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2023 PTAB Year in Review

Analysis & Trends

4TH EDITION

"Sterne Kessler recognized as the 2023 U.S. Post-Grant Firm of the Year"

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Sterne, Kessler, Goldstein & Fox is an intellectual property law firm of 200+ professionals devoted to providing outstanding patent and trademark legal services. Our services span the full range of IP services in the United States and globally, including litigation in all venues, patent and trademark prosecution, IP strategy, freedom-to-operate and other opinions, and transactional support

For over 45 years, we have helped companies build and enforce worldwide IP portfolios. Sterne Kessler has a proven track record in the U.S. Patent and Trademark Office (USPTO), U.S. district courts, federal appeals courts, and the U.S. International Trade Commission (USITC). In the past five years, we have obtained more than 8,000 U.S. patents for our clients; we have led nearly 200 new district court cases in jurisdictions across the United States; we have more experience at the USITC than more than 85% of the firms appearing there; and we have handled nearly 400 new proceedings at the USPTO's Patent Trial and Appeal Board (PTAB).

Our appellate practice has deep experience that includes leading appeals of hundreds of PTAB final written decisions for some of the best-known technology and pharmaceutical companies in the world, in addition to numerous district court and USITC appeals. Our lawyers have clerked for Judges Bryson, O'Malley, Prost, Reyna, and Schall at the Federal Circuit, Judge Douglas H. Ginsburg at the DC Circuit, and Justice Kennedy at the Supreme Court.

Our investments in developing industry and technical expertise have enabled our lawyers to truly understand the business and strategies of companies in industries as diverse as electronic hardware and semiconductors, software solutions, biotechnology (therapeutic and industrial), pharmaceuticals, automotive technology, medical devices, mobile communications, sporting goods, and consumer products. We integrate technical, patent, and legal experience and knowledge in teams that can directly address our clients' needs.

Sterne Kessler's service model builds on the unrivaled technical depth of its professionals. Most have an advanced technical degree and significant industry or academic experience; more than 60 hold a Ph.D.; and well over 100 hold advanced technical degrees. Further, we have over a dozen former patent examiners on staff, strengthening our fundamental ability to obtain, defend, and enforce patents.

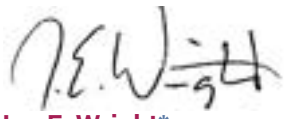
Editors' Introduction

A review of 2023 reveals it was an active and impactful year in shaping the policy and practice before the Patent Trial and Appeal Board (PTAB or Board) at the U.S. Patent and Trademark Office (USPTO). In fact, all three branches of the U.S. Government were actively addressing PTAB policy and practice. As it has for the past decade, the U.S. Court of Appeals for the Federal Circuit provided guidance on important issues that arise during PTAB trials, such as the appropriate scope of reply briefing, as well as issues at the interface between PTAB and district court litigation, such as estoppels stemming from PTAB proceedings. Congress, again, proposed legislation that would significantly alter the current state of PTAB practice, if passed. And last, but certainly not least, Director Vidal—in her first full year at the helm of the USPTO—used her Director Review authority to provide real-time guidance to the Board and to practitioners. In parallel, the Director also engaged with stakeholders through the administrative rulemaking process to help shape future policy.

This *Year in Review* synthesizes key events and decisions from 2023 into a digestible guide that we hope will serve as a helpful reference for those who practice before, or adjacent to, the PTAB. As in the past, many of our articles follow a data-driven approach in order to sift out trends and to identify best practices for parties on both sides of the "v."

In the first half of our review, we provide in-depth analysis of discretionary denial of IPR and PGR petitions. One article covers the Director's broad discretion under Section 314(a) as elucidated by the Director's guidance on how to apply the *Fintiv* factors. A second article examines the more specific statutory discretion under Section 325(d) with respect to previous USPTO proceedings. We also provide a summary of the new Director Review procedures available to parties dissatisfied with institution decisions or final written decisions. And we summarize key precedential Board decisions from 2023, as well as decisions coming out of the Director Review process. We then provide some key PTAB statistics from 2023. In the second half of our review, we cover the latest in statutory estoppels, as well as highlight key Federal Circuit decisions impacting Board procedure. We also take a close look at developments in *ex parte* reexamination practice as an alternative to AIA challenges. Finally, we revisit and update our 2021 analysis of the intersection between post grant proceedings and standard essential patents (SEPs).

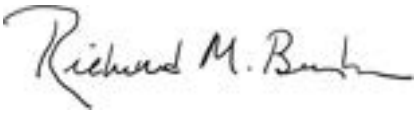
As in our past *Year in Review* publications, we encourage you to not simply read the articles, but also to critically challenge our analysis and consider the impacts on your patent litigation and portfolio development strategies. We thank our authors and our entire PTAB trials team—which was named the 2023 Post-Grant Firm of the Year for the United States at IAM's Global IP Awards—for making this publication possible. We appreciate your interest in this report and welcome the opportunity to discuss PTAB matters and how they may impact your business. If you have questions or comments, please do not hesitate to contact us directly to start the conversation.



Jon E. Wright*
Director, Trial & Appellate Practice Group,
PTAB Trials Practice Co-Chair

Jennifer Meyer Chagnon
Counsel, Electronics Practice Group

Jason A Fitzsimmons
Director, Mechanical Design Practice Group



Richard M. Bemben
Director, Electronics Practice Group

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The data for the charts and graphs within this report was sourced from Docket Navigator® unless indicated otherwise.

Editors & Authors Biographies

Editors

Jon E. Wright* was a director in the Trial & Appellate Practice Group where he co-chaired the firm's PTAB Trials practice. Jon was also a member of the firm's Electronics Practice Group. His practice focused primarily on contested proceedings before the U.S. Patent and Trademark Office's (USPTO) Patent Trial and Appeal Board (PTAB), and on appeals of those cases to the United States Court of Appeals for the Federal Circuit. Jon was a recognized leader in inter partes review (IPR) practice where there is co-pending district court litigation or a USITC investigation. He had a keen focus on and experience with the challenges faced by both patent owners and petitioners in these complex and dynamic proceedings, often working closely with trial counsel as part of an interdisciplinary team. He served as lead or back up counsel in close to 200 separate IPRs over the past decade, including over 50 cases on behalf of patent owners.

Richard M. Bemben is a director in the Electronics Practice Group. His practice focuses on post-grant proceedings at the U.S. Patent and Trademark Office (USPTO) and related patent litigation. Over the last decade, Rick has been counsel in over 125 PTAB proceedings—including inter partes reviews, post-grant reviews, and covered business method reviews. He has also been counsel in more than a dozen related Federal Circuit appeals. In 2023, Rick was ranked within the top five (#2) best-performing PTAB attorneys representing patent owners and within the top 50 best-performing PTAB attorneys overall.

Jason A. Fitzsimmons is a director in the Mechanical & Design Practice Group and a member of the firm's PTAB Leadership Council. Jason specializes in conducting complex post-grant proceedings at the USPTO and has a keen understanding of their interplay with district court proceedings. He was recently ranked in the Top 50 in Patexia's 2023 PTAB Intelligence Report "Best Performing Attorneys Overall. and in the Top 100 for "Most Active Attorneys Overall." Jason is well-versed with every stage of *inter partes* reviews (IPRs)—from pre-institution strategies through argument at oral hearing. He understands the challenges faced by both patent owners and petitioners and has unique experience managing and developing strategies for complex, multi-patent proceedings.

Jennifer Meyer Chagnon is counsel in the Electronics Practice Group. A former Lead Administrative Patent Judge (APJ) at the United States Patent and Trademark Office (USPTO) Patent Trial and Appeal Board (PTAB), Jennifer presided over more than 450 *inter partes* review and post grant review proceedings under the America Invents Act. Jennifer also adjudicated *ex parte* appeals, reviewing adverse decisions of examiners of applications for patents. She presided over cases in a variety of technology areas including the electrical, computer, chemical, mechanical and biological arts. Additionally, as a Lead APJ, she worked with the PTAB executive team on numerous policy, personnel, and strategy issues. During her nearly ten years as a PTAB APJ, she was front and center during the PTAB's formative years and through its ensuing evolution under multiple USPTO directors.

Authors

Kristina Caggiano Kelly is a director in Sterne Kessler's Trial & Appellate Practice Group, representing clients in all stages of litigation before the Patent Trial and Appeal Board, International Trade Commission, district courts, Federal Circuit, and U.S. Supreme Court. She has experience in both *inter partes* disputes and patent prosecution in a wide variety of technological areas and handles Hatch-Waxman filings, interferences, and opinion work. She clerked for the Hon. Sharon Prost of the U.S. Court of Appeals for the Federal Circuit.

Richard A. Crudo is director in the firm's Trial and Appellate Group and the Electronics Practice Group. Recognized as "One to Watch" by Best Lawyers, Richard has more than a decade's worth of experience litigating patent cases. He has represented clients from a broad range of industries—including the computer software and hardware, medical device, biotech, information technology, financial services, and smartphone industries—in high-stakes cases before the Supreme Court, the Federal Circuit, and the district courts. And, while Richard focuses primarily on briefing and arguing appeals, his practice encompasses all stages of litigation, from pleadings and discovery to dispositive motion practice and trial.

Jason D. Eisenberg is a director in the Electronics Practice Group and a practice leader for the Reexamination, Reissue, and Supplemental Examination Practice. Jason was previously a practice group leader in the Electronics Practice Group, adjunct professor for patent office litigation at two law schools, and editor/author of the PTAB Strategies and Insights monthly newsletter. Jason served as co-editor with Robert Greene Sterne for Patent Office Litigation, Second Edition (Thomson Reuters, 2017) and also authored several chapters of the publication. He has over three decades of experience that he applies to his practice, including experience before law school as a public searcher and working as a U.S. Patent and Trademark Office patent examiner. During law school, Jason was a patent agent and an extern at the Ohio Supreme Court.

** Jon E. Wright retired from the firm on December 31, 2023. He served as a co-editor and author on this publication prior to his departure.*

Ryan C. Richardson is a director in the Electronics Practice Group. Ryan's practice focuses on post-grant proceedings before the U.S. Patent and Trademark Office's Patent Trial and Appeal Board (PTAB), as well as U.S. district court litigation and International Trade Commission (ITC) litigation. Ryan has handled almost one hundred contested cases before the PTAB involving technologies ranging from semiconductor fabrication and geographic information systems, to wireless communications. He is experienced in representing both patent owners and petitioners. Ryan also regularly represents both Complainants and Respondents across a wide range of technologies in Section 337 investigations before the ITC. Ryan also specializes in a variety of Standard Essential Patent (SEP) related issues ranging from procurement to litigation, including SEP licensing with respect to fair reasonable, and non-discriminatory (FRAND) obligations.

Jessica Harrison is counsel in the firm's Electronics Practice Group. She brings over three decades of patent practice experience and broad technical aptitude to her clients after spending 25 years at the United States Patent and Trademark Office (USPTO), many as a supervisor including in the Central Reexamination Unit (CRU). Prior to joining Sterne Kessler, she had nearly a decade of experience in private practice, including being a co-founder of an IP boutique. Jessica currently serves as an adjunct faculty professor at University of New Hampshire's Franklin Pierce School of Law where she teaches, an IP and Emerging Technology course, Patent Practice and Procedures courses and a Video Gaming and IP course.

Andrew Z. Barnett is an associate in the Trial & Appellate Practice Group. Andrew concentrates his practice in patent litigation, including in matters in front of federal district courts. Andrew graduated from Washington University School of Law, where he was a staff editor on the Washington University Global Studies Law Review. While serving as an editor, Andrew's note regarding how to combat the proliferation of counterfeit drugs was selected for publication in the journal. Andrew also participated in Washington University's Entrepreneurship and Intellectual Property Clinic, where he assisted clients in patent and trademark matters.

John D. Higgins is an associate in the Mechanical & Design Practice Group. John's practice focuses on post-grant proceedings before the Patent Trial and Appeal Board, worldwide patent prosecution and portfolio management, and strategic patent counseling. John has experience challenging and defending issued patents in various mechanical and electrical technologies, including fiber optic connectors, firewall hangers, road milling machines, and vehicle control systems. John was also an examiner at the USPTO, gaining an inside perspective of the patent examination process and valuable experience in conducting prior art searches.

