of institution
- Pilot Programs
 - E.g., Providing for preliminary guidance and revised motions to amend

Director Discretion: Criticisms

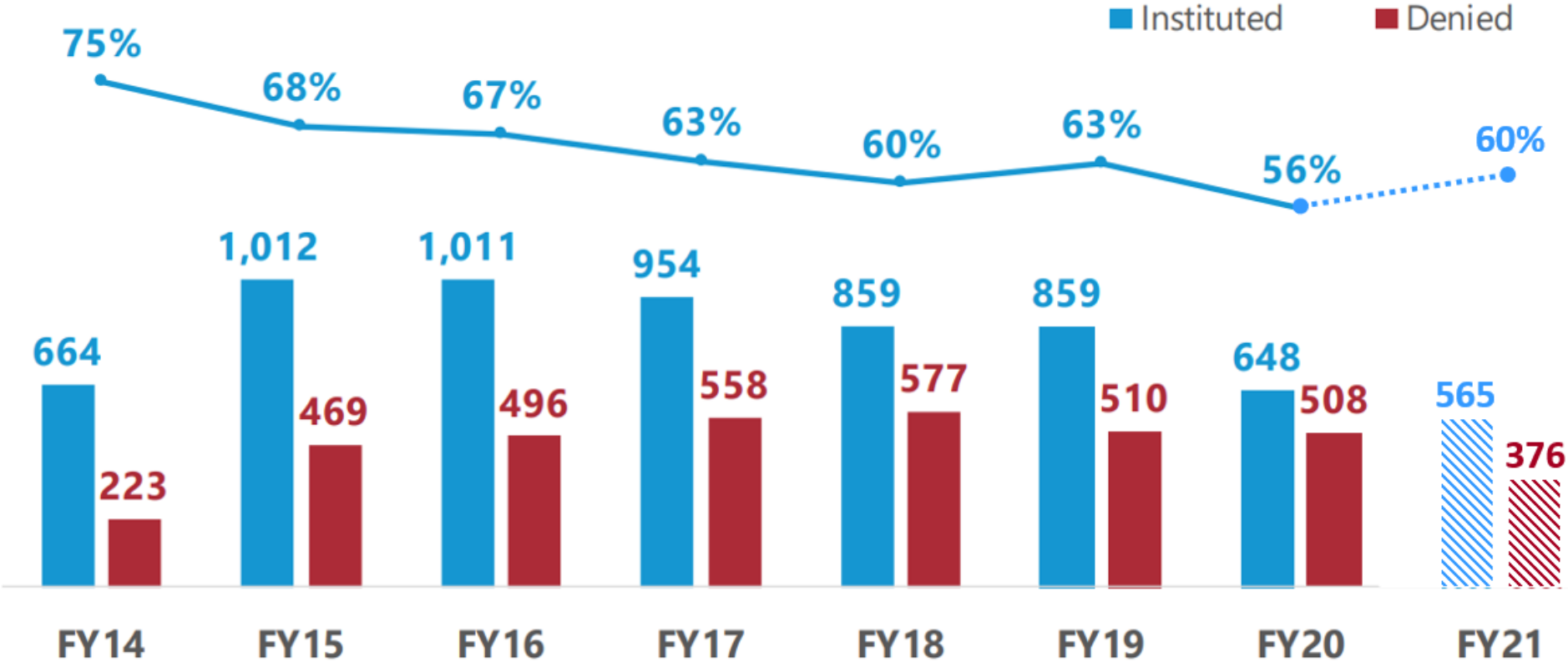
- *General Plastic* and other guidance limiting multiple petitions not generating significant controversy
- *NHK/Fintiv* supported by some but opposition continues with the following arguments:
 - Concern of panel dependency on trial timing and ITC
 - Rocket dockets effectively deny petitioners
 - ITC should not count
 - PTAB review is more accurate
 - Large jury verdicts emphasize difficulty getting obviousness verdict and economic impact from denials (e.g., *VLSI v. Intel*)

Arthrex Implications

- Director Review
 - “The Constitution therefore forbids the enforcement of statutory restrictions on the Director that insulate the decisions of APJs from his direction and supervision.”
- Will Director use the authority and how?
 - USPTO Preliminary Guidance says “yes,” but no rehearings granted to date
 - Does a Director grant of rehearing create new precedent?

Discretionary Denials Impact Institution Rates?

Institution rates by petition
(FY17 to FY21 Q3: Oct. 1, 2016 to Jun. 30, 2021)



https://www.uspto.gov/sites/default/files/documents/trial_statistics_20201130.pdf
https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2021_q3__roundup.pdf

Overview – *Fintiv* Factors

- *Apple v. Fintiv* factors
 1. Whether the court granted or may grant a stay if a proceeding is instituted;
 2. Proximity of the trial date to the statutory deadline for a final written decision;
 3. Investment in the parallel district court proceeding;
 4. Overlap between issues in the petition and in the parallel proceeding;
 5. Whether the petitioner and the defendant are the same party; and
 6. Other circumstances, including the merits.

