IP Alert | PTAB to Use Bifurcated Process for Discretionary Denials of IPRs and PGRs

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The United States Patent and Trademark Office ("USPTO") issued a memorandum on March 24, 2025 providing guidance on its rescinding of the prior interim process for discretionary denials and another memorandum on March 26, 2025 outlining a new interim procedure under which the Director will discretionarily deny institution of inter partes review ("IPR") and post-grant review ("PGR") proceedings before the Patent Trial and Appeal Board ("PTAB").

Under the interim procedure, "decisions on whether to institute an IPR or PGR will be bifurcated between (i) discretionary considerations and (ii) merits and other non-discretionary statutory considerations." If discretionary denial is appropriate, the Director will issue a decision denying institution. If it is not appropriate, the Director will issue a decision regarding that determination and refer the petition to a three-member panel of the PTAB to address the merits and other non-discretionary statutory considerations.

The PTAB also issued guidance on the new interim procedure in the form of frequently asked questions ("FAQs"). The following are some top takeaways from these FAQs:

- The interim procedure creates a separate briefing schedule for discretionary denials, namely the patent owner may file a brief within two months of the date on which the PTAB enters a Notice of Filing Date Accorded, and the petitioner may file an opposition brief one month thereafter. The parties may not stipulate to extend these briefing due dates.
- If the patent owner elects not to file a discretionary denial brief, the PTAB panel will issue a decision on institution addressing the merits and any non-discretionary considerations raised by the parties. The panel will not address discretionary considerations, except where the petition presents an insufficient number of challenges such that institution would be an inefficient use of resources. Claim construction issues and whether a petition meets the particularity requirements may be considered by the panel in deciding whether to discretionarily deny the petition.

- The parties' briefs relating to discretionary denial will not be considered after such time that the Director determines discretionary denial is not appropriate. Therefore, the patent owner needs to file a preliminary response ("POPR") if it wants the PTAB to consider any merits arguments for the institution decision.
- The PTAB is not bound by the Director's views on the strength of the merits, one of the factors for discretionary denial. However, the PTAB would need to explain any inconsistent determinations and provide citations to record evidence.
- A petitioner should file a Sotera stipulation with the petition or as soon as practicable thereafter, so that a patent owner may address the impact of the stipulation in its discretionary denial brief. (A Sotera stipulation is a legal agreement that promises not to pursue in District Court the specific grounds asserted in the IPR or any other ground that was raised or could have been reasonably raised in the IPR.)
- Extensive reliance on expert testimony or reasonable disputes between experts on dispositive issues may suggest that the questions are better resolved in an Article III court. The failure to provide focused expert testimony may weigh against institution.
- A petition should not raise discretionary issues. A petitioner instead should raise discretionary issues in its opposition brief filed after the patent owner's discretionary denial brief.
- The parties should not treat discretionary denial briefs as an additional opportunity for merits briefing. However, in its discretionary denial brief, the patent owner may direct attention to merits arguments it plans to file in its POPR.
- A request for rehearing may not raise both (i) discretionary considerations and (ii) merits or other non-discretionary considerations. A party instead must file a request for Director Review if it wants a rehearing of discretionary considerations.

What Are the Implications for Stakeholders?

Patent Owners: Patent owners should be prepared to raise discretionary denial arguments early using the new bifurcated process. However, they must also be ready to present arguments on the merits soon thereafter, as the deadline for filing a POPR remains unchanged.

- Upside: The new procedure provides an additional opportunity—and word count—to present discretionary denial arguments separately from merit-based arguments.
- Downside: Because a discretionary denial decision will not issue before the POPR deadline, patent owners may need to prepare and file both briefs in quick succession when both sets of arguments are relevant.

Petitioners: Petitioners should shift discretionary denial arguments out of the petition and into the newly available opposition brief under the bifurcated process.

- Upside: Petitioners can now respond directly to the patent owner's discretionary denial arguments, rather than trying to anticipate them at the petition stage. This also frees up word count in the petition.
- Downside: The compressed timeline may require petitioners to develop opposition arguments shortly after the petition is filed.

While the interim guidance does not change the legal standard for discretionary denial, its impact on discretionary denial rates and overall strategy remains to be seen.

We are actively monitoring developments at the PTAB under the new interim procedures. Stay tuned for further information and analysis.

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