Joseph K. Venier is an associate in Sterne Kessler's Mechanical & Design Practice Group. His practice focuses on global patent prosecution and portfolio management, strategic patent counseling, and due diligence. Joseph has experience preparing and prosecuting applications related to a variety of industries, including aerospace engineering, climate control, medical devices such as orthopaedic implants and surgical implements, computer hardware, and data center design. Joseph's practice also includes patent landscape, patentability, and freedom-to-operate analyses to counsel clients on patent and product development strategies. Joseph also provides technical support on litigation and PTAB matters, including infringement and validity analyses.

Patrick Murray is manager of business development and analytics in Sterne Kessler's Marketing and Business Development department. His responsibilities include client development, legal project management, and the development and use of legal analytics for both client and firm initiatives. Patrick started his employment with Sterne Kessler as a paralegal in the firm's Electronics Practice Group before making the transition to his current role. While at Sterne Kessler, Patrick earned his M.B.A. from the University of Maryland. He received his B.A. in economics, with minors in political science and French, from Miami University in Oxford, Ohio.

2023 PTAB Case Highlights

BY JENNIFER MEYER CHAGNON

Precedential Decisions

***Penumbra, Inc. v. RapidPulse, Inc.*, IPR2021-01466, Paper 34 (March 10, 2023) (designated: November 15, 2023) (regarding prior art status under AIA § 102)**

The Director designated as precedential a final written decision holding that, for AIA patents, an analysis under *Dynamic Drinkware v. Nat'l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015) is not required for determining whether a reference patent is prior art. This holding brings AIA proceedings in line with Office policy as set forth in the MPEP. The decision explains that "AIA § 102 draws a distinction between *actually being entitled* to a right of priority to, or the benefit of, a prior-filed application according to the definition of 'effective filing date' of a claimed invention in AIA 35 U.S.C. § 100(i)(1)(B), and merely being *entitled to claim* a right of priority to, or the benefit of, a prior-filed application for prior-art purposes according to the use of 'effectively filed' in AIA 35 U.S.C. § 102(d)." The decision then points to "MPEP § 2154.01(b) [which] explicitly states, as a result of the distinction discussed above, in application of the AIA version of § 102, 'the question of whether a patent or published application is *actually entitled to priority* or benefit with respect to any of its *claims* is *not at issue in determining the date the patent or published application was "effectively filed" for prior art purposes.*'" Therefore, for prior art determinations under AIA § 102, "a reference patent document need only meet the 'ministerial requirements' of §§ 119 and 120, and the provisional or other earlier application(s) to which the reference patent document claims a right of priority must 'describe[] the subject matter' relied upon in the reference patent document as prior art. 35 U.S.C. § 102(d)(2)."

***CommScope Techs. LLC. v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 (February 27, 2023) (*sua sponte* Director Review decision regarding *Fintiv*)**

The Director vacated and remanded the Board panel's Institution Decision. The underlying panel decision instituted review, declining to exercise discretion under *Fintiv*, upon finding that the compelling merits standard was met. The panel did not analyze *Fintiv* factors 1-5, and for the compelling merits determination merely pointed to the analysis under the institution standard. The Director vacated this decision and remanded for the panel to apply the following principles: (1) the Board should "only consider compelling merits if they first determined that *Fintiv* factors 1–5 favored a discretionary denial"; (2) "Merely pointing to its analysis under the lower institution standard is insufficient to demonstrate that the Petition presents a compelling unpatentability challenge"; and (3) the "Board must provide reasoning sufficient to allow the parties to challenge [a compelling merits] finding and sufficient to allow for review of the Board's decision."

***Nested Bean, Inc. v. Big Beings Pty Ltd.*, IPR2020-01234, Paper 42 (February 24, 2023) (Director Review decision regarding multiple dependent claims)**

In response to Patent Owner's request for Director Review, the Director granted rehearing and modified the Board panel's Final Written Decision. The underlying panel decision addressed the patentability of multiple-dependent claims, i.e., dependent claims which refer back in the alternative to more than one preceding claim. In this case, claims 3-16 each depend from claim 1 or claim 2. The panel determined Petitioner *had not* shown claim 1 is unpatentable, but determined Petitioner *had* shown that claim 2 is unpatentable. As to the multiple dependent claims, the panel found that *both* versions of claims 3-16 were shown to be unpatentable (i.e., as depending from claim 1 and as depending from claim 2), based on the finding that claim 2 was unpatentable. The Patent Owner requested rehearing, arguing that the Board erred in finding claims 3-16 as depending from claim 1 were shown to be unpatentable. The Director granted rehearing and held that "the plain language of 35 U.S.C. § 112, fifth paragraph, requires that the patentability of a multiple dependent claim is considered separately as to each of its alternatively referenced claims." The Director then modified the panel's Final Written Decision consistent with this determination.

***Xerox Corp. v. Bytemark, Inc.*, IPR2022-00624, Paper 9 (August 24, 2022) (designated: February 10, 2023, on *sua sponte* Director Review (Paper 12)) (regarding weight accorded to conclusory expert testimony)**

In response to Petitioner's rehearing request to the Precedential Opinion Panel, the Director affirmed the Board panel's decision denying institution and designated it as precedential. In considering Petitioner's evidence, the panel (in Paper 9) noted that the proffered declaration testimony "merely repeats, *verbatim*, the conclusory assertion for which it is offered to support." The panel continued, noting that the declarant "does not cite to any additional supporting evidence or provide any technical reasoning to support his statement. Thus, the cited declaration testimony is conclusory and unsupported, adds little to the conclusory assertion for which it is offered to support, and is entitled to little weight." In affirming the panel decision (in Paper 12), the Director observed that the "declaration does not provide any technical detail, explanation, or statements supporting why the expert determines that the feature in question was required or would have been obvious based on the

prior art disclosure. . . . Instead, the declaration copies, word-for-word, Petitioner's conclusory assertions."

***Apple Inc. v. Zipit Wireless, Inc.*, IPR2021-01124 et al., Paper 14 (December 21, 2022) (designated: January 4, 2023) (*sua sponte* Director Review decision regarding adverse judgment)**

The Director vacated and remanded the Board panel's decision granting adverse judgment. In the underlying panel decision, the Board entered an adverse judgement, based on (1) the Patent Owner not filing a Patent Owner Response, and (2) the Patent Owner's counsel's statement during a combined Oral Hearing that, "[i]f the Board determines that [Petitioner] have met their burden of proof with respect to those claims [Patent Owner] hasn't filed any opposition." The Director vacated the decision, holding that Patent Owner's statements were not "an unequivocal abandonment of the contest" and were "contingent on the Board determining that Petitioner met its burden of proving by a preponderance of the evidence that the challenged claims are unpatentable." The Director thus remanded for further proceedings.

Non-Precedential Director Review Decisions[1]

Discretion under § 325(d)

***Keysight Technologies, Inc. v. Centripetal Networks, Inc.*, IPR2022-01421, Paper 14 (August 24, 2023) (*sua sponte* Director Review decision regarding § 325(d) discretion)**

In response to Petitioner's rehearing request to the Precedential Opinion Panel, the Director vacated and remanded the Board panel's decision denying institution. In the underlying panel decision, the Board exercised its discretion under 35 U.S.C. § 325(d) and denied institution. During prosecution of the challenged patent, a Final Written Decision for a related patent, relying on the same asserted references, was cited on an Information Disclosure Statement. Petitioner argued that this IDS disclosure did not meet *Advanced Bionics* step 1, which asks whether the same or substantially the same art or arguments were previously presented to the Office. The Petitioner thus did not present specific allegations of error under *Advanced Bionics* step 2. The Board panel disagreed. It determined that the IDS reference was sufficient to meet step 1, and because Petitioner had not alleged error under step 2, it denied institution. The Director vacated the decision, first confirming that, "[u]nder current policy, . . . the first part of the *Advanced Bionics* framework is met" when art was previously presented to the Office on an Information Disclosure Statement. She indicated "the first part of the *Advanced Bionics* framework does not require that an Examiner provide a discussion, analysis, or other findings on the applicability of the relevant material contained in an IDS." As to the second part of the *Advanced Bionics* framework, the Director determined that overlap between claim limitations in the two patents, and the reasons for allowance, "suggests the Office erred by overlooking the significance of the [prior] FWD as it pertains to the patentability of the [challenged] claims." She thus vacated the decision and remanded to the panel with instructions to evaluate the merits of the Petition.

***Wolfspeed Inc., v. The Trustees of Purdue University*, IPR2022-00761, Paper 13 (March 30, 2023) (*sua sponte* Director Review decision regarding § 325(d) discretion)**

In response to Petitioner's rehearing request to the Precedential Opinion Panel, the Director vacated and remanded the Board panel's decision denying institution. In the underlying panel decision, the Board exercised discretion under § 325(d), finding that the Petition presented substantially the same art as that presented in an earlier IPR proceeding, and that Petitioner did not identify any material error in the prior decision. The Director vacated the decision, determining that the panel "erred in finding that the prior art asserted in this proceeding is substantially the same prior art asserted in [the] previous proceeding." Rather, she determined that "a material difference exists" between the art asserted in the two proceedings. In particular, the Director noted that the earlier cited art "includes certain disclosures" not found in the later cited art "that were found to be highly relevant with assessing the obviousness grounds presented" in the earlier Petition. And that disclosure, the Director noted, "was the basis for the Board's denial" in the earlier proceeding "because it undercut the Petition's basis for combining" the references. The art cited in the later proceeding did not contain the same undercutting disclosure, and the panel "did not address this material difference in the references" in its determination that they were substantially the same under § 325(d). The Director thus remanded for further proceedings.

***Google LLC v. Valtrus Innovations Ltd.*, IPR2022-01197, Paper 12 (March 29, 2023) (*sua sponte* Director Review decision regarding § 325(d) discretion)**

In response to Petitioner's rehearing request to the Precedential Opinion Panel, the Director vacated the relevant portion of the institution decision, and remanded for further proceedings. In the underlying panel decision, the Board denied institution, in-part exercising its discretion under § 325(d). In particular, the panel found that (1) the Office considered the substance of Petitioner's asserted U.S. patent reference because the European counterpart had been cited in an Information Disclosure Statement, and (2) Petitioner had not shown material error by the Office in its consideration of the European counterpart. Prior to institution, Petitioner requested a reply on the § 325(d) issue, but

the panel determined Petitioner had not demonstrated good cause. The Director held that the "Board erred by denying Petitioner's request to file a reply," and "determine[d] that it was not reasonably foreseeable for Petitioner to anticipate a § 325(d) argument with respect to the asserted [US patent] reference, based on the inclusion of [the EP counterpart] on an IDS considered during prosecution." She noted, in particular, that "it was not reasonably foreseeable for Petitioner to have anticipated this connection [between the references] since the references themselves do not point to each other." She vacated the relevant portion of the institution decision, authorized a reply and sur-reply on the § 325(d) issue, and remanded for further proceedings.

***Boehringer Ingelheim Animal Health USA Inc. v. Kansas State University Research Foundation*, PGR2022-00021, Paper 11 (February 24, 2023) (*sua sponte* Director Review decision regarding § 325(d) discretion)**

The Director vacated and remanded the Board panel's decision denying institution. In the underlying panel decision, the Board exercised its discretion under § 325(d), "finding that the Petitioner's enablement challenge constituted, under *Advanced Bionics*, the same or substantially the same arguments previously presented to the Office on written description." The Director "conclud[ed] that the mere finding of adequate written description by an examiner can never on its own and without more constitute 'the same or substantially the same arguments' under *Advanced Bionics* as a challenge for lack of enablement." An actual analysis of the arguments is required. The Director thus vacated the Board panel's decision, and remanded with instructions to "issue a decision providing its rationale (affirmative or negative) regarding whether § 325(d) applies to Ground 2 (enablement) based upon the written description arguments presented during original prosecution."