Weighing *Fintiv* Factors

Factor 1: Likelihood of stay in district court

Favors denial

Favors institution



Stay already denied

No indication
from court

Stay already granted

Weighing *Fintiv* Factors

Factor 2: Proximity of court trial date to statutory deadline for final written decision

Favors denial

Favors institution



Trial already occurred

Trial at or about final written decision date

Trial after final written decision date

Trial before final written decision date

Weighing *Fintiv* Factors

Factor 3: Investment* by parties and court in parallel proceeding

Favors denial

Favors institution

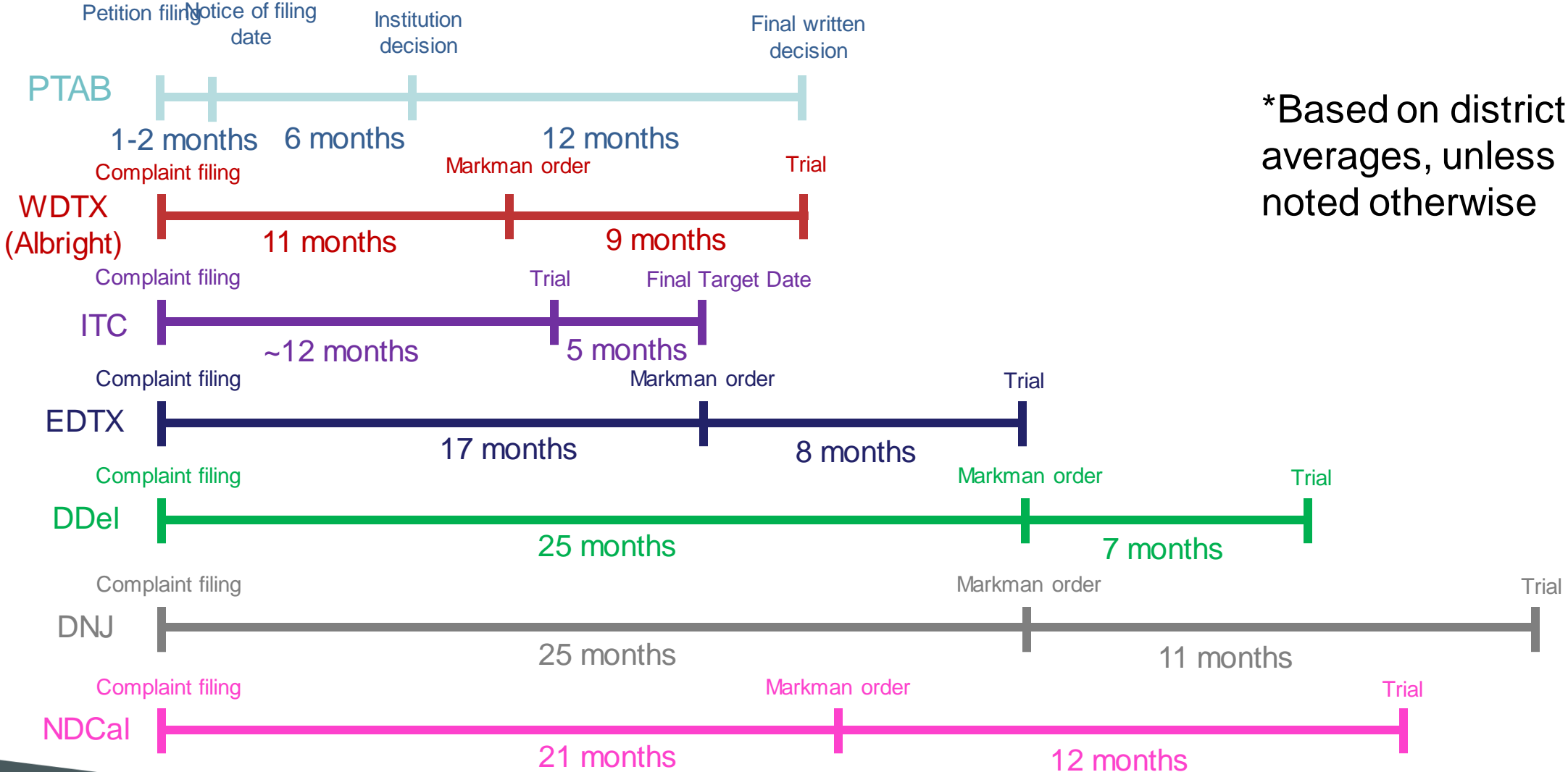


Substantial investments

Early stages of litigation

*Claim construction; exchange of contentions; fact discovery; expert discovery; dispositive motions; pre-trial, trial, and post-trial proceedings

