IP Alert | Comments Pour in Responding to New PTAB Rule Proposals

By Elizabeth Rielley and Camille Sauer

On April 21, 2023, the USPTO issued an Advance Notice of Proposed Rulemaking (ANPRM) with proposed changes to PTAB rules and procedures. The ANPRM includes sweeping proposals largely related to rules the USPTO Director will use in exercising discretion to institute post-grant review proceedings. Stakeholders and the public were welcome to submit comments on the proposed changes to current USPTO practices up through June 20, 2023. As of the close of comment submission, over 800 distinct comment submissions were received by a diverse array of stakeholders, including companies, individuals, IP organizations, and trade associations.

While commenters generally agreed that any rules changes should seek to promote American businesses and strengthen the patent system, widely differing perspectives were offered as to whether or how the proposed rule changes accomplish these goals. For example, the American Intellectual Property Law Association (AIPLA), while applauding the USPTO's use of Notice and Comment rulemaking to allow stakeholders to present their input, stated concern that adopting various proposals may "unduly complicate the institution analysis."[1] The AIPLA and the American Bar Association Intellectual Property Law Section also commented that certain changes appear to go outside the Director's rulemaking authority and would be better addressed by Congress.[2] The PTAB Bar Association noted an absence of proposed regulatory text in the ANPRM and that "any ANPRM proposing to change PTAB practice is easier to respond to, and easier for the Office to gauge public feedback, when the ANPRM contains the proposed regulatory text reflecting such changes."[3] Other entities commented that the proposals in the ANPRM appear to conflict with the plain language and Congressional intent of the AIA. Still others commented that the proposals strive in the right direction of correcting abuses in PTAB procedures. Specific proposals and selected comments on those proposals are addressed below.

Discretionary Denial Proposals

A large portion of the proposed rule changes include rules relating to denial of institution based on certain conditions, including:

1. Petitions filed by certain for-profit entities;
2. Petitions challenging under-resourced patent owner patents where the patentee has or is attempting to bring products to market;
3. Petitions challenging patent claims previously subject to a final adjudication upholding the patent claims against patentability challenges in district court or in post-grant proceedings before the USPTO;
4. Serial petitions;
5. Petitions raising previously addressed prior art or arguments (subject to the 35 U.S.C. 325(d) framework);
6. Parallel petitions; and
7. Petitions challenging patents subject to ongoing parallel litigation in district court.

Stakeholders provided many and varied comments on the range of discretionary denial proposals. Indeed, comments are so varied that the PTAB Bar Association presented comments from members holding views in favor of petitioners and members holding views in favor of patent owners.[4]

Possibly the most controversial of the above, (1) and (2) were heavily commented on, with many comments suggesting that such proposals impose a standing requirement and categorically favor or disfavor a party based on their status. Still, some comments supported denials in view of (1) and (2), to better focus resources on proceedings between market competitors and eliminate potentially abusive behavior. As to (3), some comments supported automatic denials in such circumstances to provide the patent owner with the right to quiet title, while others noted ample potential for abuse or gamesmanship depending on the circumstances of the final adjudication. As serial and parallel petitions ((4) and (6) above), many comments supported standardized guidance for multiple petitions and generally favored a presumption that a patent will not be subject to multiple challenges, although valid exceptions to the rule should exist. Other comments supported a case-specific analysis as opposed to a bright-line rule for serial and parallel petitions. As to parallel litigation in district court ((7) above), some comments supported the Office simply repealing the Fintiv policy.[5] Many comments disfavored such denials given the inherent uncertainties in trial, the Congressional intent of the PTAB as a cost-effective alternative to litigation, and to avoid incentivizing forum shopping. On the other hand, other comments supported rulemaking of the Fintiv policy that considers overall efficiencies and avoids duplicating resources.

Threshold Definitions

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.

Many entities expressed that these new definitions should not be implemented. For example, Apple commented that the proposed “substantial relationship” test is overbroad, unclear, and unpredictable, which may give rise to unfair judgments and the opportunity for gamesmanship.[6] Other comments indicated that this test may require pre-trial discovery based on the many different contracts and relationships businesses have with other companies and clients. On a similar note, some comments expressed concern that the proposed “substantial overlap” definition may lead to the ability to insulate a patent from any future petitioners. As to “compelling merits,” some comments noted that this is a higher standard than currently required by Congress, is too high to be used at the institution phase, and may provoke bias in favor of the petitioner. Others commented that the definition is so vague that it would result in inconsistent application and lead to unpredictable outcomes.

However, some comments welcomed implementation of the definitions. For example, some commented that a broader substantial relationships definition may decrease the number of multiple challenges filed on the same patent in furtherance of the goals of the AIA.

Additional Proposals

Related to discretionary denials, five additional changes are being considered: (1) absent exceptional circumstances, requiring petitioners to file a stipulation that neither they nor their privy or real parties have filed prior post-grant proceedings on the challenged claims; and that if their post-grant proceeding is instituted, neither they nor their privy or real parties in interest, will challenge any of the challenged claims in a subsequent post-grant proceeding; (2) requiring petitioners to file a separate paper justifying multiple parallel petitions; (3) allowing a potential payment of a fee to enhance the word-count limits for a petition to avoid multiple parallel petitions; (4) providing for separate briefing on discretionary denial issues; and (5) requiring filing of all settlement papers when the dismissal of AIA proceedings is sought, whether pre- or post-institution.

Generally, parties typically in petitioner roles provided comments in opposition to (1) or (5), but in favor of (3) and (4), while parties typically in patent owner roles generally favor the inverse. To the extent (2) is commented on specifically, many commenters indicated that the proposal reflects current guidance and should be adopted as a rule.

What's next?

As this is an Advance Notice of Proposed Rulemaking, the next step toward implementing new rules would be a Notice of Proposed Rulemaking, likely with more specific rule language. As the ANPRM included many open questions and proposals set out as alternatives without specific rule text, the USPTO will likely consider the comments in preparing precise rule language. Some proposals in the ANPRM will likely not carry forward or will be heavily revised.

It seems likely that a subsequent NPRM will be forthcoming this year. Petitioners and patent owners alike should stay tuned for the next round of proposed rule changes that could greatly impact PTAB proceeding.

---

[1] Comment by The American Intellectual Property Law Association on FR Doc # 2023-08239, pp. 1-2, 5, (Jun. 20, 2023), https://www.regulations.gov/comment/PTO-P-2020-0022-0776.

[2] Id.; Comment by American Bar Association Intellectual Property Law Section on FR Doc # 2023-08239, p. 2, (Jun. 20, 2023), https://www.regulations.gov/comment/PTO-P-2020-0022-0754.

[3] Comment by PTAB Bar Association, p. 1, (Jun. 20, 2023), https://www.regulations.gov/comment/PTO-P-2020-0022-0735.

[4] See id. at 8-11.

[5] See Apple Inc. v. Fintiv, Inc., IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (designated precedential May 5, 2020) (establishing six factors that guide discretionary denial of an IPR or PGR petition in view of a parallel court case).

[6]Comment by Apple Inc. on FR Doc # 2023-08239, pp. 4-5, (Jun. 21, 2023), https://www.regulations.gov/comment/PTO-P-2020-0022-0800.

Posted: June 26, 2023