Discretion under § 314(a) / Fintiv

***ResMed Corp. v. Cleveland Medical Devices Inc.*, IPR2023-00565, Paper 15 (November 16, 2023) (Director Review decision regarding *Fintiv*)**

In response to Petitioner's request for Director Review, the Director vacated and remanded the Board panel's decision denying institution. In the underlying panel decision, the Board exercised its discretion under 35 U.S.C. § 314(a) and *Fintiv* and denied institution. In considering *Fintiv* Factor 2 (proximity of the court's trial date), the Board panel relied, in part, on a finding regarding time-to-trial statistics in a vacated decision (*Vector Flow, Inc. v. HID Global Corp.*, IPR2023-00353, Paper 8). The Director found that "the Board should not have relied on that [vacated] decision as support for its analysis." She also authorized additional briefing on the § 314(a) issues on remand.

***Vector Flow, Inc. v. HID Global Corporation*, IPR2023-00353, Paper 11 (August 10, 2023) (Director Review decision regarding *Fintiv*)**

In response to Petitioner's Request for Director Review, the Director vacated and remanded the Board panel's decision denying institution, while also granting additional pre-institution briefing. In the underlying panel decision, the Board exercised its discretion under 35 U.S.C. § 314(a) and *Fintiv* and denied institution, based on the advanced stage of the parallel litigation. Before institution, Petitioner requested, and was denied, the opportunity to file a pre-institution Reply. The panel determined Petitioner should have addressed the *Fintiv* issue in the Petition but had done so in only cursory fashion. The Director "determine[d] that there was good cause to authorize Petitioner's request to file a reply." She pointed to "the change in status of the parallel district court proceeding that occurred between the Petition and the Preliminary Response" and "the fact that Patent Owner submitted new evidence on time-to-trial statistics for both the district court and the presiding judge" as reasons supporting a finding of good cause. She also noted that Patent Owner raised assignor estoppel arguments in the District Court, after the Petition was filed, which could eliminate the overlap. The Director thus vacated the decision denying institution, authorized additional briefing by both parties, and remanded for further proceedings.

***Volvo Penta of the Americas, LLC v. Brunswick Corporation*, IPR2022-01366 et al., Paper 15 (May 2, 2023) (*sua sponte* Director Review decision regarding *Fintiv* and 35 U.S.C. § 311(b))**

In response to Petitioner's rehearing request to the Precedential Opinion Panel, the Director vacated and remanded the Board panel's decision denying institution. In the underlying panel decision, the Board "determine[d] that [it] lack[ed] authority [under § 311] to institute *inter partes* review of challenged claim 1, as it already has been determined to be invalid under 35 U.S.C. § 101 in a federal district court action," and further exercised discretion under § 314(a) as to all challenged claims "so as to avoid potential conflict, inefficiency, and gamesmanship." First, the Director vacated the Board's analysis of § 311(b), finding that because claim 1 is "subject to further judicial review and … not finally adjudicated," it "remains in force" and, therefore, the Board does not lack statutory authority under § 311(b) to institute an *inter partes* review as to claim 1. Second, the Director vacated the Board's analysis under § 314(a). She found that because claim 1 "remain[s] subject to further judicial review during the appeal of the district court's invalidity determination," a *Fintiv* analysis should be conducted on remand, consistent with instructions in the June 2022 Guidance Memo and the precedential deci-

sions in *CommScope Techs. LLC. v. Dali Wireless, Inc.,* IPR2022-01242, Paper 23 (P.T.A.B. Feb. 27, 2023) and *OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper 102, 49–50 (P.T.A.B. Oct. 4, 2022).

***AviaGames, Inc. v. Skillz Platform, Inc.*, IPR2022-00530, Paper 14 (March 2, 2023) (*sua sponte* Director Review decision regarding *Fintiv*)**

The Director vacated and remanded the Board panel's decision denying institution. In the underlying panel decision, the Board exercised its discretion under § 314(a) and *Fintiv* because a district court had determined the challenged claims were invalid under § 101. The Director vacated and remanded to the Board panel for a compelling-merits determination consistent with the June 2022 *Fintiv* Memo. She instructed that if the Board panel "finds that the record prior to institution presents compelling merits, the Board will institute *inter partes* review of the challenged claims." The decision also instructs that, if the Board panel institutes, and the district court's § 101 determination of invalidity is affirmed in a final, non-appealable judgment by the Federal Circuit, the proceeding shall be terminated.

Sanctions

***Spectrum Solutions LLC v. Longhorn Vaccines & Diagnostics, LLC*, IPR2021-00847 et al, Paper 126 (June 12, 2023); Paper 133 (October 27, 2023) (Director initiated *sua sponte* review regarding sanctions/ adverse judgement. No decision has yet issued)**

In the underlying decisions (FWD (Papers 112 (sealed), 114 (public); Sanctions Order (Papers 111 (sealed), 113 (public)), the Board panel (1) determined certain challenged claims were unpatentable based on the merits of the asserted grounds, and (2) entered adverse judgement against Patent Owner as to all challenged claims and all proposed substitute claims in its Motion to Amend. As to the adverse judgement, the Board panel found that "Patent Owner … failed to meet its duty of candor and fair dealing in its actions before the Board… Patent Owner conducted, and relied on, biological testing in an attempt to distinguish the asserted . . . reference . . . , but selectively and improperly withheld material results that were inconsistent with its arguments." Shortly after the Board panel issued its decision, the Director initiated *sua sponte* Director Review (Paper 126). More recently (Paper 133), the Director limited her review to the Board's Sanctions order. She also authorized briefing, both from the parties and *amici curiae*, on three specific issues and questions related to the appropriate response to a finding that a party has withheld relevant factual evidence: (1) which USPTO regulations are implicated; (2) is adverse judgement an appropriate sanction; and (3) what other sanctions are appropriate?

***OpenSky Industries, LLC v. VLSI Technology LLC*, IPR2021-01064**

Paper 138 (June 27, 2023) (Director Review decision regarding sanctions): In response to the parties' briefing to address whether an award of attorney fees was an appropriate sanction against VLSI, the Director did not award attorney fees. The Director found that VLSI's distortion of the record and misleading statements did not rise to the level of sanctionable conduct under Rule 42.11, nor did its careless presentation of case law "in a manner susceptible to multiple interpretations." She, however, "strongly admonish[ed] VLSI and warn[ed] it to use substantially greater caution in its arguments and citations to case law before [her] or the Board."

Paper 127 (February 3, 2023) (Director Review decision regarding sanctions): The Director awarded to VLSI, as a sanction against OpenSky, "reasonable fees incurred in this proceeding in raising issues of misconduct by OpenSky before the Board, and the Director review process in its entirety," and authorized VLSI to file a Motion for Fees. In the same Order, the Director restored OpenSky as a petitioner to the proceeding, and authorized OpenSky to file an Opposition to VLSI's Motion.

***Patent Quality Assurance, LLC v. VLSI Technology LLC*, IPR2021-01229**

Paper 131 (August 3, 2023) (Director Review decision regarding sanctions): The Director determined that PQA's failure to comply with mandated discovery ordered by the Director, and its failure to sufficiently answer interrogatories, "rises to the level of sanctionable conduct." She also indicated that she is "contemplating imposing an attorney-fee order or an admonishment as a sanction," and ordered the parties to brief the issue.

Paper 106 (January 18, 2023), and Paper 108 (January 27, 2023) (Director Review decisions regarding sanctions): On rehearing of prior sanctions decision, the Director authorized additional briefing to PQA, "out of an abundance of caution," to show cause why sanctions should not be imposed (Paper 106). She stayed the underlying proceeding, instructing the Board not to issue a Final Written Decision until the resolution of the pending rehearing request. In a further order (Paper 108), the Director restored PQA as a party to the proceeding. The order clarifies that "[w]hile it may choose not to show cause, . . . PQA cannot avoid possible sanctions through continued non-participation." She also lifted the stay of the underlying proceeding.

Applicant Admitted Prior Art

***SolarEdge Technologies Ltd. v. SMA Solar Technology AG*, IPR2020-00021, Paper 34 (June 8, 2023) (*sua sponte* Director Review decision regarding Applicant Admitted Prior Art)**

In response to Patent Owner's rehearing request to the Precedential Opinion Panel, the Director modified-in-part the Board panel's Rehearing Decision of the Final Written Decision. First, the Director confirmed that the underlying panel decision's finding that Petitioner's obviousness ground based on Applicant Admitted Prior Art (AAPA) in combination with other prior art patents was not improper (Paper 31) and was consistent with the Office's 2022 Updated AAPA Guidance Memo. Second, the Director determined that Patent Owner had not forfeited an argument related to an issue that the Board panel had raised *sua sponte* at the oral hearing, and made related determinations in the original Final Written Decision, namely whether the alleged AAPA was "known." But, considering the evidence of record, including the challenged patent's reference to the AAPA as "prior art," the Director determined there was insufficient evidence to support Patent Owner's contention that the AAPA was not "known" in the art. Patent Owner's expert's "speculation about the AAPA [was] insufficient to contradict other evidence in the record."

Written Description

***Neurocrine Biosciences, Inc. v. Spruce Biosciences, Inc.*, PGR2021-00088, Paper 16 (August 4, 2023) (& PGR2022-00025) (*sua sponte* Director Review decision regarding written description)**

In response to Petitioner's rehearing request to the Precedential Opinion Panel, the Director vacated and remanded the Board panel's decision denying institution. In the underlying decision, the Board considered Petitioner's anticipation ground, which was based in part on inherency, and a written description challenge. Upon review of the inherent anticipation ground, the Director found that a prior art disclosure of a method of treatment administering a single species anticipates the broader genus claim of treating the condition by administering any member of the genus, so long as the remaining limitations are disclosed expressly or inherently. She further found that the Board panel erred in failing to consider a non-prior art study as evidence of the inherent properties of the primary reference's disclosure – here, that following disclosed method of treatment with the disclosed species would necessarily result in the claimed reduction of certain hormone levels. As to the written description ground, the Director found that "the [challenged] patent claims recite methods of treating a condition by administering a broad genus of compounds. Description of a single compound in the genus or knowledge generally of the genus' members, without more, is insufficient to demonstrate possession of such broad method claims." Rather, the Director explained, "[t]he specification must provide some way to distinguish effective from ineffective compounds among those encompassed by the broad genus of compounds so claimed."

Real Parties in Interest

***Unified Patents, LLC v. MemoryWeb, LLC* IPR2021-01413, Paper 74 (confidential) (May 16, 2023), Paper 76 (public) (May 22, 2023) (Director Review decision regarding real parties in interest (RPI))**

In response to Petitioner's request for Director Review, the Director vacated the Board panel's RPI Order (Paper 56 (confidential)) and related discussion in the Final Written Decision (Paper 58 (confidential); Paper 67 (public)). In the underlying panel decision, the Board issued an Order identifying Apple and Samsung as RPIs to the proceeding, and holding that "[d]etermining whether Apple or Samsung are RPIs in this case is a necessary precursor to determining whether they would be estopped in [] subsequent proceeding[s]." Discussing the precedential *SharkNinja* decision, and noting that no time bar under 35 U.S.C. § 315(b) or any estoppel under 35 U.S.C. § 315(e) might apply to this proceeding, the Director disagreed with the panel that an RPI determination was necessary. Instead, she found that, although "[t]he Board can and should make a determination of the real parties in interest or privity in any proceeding in which that determination may impact the underlying proceeding," "[t]he Board should not have determined whether Apple and Samsung are RPIs in this proceeding given that determination was not necessary to resolve the proceeding."

***Samsung Electronics Co., Ltd. v. Netlist, Inc.*, IPR2022-00615, Paper 40 (February 3, 2023) (*sua sponte* Director Review decision regarding additional discovery and RPI issues)**

The Director previously initiated Director Review (Paper 38) in response to the Patent Owner's rehearing request to the Precedential Opinion Panel, and she stayed the proceeding. In this decision (Paper 40), she granted-in-part the Patent Owner's motion for additional discovery related to real party-in-interest issues, and in particular, the issue of whether Google is an RPI or privy of Petitioner. She also lifted the stay for the limited purpose of discovery and remanded it to the Board panel to determine whether the Petition is time-barred under 35 U.S.C. § 315(b), based on Google's possible status as an RPI/privy.