Factors 2 and 3 Matter



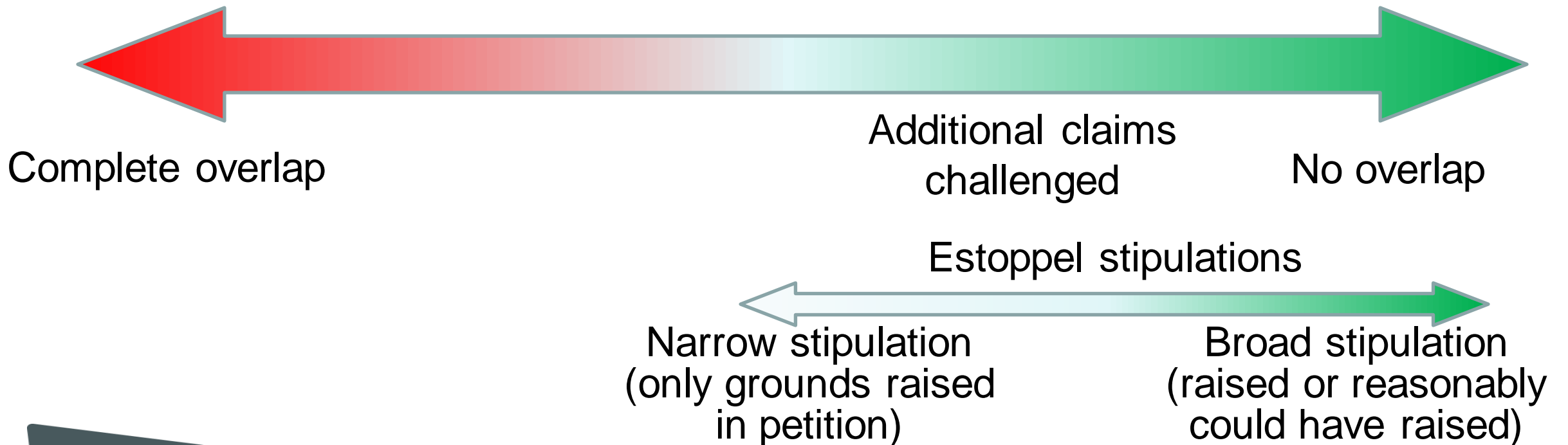
*Based on district averages, unless noted otherwise

Weighing *Fintiv* Factors

Factor 4: Overlap of issues in petition and parallel proceeding

Favors denial

Favors institution



Weighing *Fintiv* Factors

Factor 5: Are petitioner and defendant same?

Favors denial

Favors institution



Yes
(same)

No
(different)

Weighing *Fintiv* Factors

Factor 6: Other circumstances

Favors denial

Favors institution



Weak merits

Strong merits

Diligence
Can court invalidate?
Burden of proof?

***VLSI v. Intel* (W.D. Tex. Mar. 2, 2021).**

U.S. Patent No.
7,523,373

Filed Aug. 30, 2006

- “[T]he memory in a data processing system may fail at a higher voltage than the processor. That is, the processor may be able to operate at a lower voltage than is possible for the memory.”
- “Therefore, in many embodiments, ***the memory has a higher minimum operating voltage*** than the processor.”

Column 2, lines 4 through 9

The claimed invention: when the memory needs more voltage—give it more voltage

U.S. Patent No.
7,523,373

“MINIMUM
MEMORY OPERATING
VOLTAGE TECHNIQUE”

- When “a first regulated voltage” for the processor is “at least the value of the minimum operating voltage for the memory,” then provide that voltage to the processor *and* the memory
- **However**, when the memory needs more voltage, then provide the memory with a “**second regulated voltage**” that is “**greater than** the first regulated voltage”
- **Claim 1**

District Court Challenges to *Fintiv* Framework

- *Apple Inc. v. Iancu*, ND Cal.
 - Complaint alleges that 1) applying the *NHK-Fintiv* factors violates the AIA, which allows parallel proceedings to occur at the Board and the District Court; 2) the *NHK-Fintiv* factors are arbitrary and capricious because they lead to “speculative, unpredictable, and unfair outcomes;” and 3) the *NHK-Fintiv* factors are procedurally invalid because they were not adopted through notice-and-comment rulemaking.
 - Plaintiffs filed a motion for summary judgment and the government filed a motion to dismiss; motions argued March 11, 2021.
- *US Inventor v. Hirshfeld*, EDTX
 - Complaint sought declaratory and injunctive relief, arguing formal notice-and-comment rulemaking is required.
 - Dismissed for lack of subject matter jurisdiction because plaintiffs did not have Article III standing.

Where does the USPTO go from here?

- POP or Director rehearing decisions as precedent?
 - If *NHK/Fintiv* remains, what adjustments should be made
 - Petitioner safe harbor for diligence
 - ITC and PGR carve-outs
- Rule changes?
 - Should Discretionary denial be codified so public can comment and adjustments made? (see RFC Exec. Summary on Discretion)
- Does Congress have a role?
 - Clarify scope of Director discretion
 - Provide for IPR stays (like CBM) to eliminate for *NHK/Fintiv*