Orders delegating Director Review to a Delegated Rehearing Panel

SynAffix B.V. v. Hangzhou DAC Biotech Co., Ltd., IPR2022-01531, Paper 19 (November 16, 2023)

In the underlying panel decision, the Board panel denied institution, finding Petitioner had not shown a reasonable likelihood of success on its asserted grounds. The decision turned, at least in part, on a claim construction issue related to prosecution history disclaimer, raised *sua sponte* by the panel. Petitioner requested Director Review on the following issues: (1) Important issue of law and policy – in light of USPTO initiatives to improve quality of pharmaceutical patents, "the Decision should be reviewed and vacated based on the misapprehension and fundamental errors contained in its assessment of the claimed chemical formulas, patent examples and prosecution history"; and (2) Abuse of Discretion – "[w]hether the Board abused its discretion when identifying an alleged prosecution history disclaimer that is not only unsupported but expressly contradicted by the record evidence." The Delegated Rehearing Panel authorized Patent Owner to file a responsive brief (Paper 21). The Delegated Rehearing Panel decision is pending.

***DK Crown Holdings Inc. v. Diogenes Limited*, IPR2023-00268, Paper 11 (November 7, 2023)**

In the underlying panel decision, a split Board panel denied institution, finding Petitioner had not shown a reasonable likelihood of success on its asserted grounds. The decision turned, at least in part, on a claim construction issue raised *sua sponte* by the panel. The dissenting judge disagreed with the majority's claim construction. Petitioner requested Director Review on the following Abuse of Discretion issues: (1) "[w]hether the Majority abused its discretion when it improperly imported claim limitations to overcome the prior art"; (2) "[w]hether the Majority abused its discretion when, to avoid grappling with the import of a dependent claim, it construed the claims as being limited to 'live' wagering games, when doing so would render dependent claim 3 (which was also challenged) broader than its parent claim or, in the alternative, would read out as superfluous the express recitation of 'live' in dependent claim 3"; and (3) "[w]hether the Majority abused its discretion when it found that the prior art required 'waiting' or 'pausing' for a user's input, when the prior art discloses no such 'waiting' or 'pausing' and expressly disclosed that the 'typical' operation would not wait or pause at all." The Delegated Rehearing Panel decision is pending.

1. Only the Director Review decisions that include substantive discussion are listed here.

2023 Changes in Director Review

BY JON E. WRIGHT*

On July 24, 2023, the United States Patent and Trademark Office (USPTO or Office) promulgated a revised interim process for Director Review of Patent Trial and Appeal Board (PTAB or Board) decisions in proceedings under the America Invents Act (AIA).[1] The revised interim process follows stakeholder input received in 2022 in response to a Request for Comments on Director Review via the Precedential Opinion Panel (POP) and on pre-issuance internal circulation and review of Board decisions.

The revised interim process, along with a new Appeals Review Panel process,[2] replaces the old Precedential Opinion Panel procedures and will remain in effect, with possible modifications, until a final process is formalized via rulemaking. According to the Office, the interim process furthers the "goals of promoting innovation through consistent and transparent decision-making, and the issuance and maintenance of reliable patents." To facilitate the review process, the Director has assigned former USPTO Solicitor Thomas Kraus in a new "director review executive" position to oversee the process.[3]

Background

In *United States v. Arthrex, Inc.*, 141 S.Ct. 1970 (2021), the Supreme Court held that Administrative Patent Judges' ability to render final decisions on patentability on behalf of the Executive Branch is "incompatible with their status as inferior officers." As a result, the Court determined that the Director must have *discretion* to review PTAB decisions. In exercising that discretion, the Court made clear that "the Director need not review every decision of the PTAB," nor did it require the Director to accept requests for review or issue a decision in every case.

The 2023 interim process for review reflects the Director's ongoing efforts to comply with *Arthrex*. They give the Director the discretion to review PTAB decisions, they provide a vehicle for a party to request director review of certain decisions, and they outline the internal processes for effecting review.

Which Decisions Can Be Reviewed Under the New Interim Process?

There are three types of decisions for which a party can request review under the new interim process: (1) institution decisions under 35 U.S.C. §314, (2) final written decisions under 35 U.S.C. §318, and (3) decisions granting a request for rehearing of (1) or (2). Although *Arthrex* only requires that the Director have discretion to review final written decisions, parties may also request review of institution decisions and rehearing decisions. According to the Office, review of these decision is included for decisional "consistency and uniformity." Importantly, the Director retains unilateral discretion to initiate, *sua sponte*, Director Review of these, and any other Board decisions.

What is the Scope of Review?

The scope of Director Review depends on the type of decision for which review is sought.

Institution decisions: Review of institution decisions is limited to decisions presenting (a) an abuse of discretion or (b) important issues of law or policy. Both discretionary and merits-based issues may be raised, subject to limitations (a) and (b) above.

Final written decisions: Review of final written decisions is more robust and includes decisions presenting (a) an abuse of discretion, (b) important issues of law or policy, (c) erroneous findings of material fact, or (d) erroneous conclusions of law.

How Does a Party Request Director Review in an AIA Proceeding?

A party[4] dissatisfied with a Board panel decision has two options: (1) request panel rehearing, or (2) request Director Review. A party cannot do both, and an improper request for both will be treated as a request for Director Review only. The process for requesting panel rehearing has not changed. The process for requesting director review is set forth below.

To request director review, a party must concurrently (1) file Request for Director Review in P-TACTS; and (2) email the Director,[5] with a cc to counsel for all parties to the proceeding. Both submissions are required to perfect a request for Director Review.

The Director may also initiate review, *sua sponte*. Absent exceptional circumstances, the Director may initiate review within 21 days after the expiration of the period for filing a request for rehearing under Rule 42.71(d). *Sua sponte* Director Review is reserved for issues of "exceptional importance." Such issues may be surfaced by the PTAB's internal post-issuance review team, which may alert the Director that an issued decision may warrant Director Review. If the Director *sua sponte* initiates review, the parties to the proceeding will be notified and may given an opportunity for briefing.

We describe the content, timing, formatting and processing of requests next.

Content

Notification email: The notification email is important. The interim procedure requires the following:

1. A priority-ranked list of the issues for which the party seeks review, in the rare instance where a party has more than one issue to raise. This list shall include an express identification of the alleged (a) abuse of discretion, (b) important issue of law or policy, (c) erroneous finding of material fact, and/or (d) erroneous conclusions of law, as appropriate to the type of decision for which review is sought.

2. A brief explanation of the issue(s) and a brief explanation of the rationale for the prioritized-ranking of the issue(s). The brief explanation should not exceed a few sentences and is not a substitute for formal arguments on the record.
3. If the requesting party believes that the request presents an issue of first impression, the notification email must so indicate.

Request for Review[6]*:* The request filed with PTACS is, effectively, a motion and should be structured as such. Substantively, it should cover what is set forth in the summary email, but in more depth.

Importantly, a request for Director Review may not introduce new evidence and, accordingly, exhibits may not be entered in support of the request. The Director will not consider new evidence or new arguments not part of the official record. If a party believes that additional evidence is necessary, prior permission must be sought via an email to the Director. Exceptions regarding new evidence or arguments may be warranted in cases addressing issues of first impression or issues involving intervening changes in the law or USPTO procedures, guidance, or decisions. As with any paper submitted to the Board, any argument not made within the Request may be deemed waived.

Unless authorized by the Director, no response to the Director Review request is permitted.

Timing

A request for Director Review must be filed within the time prescribed for a request for rehearing under 37 C.F.R. § 42.71(d), as appropriate to the type of decision for which review is sought. If a request is untimely, it is not considered. This means a dissatisfied party must request review (1) within 14 days of the entry of a decision to institute a trial as to at least one ground of unpatentability asserted in the petition; or (2) within 30 days of the entry of a final decision or a decision not to institute a trial. The Director may, upon a showing of good cause, extend the time period set forth above.

A timely request for Director Review is considered a request for rehearing under 37 C.F.R. § 90.3(b). It therefore resets the time for noticing an appeal to the U.S. Court of Appeals for the Federal Circuit, as set forth in that rule.

Formatting and Fees

Requests for Director Review must conform to the applicable formatting requirements for motions under 37 C.F.R. § 42.6(a). There are currently no fees to request Director Review.

Processing

After a party submits a request for Director Review, the Office will docket the request and review it to ensure compliance with the applicable requirements. If the request is compliant, the Office will enter the notification email and the Request for Director Review into the record of the corresponding proceeding as "Exhibit 3100 – Director Review Request."

If the request is not compliant, the Office will attempt to work with the party making the request to rectify any areas of non-compliance. However, if the request is not compliant because it was submitted after the deadline, it will not be considered absent a good cause extension as discussed above.

Communications

Finally, as with other communications with the Board during AIA proceedings, all communications from a party to the Office during the pendency of Director Review must copy (cc) counsel for all parties to the proceeding. All communications will be entered into the record of the proceeding.

What Happens After a Party Request Director Review?

Advisory Committee

(i) *Advisory Committee*: All compliant requests for Director Review in AIA trials first go to an Advisory Committee. The Advisory Committee is composed of at least 11 members (7 for a quorum). The Advisory Committee consists of representatives from various USPTO business units who serve at the discretion of the Director. It meets periodically to evaluate each request for Director Review. The Director may also convene an Advisory Committee to make recommendations on decisions that the Director is considering for *sua sponte* Director Review. The Advisory Committee will provide a consensus recommendations to the Director for each request for review at regular intervals. If there are differing views among the members, that may be noted in the recommendation. The Director then receives each request for Director Review, the underlying decision, and the recommendation of the Advisory Committee. Then, at the Director's sole discretion, they may grant or deny Director Review.

Delegated Rehearing Panel

(ii) *Delegated Review Panel*: After receiving a recommendation from the Advisory Committee, the Director *may* delegate further consideration to a delegated rehearing panel (DRP). For example, the Director may designate a DRP to consider whether the Board overlooked or misapprehended a material issue of fact or law. When the Director determines to delegate review of a decision to the DRP, the Director will issue an order notifying the parties. In the event that the Director delegates a decision to the DRP to conduct review, including when the Director delegates review of a decision *sua sponte* to the DRP, the DRP panel will determine whether to grant rehearing. The DRP has three members selected from Chief Judge, Deputy Chief Judge, Vice Chief Judges, and Senior Lead Judges. A judge from the original panel or a judge with conflict may not participate.

If the Director (or a delegate like the DRP) denies review, they are under no obligation to provide a reason.

If the Director (or the DRP acting on her behalf) grants review, they may issue an initial order that identifies

the issue(s) to be addressed. Alternatively, the Director may issue a singular order that both grants review and resolves the issue(s) based on the existing record.

What is the Standard of Review?

Under Director Review, the Board's decision whether to institute trial in an AIA proceeding, or a decision granting rehearing of such a decision, is reviewed for abuse of discretion unless the review engages important issues of law or policy, which are reviewed *de novo*. All other decisions are reviewed *de novo*.

Will the Director Entertain Amicus Briefing?

Generally, no, unless the Director has requested such briefing. Any amicus brief submitted by a party with whom the Director has a conflict will be struck. This process is consistent with Federal Rule of Appellate Procedure 29(a)(2) as adopted by the United States Court of Appeals for the Federal Circuit.

Has the Director Granted Requests for Review Under the New Procedures?

Yes. As of this writing, the Director has granted review in at least four cases since the new revised interim procedures have become active. In three instances, review has been from a decision denying institution, and in one instance review is from a final written decision. We briefly describe three of those decisions below.

1. *DK Crown Holdings Inc. v. Diogenes Limited*, IPR2023-00268

In *DK Crown Holdings*, the Board denied institution with one of the panel members dissenting. The Patent Owner sought Director Review. It argued that the panel majority "abused its discretion by: (1) improperly importing claim limitations to avoid prior art; (2) construing 'continuously' such that independent claim 1 is narrower than one of its dependent claims and an element of that dependent claim is rendered superfluous; and (3) characterizing the prior art inaccurately and contrary to its disclosure." The Advisory Committee referred the request for review to the Director. The Director, in turn, determined that "the Decision warrants review by an independent Delegated Review Panel ("DRP") to review the fact-intensive issues presented in this case." The Order states that: "[t]he DRP shall make its decision independently and without direction from me." The DRP will now determine whether to grant rehearing. If the DRP grants review, it "may issue a decision, or, if appropriate, may remand to the Board for further proceedings." It may also request additional briefing. DRP review is still pending.

2. *SynAffix B.V. v. Hangzhou DAC Biotech Co., Ltd.*, IPR2022-01531

In *SynAffix B.V.* the Board denied institution. The patent in this case is entitled "Hydrophilic Linkers and Their Uses for Conjugation of Drugs to Cell Binding Molecules" and involves protein/drug conjugates for targeted delivery of drugs to specific cells. The Patent Owner presented highly fact intensive arguments against institution, arguing that the panel misapprehended the claimed chemical formulas and related prosecution history that underlie the denial of institution. The Patent Owner also argued that the Decision reflects an abuse of discretion in finding and relying upon an alleged prosecution history disclaimer that is not only unsupported but directly contradicted by the record evidence. The case is similar to *DK Crown Holdings* in that the Director delegated the fact-intensive review to a Delegated Review Panel.

3. *ResMed Corp. v. Cleveland Medical Devices Ind.*, IPR2023-00565

In *ResMed*, the Board exercised its discretion under 35 U.S.C. § 314(a) and the *Fintiv* factors to deny institution. The denial was based on the advanced state of a related litigation pending in the United States District Court for the District of Delaware where Judge Williams was presiding. The rehearing dispute centered on Judge William's median time to trial and whether the Petitioner should have been able to address Patent Owner's evidence on that point. In denying review, the Board relied on a Director-vacated institution denial that had presented similar facts. Accordingly, the Director determined that "[t]he Board would benefit from additional briefing by the parties on these issues." The Director then granted review, vacated the decision denying institution, and remanded the case to the panel for further proceedings.

Key Takeaways: Some early themes seem to have emerged under the new procedures. *First*, three of the four granted reviews involve institution decisions. Although not required under *Arthrex*, these early cases show the Director is perfectly willing to review institution decisions, even though they are insulated from further appellate review. It is here that the Director can best implement policy and we expect healthy review of institution decisions into the future. *Second*, we see from the review of *DK Crown* and *SynAffix* that the Director will delegate to a DRP those requests for review that pass Advisory Committee screening, but that are highly fact intensive. This makes sense as a DRP is in the best position to evaluate fact-intensive reviews, which would be time consuming for the Director.

Overall, parties not satisfied with a decision, whether at institution or after the merits trial, should continue to test the boundaries of revised interim process for Director Review because the current Director has shown a willingness to direct review where she deems necessary.

1. This summary draws heavily from the USPTO website's description of the "Revised Interim Director Review Process." Additional information may be found there: https://www.uspto.gov/patents/ptab/decisions/revised-interim-director-review-process
2. The Appeals Review Panel (ARP) process is available only at the Director's sua sponte discretion for review of ex parte appeals decisions. As of publication, the Director had not yet convened the ARP to review any decisions. More information about the ARP can be found here: https://www.uspto.gov/patents/ptab/appeals-review-panel
3. https://news.bloomberglaw.com/ip-law/ex-patent-solicitor-takes-on-director-review-amid-rising-demand
4. Third parties may not request Director Review. Nor may they submit comments concerning review of a decision, unless amici curiae briefing is requested by the Director.
5. The paper itself is subject to the length limitations (i.e., 15 pages) for motions to the Board provided in 37 C.F.R. § 42.24(a)(1)(v).

Watch Your Step – Discretionary Denial Under 325(d) Is Alive and Kicking

BY JASON A. FITZSIMMONS AND JOSEPH K. VENIER

Introduction

The USPTO Director is under no obligation to institute petitions for *inter partes* review, even if a petition technically meets all of the requirements for institution. There are two well-known flavors of discretionary denial upon which the Director may rely to deny institution. The first falls under 35 U.S.C. § 314(a), which provides the minimum requirements for a petition while otherwise granting the Director broad discretion in determining which proceedings to institute. The second falls under 35 U.S.C. § 325(d), which deals with the relationship of *inter partes* review to other proceedings before the Office and allows the Director to deny institution where "the same or substantially the same prior art or arguments previously were presented to the Office."

The Director's discretion under Section 314(a) is provided in the Interim Guidance concerning application of the *Fintiv*[1] case and informs parties on how the Director is likely to exercise their broad discretion in granting *inter partes* review petitions. That guidance has changed from administration to administration, depending on the priorities of the current Director.

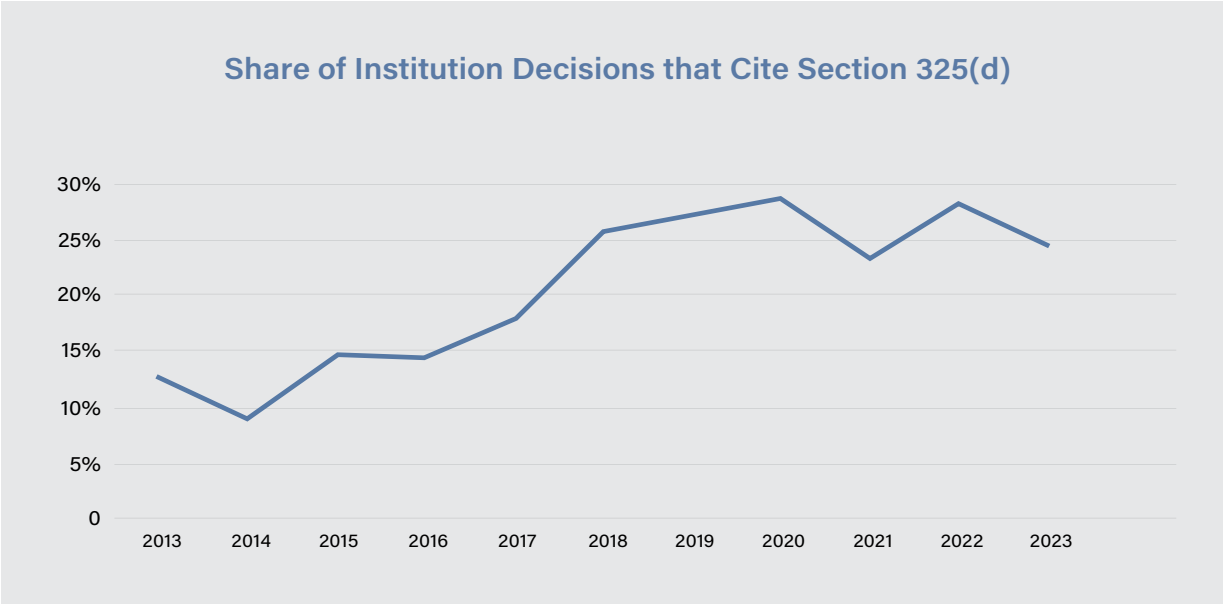
The statutory discretion provided in 35 U.S.C. § 325(d), however, remains more consistent. For example, the proportion of institution decisions addressing Section 325(d) has hovered around 25% since 2018. And since our last report,[2] the Director has been active in providing additional guidance to panels regarding the Section 325(d) analysis through the Director Review process.

Two recent proceedings in which the Director intervened *sua sponte* illustrate the fine distinction between arguments that have persuaded the Board to institute *inter partes* review and those that have not, in circumstances where grounds in the petition rely on substantially the same prior art as previously presented to the Office. In particular, the Director highlighted that where a petitioner seeks to rely on previously cited art, or substantial equivalents, the petitioner must identify a specific error the Office made in its analysis of the previously presented art, even if the Office failed to comment on that art at all. Thus, while the Office's silence on a reference of record often weighed against denial in earlier Section 325(d) analyses, the framework now applied can lead to a counterintuitive result where such silence gives a petitioner no material to draw an error from, yet maintains a burden to show one.

The *Advanced Bionics* Framework

Section 325(d) provides that "[i]n determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, 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."[3]

Figure 1



When evaluating whether to exercise its discretion to deny institution of *inter partes* review under Section 325(d), the PTAB applies a test from its precedential decision in *Advanced Bionics, LLC v. Med-El Elektromedizinische Geräte GmbH*.[4] The *Advanced Bionics* test has two steps:

1. whether the same or substantially the same art previously was presented to the Office or whether the same or substantially the same arguments previously were presented to the Office; and
2. if either condition of the first part of the framework is satisfied, whether the petitioner has demonstrated that the Office erred in a manner material to the patentability of challenged claims.[5]

The *Advanced Bionics* test is a simplified two-step framework for applying the six factors provided in the earlier (and still valid) precedential decision in *Becton, Dickinson & Co. v. B. Braun Melsungen AG*,[6] with three of the six *Becton, Dickinson* factors being considered in each step.[7]

In the first *Advanced Bionics* step, the Board considers the similarities and material differences between the asserted art and the prior art involved during an earlier proceeding before the Office, the cumulative nature of the asserted art and the prior art evaluated during the earlier proceeding, and the extent of the overlap between the arguments made during the earlier proceeding and the manner in which a petitioner relies on the prior art or a patent owner distinguishes the prior art.[8]

If the first step is satisfied, the Board then applies the second *Advanced Bionics* step and considers the extent to which the asserted art was evaluated during the earlier proceeding by evaluating whether the prior art was the basis for rejection, whether a petitioner has pointed out sufficiently how the Office erred in its evaluation of the asserted prior art, and the extent to which additional evidence and facts presented in the petition warrant reconsideration of the prior art or arguments.[9]

Two recent instances where the Director has stepped in to vacate institution decisions under Section 325(d) elucidate how to apply the *Advanced Bionics* framework. Once *Advanced Bionics* step 1 is satisfied—i.e., the same or substantially the same art or arguments in the petition were previously presented to the Office—then *Advanced Bionics* step 2 becomes dispositive. This framing can lead to discretionary denials under circumstances where the six *Becton, Dickinson* factors, on balance, may have previously favored institution.

Google v. Valtrus Innovations Limited[10]

The Board's decisions in *Google* illustrate the potential difficulty of overcoming Section 325(d) challenges to a petition relying on the same or substantially the same art considered by an examiner. In *Google*, the Board twice denied institution of *inter partes* review.[11] The first denial was, in part, an exercise of discretion under Section 325(d) to deny institution on grounds based on a sole prior art reference, "Vea," the U.S. counterpart to a European patent application cited in an IDS during prosecution of the challenged patent.[12] The Board determined that the similarities between Vea and its European counterpart application were sufficient to establish that substantially the same art had been previously presented to the Office under the first step of *Advanced Bionics*.[13] Turning to the second step, the Board emphasized that the petition failed to present any argument why the Office had erred in its analysis of Vea's European counterpart during prosecution.[14] Notably, besides marking the relevant IDS as "considered," the examiner said nothing about the European application in the record of the challenged patent's prosecution history.[15]

The petitioner requested authorization to file a pre-institution reply to address Section 325(d),[16] which the Board denied for failing to show good cause.[17]

The Director initiated *sua sponte* review of the Board's initial institution decision and determined that the Board had erred by denying the petitioner's request to file a reply brief addressing the Section 325(d) issues regarding Vea.[18] In particular, the Director found that the Board's reasoning, resting heavily on the absence of arguments concerning the Office's treatment of Vea's European counterpart in the petition, implied that the petitioner should reasonably have foreseen the patent owner's Section 325(d) arguments.[19] Concluding that the Section 325(d) issue was *not* reasonably foreseeable because Vea itself was not used during prosecution, and because Vea did not cite the European counterpart application, the Director vacated the relevant portion of the initial institution decision and authorized the petitioner to file a reply brief.[20]

On remand, the Board again exercised discretion under Section 325(d) to deny institution.[21] The Board acknowledged that Vea's European counterpart was only marked as "considered" by the examiner, without being the basis of a rejection,[22] but nonetheless faulted the petitioner for failing to identify a specific error in the Office's analysis of the European application.[23] Though the petitioner argued that the statement of the unpatentability grounds based on Vea demonstrated how the Office erred in granting the challenged claims over Vea's European counterpart, the Board characterized the petitioner's position as an "invitation to review the entirety of" the ground in question, without identifying a specific teaching or term the examiner overlooked.[24]

Finally, the Board also concluded that the petitioner failed to provide additional evidence or facts favoring institution, despite the petitioner pointing out that a claim in a continuation application from the challenged patent was found to be both patentably indistinguishable from one of the challenged claims and anticipated by Vea during prosecution.[25] Here, the Board faulted the petitioner for failing to explain why the Office's

contradictory findings regarding the continuation application's claim were correct.[26]

The outcome in *Google* highlights multiple considerations for those preparing and responding to *inter partes* review petitions. First, while Section 325(d) challenges to grounds based on references having foreign counterparts made of record during prosecution may not be "reasonably foreseeable," they may nonetheless be difficult to overcome. Petitioners would do well to identify such counterpart references preemptively when selecting art on which to base a petition. Patent owners, on the other hand, should examine whether any foreign counterparts to references relied on in the petition appear in the prosecution history of the challenged patent. If the patent owner makes Section 325(d) arguments based on such a reference, the petitioner should seek to file a reply brief to respond to those arguments, which in view of *Google* would likely be granted. The reply brief should identify specific errors in the examiner's reasoning as it relates to the reference now relied on in the petition.

Second, petitioners should not dismiss the possibility of denial under Section 325(d) with respect to art that was only made of record during prosecution, for example in an IDS, without being the basis of a rejection. Though *Becton, Dickinson* suggested that art "simply listed in an IDS during prosecution" weighed less against institution than art identified in rejections,[27] such references give a petitioner little to work with when identifying errors made by the examiner. Building a persuasive ground of unpatentability with such a reference may not be sufficient because the Board could decline to substantively consider the ground if the petition does not point out a specific error.

Keysight Technologies v. Centripetal Networks[28]

Keysight provides an example of the kind of additional evidence favoring institution that can overcome the presence of the petition's art and arguments in the prosecution history of a challenged patent. In *Keysight*, the petitioner relied on art and arguments aligned with a Final Written Decision[29] ("the '148 FWD") finding unpatentability of claims in a related patent.[30] And the Board denied institution under Section 325(d) because the '148 FWD was cited in an IDS in the prosecution history of the challenged patent and marked "considered" by the examiner.[31]

The petition argued that the '148 FWD was not meaningfully considered, such that the first *Advanced Bionics* step was not satisfied.[32] The '148 FWD was cited along with hundreds of other references, and the examiner did not address the '148 FWD beyond marking it as considered.[33] However, the Board concluded that the examiner marking the '148 FWD as considered *was* enough to satisfy the first *Advanced Bionics* step and ultimately denied institution because the petitioner had, in the Board's view, failed to show material error.[34]

Again upon *sua sponte* review, the Director vacated the Board's decision, and specifically concluded that the facts did not warrant discretionary denial under Section 325(d).[35] The Director held that the examiner's statement of reasons for allowance focused on elements common to the challenged claims and the claims that were found unpatentable in the '148 FWD.[36] This overlap provided evidence that the examiner had erred by overlooking the relevance of the '148 FWD.[37]

Keysight provides a useful contrast to *Google*. The Board's decisions in *Google* provided little guidance as to how petitioners could establish that an examiner had erred with respect to art cited in an IDS, but not otherwise discussed. The Director's reasoning in *Keysight* suggests that demonstrating the art in question establishes the unpatentability of features emphasized in a statement of reasons for allowance could militate against denial. This can be true even where, as in *Keysight*, the statement of reasons for allowance includes catchall statements such as "the prior art fails to teach the combination of elements as put forth in the claims"[38] in addition to mentioning specific elements.

Additionally, *Google* and *Keysight* considered together suggest, perhaps unsurprisingly, that decisions from higher authorities carry greater weight when presented as evidence that the Office erred in its analysis of related subject matter. In *Google*, the petitioner sought to rely on rejections made by an examiner during prosecution of an application related to the challenged patent as evidence that the examiner of the challenged patent had erred.[39] The Board gave those rejections little weight because the petitioner did not provide additional arguments showing that the rejections were meritorious.[40] In *Keysight*, however, the '148 FWD was persuasive evidence that the examiner of the challenged patent had erred in considering the art—seemingly more because the '148 FWD had been affirmed by the Federal Circuit[41] than due to supporting arguments from the petitioner.

Takeaways

Petitioners should be wary of relying on references and arguments that are the same or substantially the same as those in the prosecution history of the challenged patent, even if not specifically addressed by the examiner. Though the absence of rejections or other discussion based on cited materials weighed against Section 325(d) denial under *Becton, Dickinson*, such silence in the record can be an obstacle to petitioners seeking to demonstrate how the Office erred as required by the second step of *Advanced Bionics*. However, petitioners may be able to argue against the Board's exercise of discretion under Section 325(d) by showing where the Office's remarks on the record suggest that the relevant materials were overlooked.

Notably, a specific proposal within a recent Advance Notice of Proposed Rulemaking would sidestep the *Advanced Bionics* Catch-22 for petitioners seeking to rely

on art and arguments that are the same, or substantially the same, as art and arguments cited during an earlier proceeding, but not substantively analyzed by the Office. In relevant part, "[t]he USPTO is considering limiting the application of 35 U.S.C. 325(d) to situations in which the Office previously addressed the prior art or arguments. Art or arguments would be deemed to have been previously addressed where the Office . . . articulated its consideration of the art or arguments in the record . . . The mere citation of a reference on an Information Disclosure Statement (whether or not checked off by an examiner . . . would not be considered sufficient to be deemed 'previously addressed' for purposes of 35 U.S.C. 325(d)."[42] If this proposal was implemented, petitioners would no longer need to guess how the Office erred with respect to art and arguments present in the record, but not commented upon, in order to avoid discretionary denial—instead, such art and arguments would be treated as if the Office had never considered them at all.

1. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (designated precedential May 5, 2020).
2. Jason A. Fitzsimmons & John D. Higgins, "Discretionary Denial under § 325(d): Strategic Implications of the PTAB's Advanced Bionic Framework," 2021 PTAB Year in Review (2022), available at: https://www.sternekessler.com/news-insights/publications/discretionary-denial-under-ss-325d-strategic-implications-ptabs-advanced.
3. 35 U.S.C. § 325(d).
4. IPR2019-01469, Paper 6 (P.T.A.B. Feb. 13, 2020) (precedential) (*"Advanced Bionics"*).
5. *Id.* at 8.
6. IPR2017-01586, Paper 8 at 17-18 (P.T.A.B. Dec. 15, 2017) (precedential as to § III.C.5, first paragraph) (*"Becton, Dickinson"*).
7. *Advanced Bionics*, Paper 6 at 9-11.
8. *Id.* at 10.
9. Id. at 10-11.
10. IPR2022-01197 (*"Google"*).
11. *Google*, Paper 9 at 26 (P.T.A.B. Jan. 3, 2023) and Paper 18 at 29 (P.T.A.B. June 13, 2023).
12. *Google*, Paper 9 at 20-26.
13. *Id.* at 22.
14. *Id.* at 25.
15. *Google*, Paper 16 at 4 (P.T.A.B. Apr. 12, 2023).
16. *Google*, Paper 7 at 2 (P.T.A.B. Nov. 9, 2022).
17. *Id.* at 2-3.
18. *Google*, Paper 12 at 3 (P.T.A.B. Mar. 29, 2023).
19. *Id.* at 5.
20. *Id.* at 5-6.
21. *Google*, Paper 18 at 29 (P.T.A.B. June 13, 2023).
22. *Id.* at 19.
23. *Id.* at 19-24.
24. *Id.* at 19-20.
25. *Id.* at 24.
26. *Id.* at 24-25.
27. *Becton, Dickinson*, Paper 8 at 22-23; *see also SolarEdge Techs. Ltd. v. SMA Solar*, IPR2020-00021, Paper 8 at 12 (P.T.A.B. Apr. 10, 2020) (finding that, within step two of the Advanced Bionics test, the absence of any rejections based on a reference submitted in an IDS and marked considered "weighs strongly against exercising . . . discretion to deny institution").
28. IPR2022-01421, Paper 9 (P.T.A.B. Mar. 22, 2023) (*"Keysight"*).
29. IPR2018-01454, Paper 33 (P.T.A.B. Mar. 5, 2023) (concerning U.S. Patent No. 9,674,148).
30. *Keysight*, Paper 9 at 9-10.
31. *Id.*
32. *Keysight*, Paper 2 at 8-9.
33. *Id.*
34. *Keysight*, Paper 9 at 9-10.
35. *Keysight*, Paper 14 at 8 (P.T.A.B. August 24, 2023).
36. *Id.* at 7.
37. *Id.*
38. *Id.* at 3.
39. *Google*, Paper 18 at 24.
40. *Id.*
41. *Keysight*, Paper 14 at 3 n.2.
42. Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board, 88 Fed. Reg. 24503, 24511-12 (Apr. 21, 2023).

The Staying Power of *Fintiv*: The Effect of Parallel Litigation at the PTAB in 2023

BY RICHARD M. BEMBEN AND JOHN D. HIGGINS

In 2023, *Fintiv*[1]—the precedential Order issued in 2020 that established a six-factor framework that the Patent Trial and Appeal Board (PTAB) applies when evaluating whether to exercise its discretion to institute an America Invents Act (AIA) trial when there is co-pending litigation—continued to grab headlines and spark controversy. It has, thus far, survived myriad efforts to curtail the PTAB's discretion at institution. At the time of our last report,[2] there were efforts to modify, limit, or abolish the *Fintiv* framework—several of which continue to exist in some form today. First, some stakeholders argued that the PTAB's application of *Fintiv* to deny institution improperly refuses to review meritorious petitions contrary to the intent of AIA trials as being low-cost alternatives to district court litigation.[3] Second, members of Congress had proposed legislation aimed to rein in the PTAB's discretion.[4] Third, legal challenges to *Fintiv* were working their way through federal courts.[5] Fourth, President Biden appointed a new Director of the U.S. Patent and Trademark Office (USPTO), Kathi Vidal, who acknowledged during her Senate committee hearing a desire to address *Fintiv* policy, leaving many open questions as to how she would shape that policy.[6]

So far, Director Vidal's appointment has shaped *Fintiv's* impact the most. In June 2022, she issued a Memorandum that provides guidance on how and when panels should apply the *Fintiv* framework ("Guidance Memo").[7] And in 2023, she issued the precedential *Commscope*[8] decision, in which she clarified how the PTAB should apply *Fintiv* factors and evaluate a petition that presents a challenge having "compelling merits."

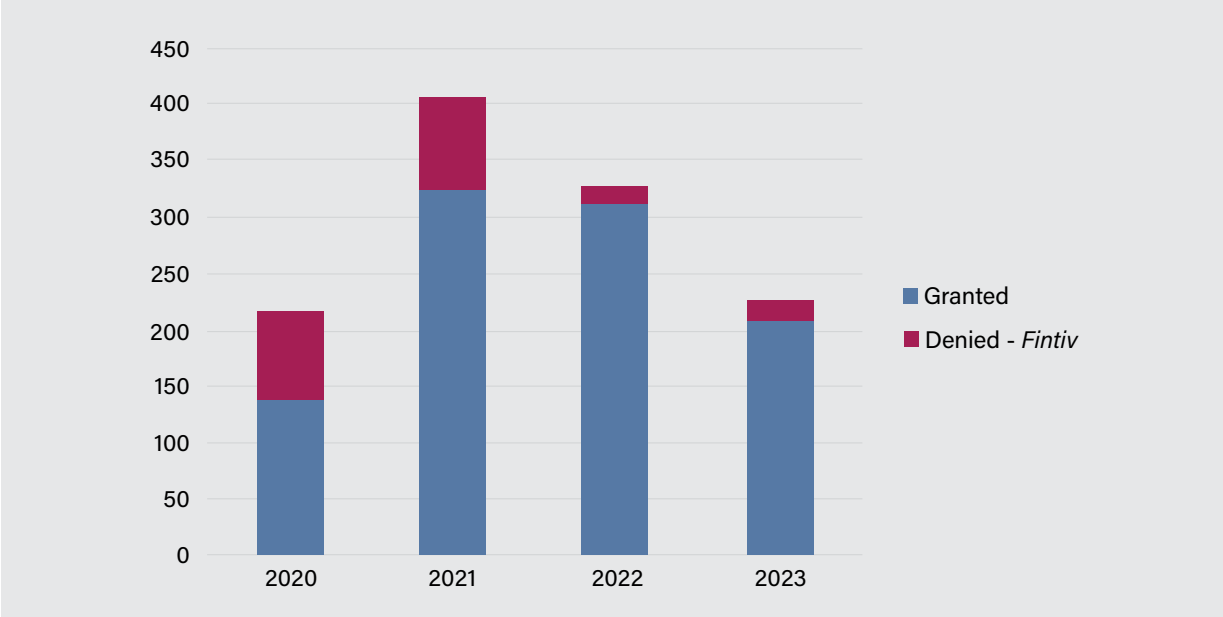
Keeping these developments in mind, we continue here our data-driven analysis of PTAB decisions applying the *Fintiv* framework. Figure 1 shows the number of institution decisions in which the PTAB evaluated the *Fintiv* factors, broken down by year. Out of those cases, Figure 1 delineates between decisions that denied review based on *Fintiv* (indicated by red) and decisions that instituted review (indicated by blue). Figure 1 does not track decisions that denied review for other reasons, such as the merits.

While *Fintiv* denials are nowhere near their peak rate from 2021, *Fintiv* is still a common issue in PTAB proceedings. As indicated above in Figure 1, the PTAB still considers the *Fintiv* factors in a significant number of cases. Given that *Fintiv* is a key issue for any party facing parallel patent litigation, we continued to monitor *Fintiv* denial rates and review recent institution decisions to shed light on how the PTAB applies *Fintiv* following the Director's Guidance Memo and subsequent precedential PTAB case law. Practitioners should be mindful of the latest statistical trends to accurately gauge *Fintiv's* influence on litigation strategy. Before analyzing the latest trends, we provide a brief background and recap of the recent developments that have directly shaped how the PTAB applies *Fintiv*.

Fintiv's Rise

35 U.S.C. §§ 314(a) (IPR) and 324(a) (PGR) set forth the minimum threshold requirements to institute review of petition for IPR or PGR. But since institution is never *required*, they give broad discretion to the Director to

Figure 1: *Fintiv* Reviews by Year



deny review even if the minimum requirements are met. For example, as explained in the PTAB's Trial Practice Guide, the PTAB interprets these statutes as permitting denial in light of "events in other proceedings related to the same patent, either at the Office, in district courts, or the ITC."[9] In *Fintiv*, the PTAB enumerated six non-exhaustive factors weighed by the PTAB when determining whether to exercise this discretion in view of parallel litigation: (1) whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted; (2) proximity of the court's trial date to the PTAB's projected statutory deadline for a final written decision; (3) investment in the parallel proceeding by the court and the parties; (4) overlap between issues raised in the petition and in the parallel proceeding; (5) whether the petitioner and the defendant in the parallel proceeding are the same party; and (6) other circumstances that impact the PTAB's exercise of discretion, including the merits.[10]

Following its precedential designation in May 2020, *Fintiv* required the PTAB to consider the proximity of the parallel proceeding's trial date, in addition to other factors (including the merits), which led to a spike of discretionary denials. When the parallel proceeding involved an expedited International Trade Commission (ITC) investigation or a trial in district court that was scheduled to begin before the statutory deadline for the PTAB to issue a final written decision, the PTAB often exercised its discretion to deny institution in the interest of judicial efficiency. Indeed, more than one-third of the institution decisions in 2020 in which the PTAB considered *Fintiv* resulted in the PTAB exercising its discretion to deny institution under *Fintiv*, as shown in Figure 1 above.

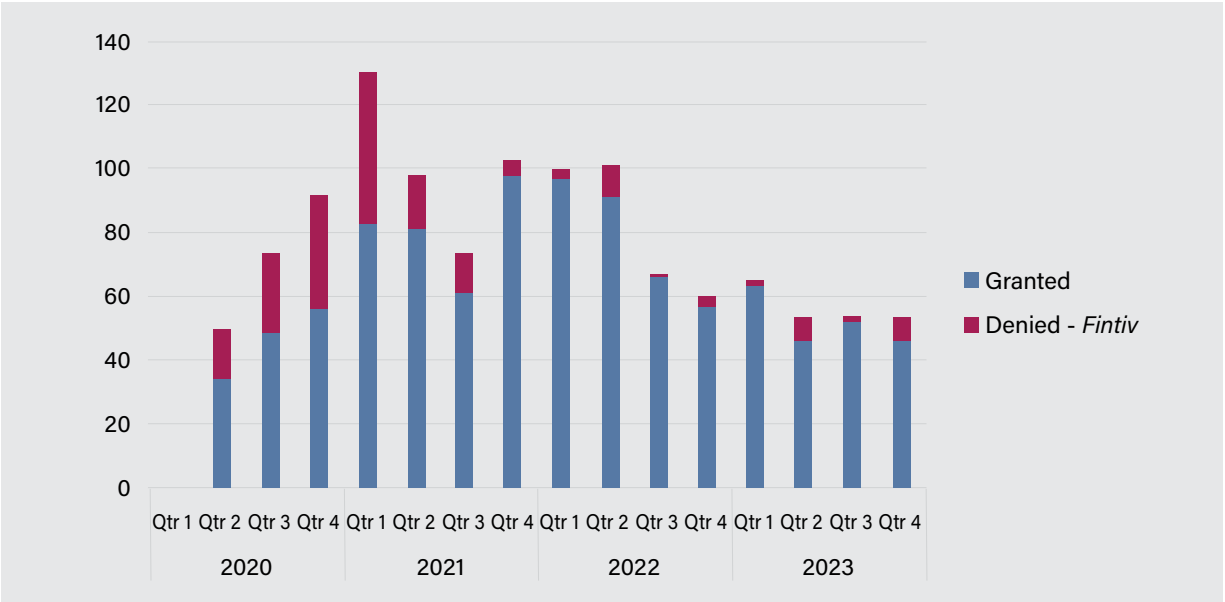
In return, petitioners began advancing stipulations that forgo presenting certain invalidity challenges in parallel litigation in order to reduce overlap of issues under *Fintiv* factor 4. These stipulations vary in scope. From narrowest to broadest, these stipulations concede not raising in the parallel litigation: (1) the same grounds raised in the petition,[11] (2) the same prior art raised in the petition, or (3) the same grounds or any ground that reasonably could have been raised in the petition. The broadest stipulations, better known as *Sotera* stipulations,[12] track the "raised or reasonably could have raised" language of the estoppel provisions in 35 U.S.C. §§ 315(e) and 325(e). Overall, petitioners' stipulations helped curb *Fintiv* denial rates, which began declining in the second quarter of the 2021 fiscal year, as shown in Figure 2, which shows the number of cases in which the PTAB evaluated the *Fintiv* factors, broken down by quarter. Similar to Figure 1, Figure 2 delineates between decisions that denied review based on *Fintiv* (indicated in red) and decisions that instituted review (indicated in blue).

Even with the availability of stipulations, the PTAB's use of *Fintiv* to deny petitions remained controversial. First, some stakeholders considered the scheduled trial date in parallel litigation to be an unreliable metric for determining the proximity of the trial relative to the PTAB's statutory deadline. Second, deferring invalidity decisions to the ITC was inappropriate, some said, because the PTAB is not bound by the ITC's findings and the ITC lacks authority to invalidate a patent. Third, discretionary denial practice under *Fintiv* raised significant uncertainty as to whether the PTAB would consider petitions on the merits. Again, some stakeholders viewed this uncertainty as contrary to the Congressional intent of the AIA's post-grant proceedings.

Director's Interim Guidance: *Fintiv's* Decline

On June 21, 2022, Director Vidal issued the Guidance Memo clarifying how panels were to apply the *Fintiv* framework, and, importantly, identifying scenarios in which the PTAB would not exercise its discretion

Figure 2: *Fintiv* Denials by Quarter



under *Fintiv*. Specifically, Director Vidal identified three scenarios in which the PTAB would no longer exercise its discretion to deny institution in view of parallel proceedings:

1. when the petition presents compelling evidence of unpatentability,
2. when the request for denial under *Fintiv* is based on a parallel ITC proceeding, and
3. when the petitioner makes a *Sotera* stipulation.

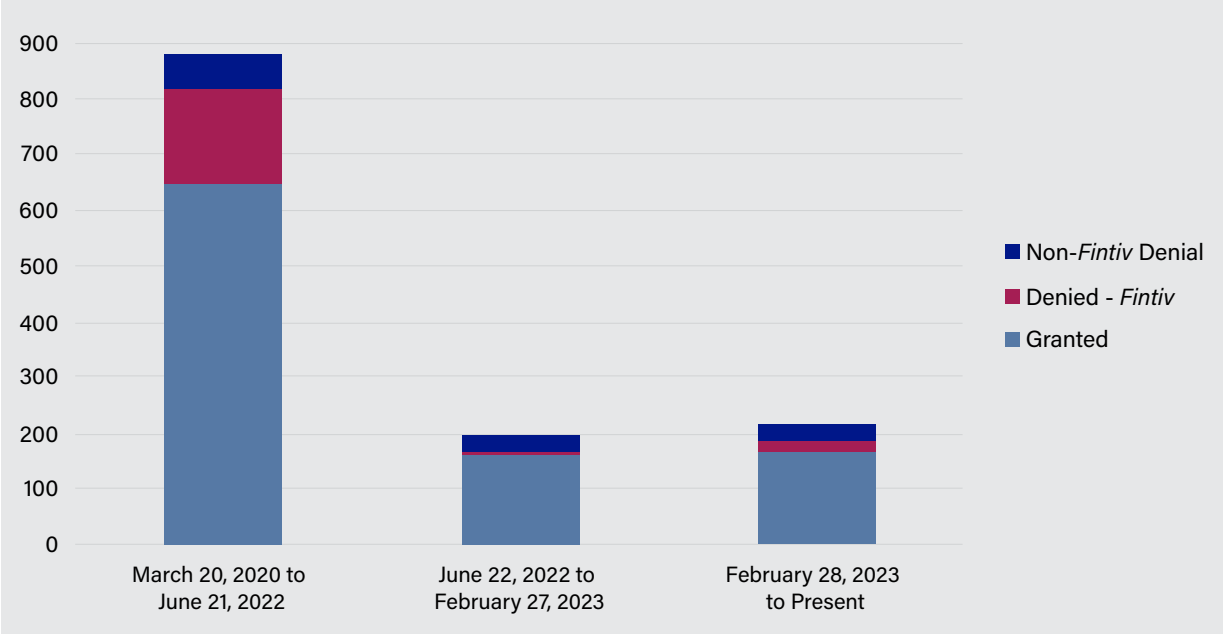
The first scenario emphasizes *Fintiv* factor 6 over the remaining *Fintiv* factors—pushing the PTAB to consider the merits. Director Vidal defined "compelling evidence" as evidence that "would plainly lead to a conclusion that one or more claims are unpatentable," which is a higher threshold than the threshold for institution (reasonable likelihood of success in *inter partes* review and more likely than not in post grant review).[13] According to the Guidance Memo, the purpose of this clarification was to "strike[] a balance among the competing concerns" of stakeholders—avoiding conflicting tribunal outcomes while allowing the PTAB to review the merits of seemingly strong invalidity challenges.[14] The second scenario in the Guidance Memo clarifies that *Fintiv* analysis is directed solely to district court litigation, not ITC proceedings. And the third scenario provides petitioners an opportunity to avoid *Fintiv* if they agree to allow estoppel akin to that under Section 315(e) to apply at institution (as opposed to final written decision).

Director Vidal further expanded the considerations of *Fintiv* factor 2 beyond the district court's scheduled trial date. The Guidance Memo encouraged parties to "present evidence regarding the most recent statistics on median time-to-trial for civil actions" where the parallel litigation resides.[15] Noting that the scheduled trial dates often change, Director Vidal clarified that the PTAB may "also consider additional supporting factors such as the number of cases before the judge in the parallel litigation and the speed and availability of other case dispositions."[16] The Guidance Memo clarifies that *Fintiv* factor 2 should not alone outweigh all other factors acting against the PTAB exercising its discretion, which was a criticism that some stakeholders lodged against the PTAB's application of *Fintiv* (despite panels routinely emphasizing in decisions that factor 2 is not dispositive).

While committing to a *Sotera* stipulation avoids denial under *Fintiv*, Director Vidal also clarified in her *sua sponte* Director Review in *NXP USA, Inc. v. Impinj, Inc.*[17] that the stipulation must be timely—it must be filed before the institution date. In *NXP USA*, Director Vidal affirmed the PTAB's ruling "that a stipulation, offered by a petitioner for the first time after a decision denying institution, is not a proper basis for granting rehearing of the decision on institution."[18] Accordingly, the only appropriate time to offer a stipulation related to *Fintiv* factor 4 is prior to an institution date.

Against this backdrop, we tracked PTAB decisions in which *Fintiv* was addressed from March 2020 to November 2023. Particularly, we compared *Fintiv* denial rates over three time periods: (1) *Fintiv's* rise from March 20, 2020, to June 22, 2022; (2) *Fintiv's* decline following the release of the Guidance Memo on June 22, 2022; and (3) *Fintiv's* modest revival following the issuance of the Director's Review in *Commscope* on February 27, 2023.[19] As for our methodology, the blue bar in Figure 3 (seen below) represents decisions in which *Fintiv* was addressed and review was instituted. The red bar in Figure 3 represents decisions in which *Fintiv*

Figure 3: Tracking *Fintiv* Denials in View of the Guidance Memo and *Commscope*



was addressed and review was denied due to *Fintiv*. The dark blue bar in Figure 3 represents decisions in which *Fintiv* was addressed and review was denied for other reasons (e.g., the merits). Tables 1 and 2 (below) respectively show the number and percentage of decisions addressing *Fintiv* based on the timeframe and categories outlined above.

As shown in Figure 3 (on page 23) and Tables 1 and 2 (below), *Fintiv* denial rates declined significantly in the eight months following the Guidance Memo, while the overall PTAB institution rate climbed to over 80%. From June 22, 2022, to February 27, 2023, the PTAB reviewed 878 total petitions, denying only five petitions based on *Fintiv*.

Notably, four of the five *Fintiv* denials in the June 22, 2022 to February 27, 2023 time frame presented similar circumstances.[20] The parallel trial date was scheduled to start less than one month from the PTAB's institution date—well before the PTAB's statutory deadline for issuing a final written decision. Petitioners raised narrow ground-based or prior art-based stipulations, not a broad *Sotera* stipulation. And the petitions were found to lack compelling merits. Ultimately, the PTAB found that balancing these factors weighed in favor of denying institution.

Figure 4 (seen on the right page) shows the effect of the Guidance Memo ending the practice of *Fintiv* denials in view of parallel ITC investigations. To compare denials stemming from parallel district court litigation with denials based on parallel ITC investigations, we determined for each *Fintiv* denial whether the subject patent was involved in an ITC proceeding. If so, the case was categorized as "ITC" (even though it may have also involved parallel district court litigation). The remaining cases—those with patents not involved in an ITC investigation—were categorized as having only parallel district court proceedings. Any case denied for reasons other than *Fintiv* (e.g., based on the merits) was omitted from our statistics.

As shown on page 25, between roughly 2020 and 2022, panels frequently issued *Fintiv* denials based on parallel ITC investigations, which are accelerated proceedings that advance quickly to trial. Although the rate of these denials was decreasing in the 2021-2022 timeframe, they were still more frequent than denials based on parallel district court litigation. Accordingly, ending the practice of *Fintiv* denials in view of parallel ITC investigations has played a significant role in decreasing the overall *Fintiv* denial rate.

Director's Review: *Fintiv* Staying Alive

While the Guidance Memo clarified the application of *Fintiv* and reduced denials, Director Vidal later issued a precedential *sua sponte* Director Review decision[21] clarifying that the PTAB should consider all the *Fintiv* factors for any proceedings involving parallel district court litigation. In *Commscope Technologies LLC v. Dali Wireless, Inc.*, Director Vidal vacated a panel's institution decision for failing to provide an adequate *Fintiv* analysis.[22] In its institution decision, the panel assessed whether the petition presented compelling merits "without first determining that the other *Fintiv* factors favor discretionary denial."[23] Director Vidal clarified in *Commscope* that the Guidance Memo did not intend to make a compelling merits determination a substitute for a *Fintiv* analysis.[24] That is, PTAB panels should only consider compelling merits if determining that *Fintiv* factors 1–5 favored discretionary denial.[25] Conversely, when determining that *Fintiv* factors 1-5 do not favor discretionary denial, the PTAB does not need to assess

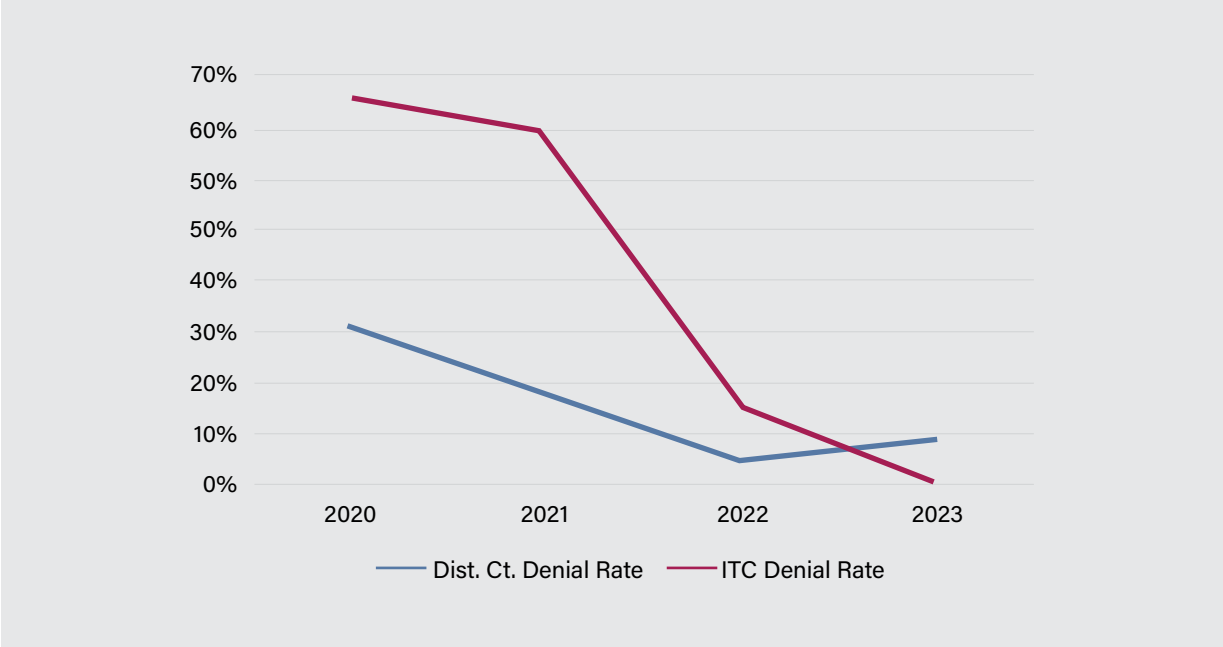
Table 1: *Fintiv* Denial in View of the Guidance Memo and *Commscope*

Time Frame	PTAB Decisions Addressing *Fintiv*			
	Review Granted	Review Denied: *Fintiv*	Review Denied: Non-*Fintiv*	Total PTAB Decisions
Mar. 20, 2020 to June 21, 2022	648	173	57	878
June 22, 2022 to Feb. 27, 2023	164	5	28	197
Feb. 28, 2023 to Dec. 11, 2023	169	18	27	214

Table 2: *Fintiv* Denial Rates in View of the Guidance Memo and *Commscope*

Time Frame	PTAB Decisions Addressing *Fintiv*		
	Review Granted	Review Denied: *Fintiv*	Review Denied: Non-*Fintiv*
Mar. 20, 2020 to June 21, 2022	74%	20%	6%
June 22, 2022 to Feb. 27, 2023	83%	3%	14%
Feb. 28, 2023 to Dec. 11, 2023	79%	8%	13%

Figure 4: ITC vs. District Court *Fintiv* Denials



whether the petition presents compelling merits. Either way, the PTAB must apply *Fintiv* factors 1–5 when deciding a *Fintiv* challenge raised by patent owner.

Director Vidal further found that the panel in *Commscope* failed to provide sufficient reasoning to support its conclusion that the merits were compelling.[26] The panel merely pointed to its invalidity analysis under the lower institution standard.[27] Director Vidal noted that the PTAB "must provide reasoning to explain and support its determination as to compelling merits sufficient to allow the parties to challenge that finding and sufficient to allow for review of that decision."[28]

Accordingly, the Director's Review of *Commscope* clarified the order in which panels should evaluate the *Fintiv* factors and the heightened burden for making a compelling merits determination. Since the Director's Review of *Commscope* was issued on February 27, 2023, we have seen an uptick in *Fintiv* denials with the PTAB denying 18 petitions under *Fintiv*—more than three times as many *Fintiv* denials as were issued between the publication of the Guidance Memo and *Commscope*.

Recent PTAB decisions show that the proximity of a district court trial date is still a significant consideration in post-guidance *Fintiv* analysis. And the parties' use of or lack of evidence to forecast the expected trial date can swing the PTAB's decision to exercise its discretion under *Fintiv*.

For example, in *Zhuhai Cosmx Battery Co., Ltd. v. Ningde Amperex Tech. Ltd.*, the PTAB exercised its discretion to deny institution under *Fintiv* when the district court trial date was scheduled eight months before the statutory deadline for issuing the final written decision.[29] Although petitioner presented median time-to-trial statistics to indicate a later trial start date, the PTAB still found that *Fintiv* factor 2 weighed heavily in favor of denial because the median time-to-trial data forecasted trial starting three months before the statutory deadline.[30] In contrasting its decision from the institution granted in *NetNut Ltd. v. Bright Data Ltd.*,[31] the PTAB highlighted the petitioner's failure to provide any other evidence "regarding the caseload of the assigned judge or whether extensions of time have been sought" in the parallel litigation.[32] Simply put, petitioner's lack of evidence to rebut the earlier scheduled trial date was detrimental for institution.

In *Resmed Corp. v. Cleveland Medical Devices Inc.*,[33] the panel decided to exercise its discretion, and its decision turned on the accuracy of the parties' presented evidence. The trial date in co-pending litigation was scheduled approximately one month before the PTAB's statutory deadline to issue a final written decision.[34] The petitioner presented Delaware's most recent median time-to-trial statistics, indicating an expected trial date occurring months *after* the PTAB's statutory deadline.[35] The patent owner, however, contended that the court's median time-to-trial data did "not accurately" reflect the assigned judge's median time-to-trial, which was eight months *less* than the court's median time-to-trial.[36] The PTAB found that "the scheduled trial date is a better measure of the expected trial date than the median-time-to-trial statistic" because the assigned judge was recently confirmed to the bench and presided over "approximately 24% fewer patent cases than the average number of patent cases for the other judges in the district."[37] Reaching this finding, the PTAB weighed *Fintiv* factor 2, along with factors 3–6, in favor of denial, and thereby exercised its discretion to deny institution.[38]

These recent PTAB decisions highlight that, for both parties, presenting accurate statistics and other forms of evidence is key for post-guidance *Fintiv* analysis. Accordingly, when addressing *Fintiv* Factor 2, practitioners should be mindful of all relevant circumstances, such as the caseload of the assigned judge and the speed and availability of other case dispositions.

Takeaways from Post-Guidance *Fintiv* PTAB Decisions

Despite the decline of *Fintiv* denials, the PTAB is still willing to exercise its discretion to deny institution, typically when a petition is filed late relative to the state of the parallel case, the parties already expended considerable resources on the parallel case, the petitioner does not advance a *Sotera* stipulation, and the petition lacks compelling merits.

Petitioners can avoid uncertainty as to whether the PTAB will exercise its discretion by making a *Sotera* stipulation. But petitioners should assess the risks and rewards of raising a *Sotera* stipulation. If the scheduled trial date is well beyond the PTAB's statutory deadline for issuing a final written decision, estoppel under § 315(e) will attach in the later district court case if the PTAB institutes review and reaches a final written decision, and therefore, petitioners have little risk in asserting a *Sotera* stipulation. Conversely, if the scheduled trial date is before or close to the statutory deadline, the chances of facing estoppel under § 315(e) at trial is less clear, and thus, petitioners/defendants may be restricting their invalidity options at trial in the parallel proceeding by asserting a *Sotera* stipulation. Stipulating not to raise the same grounds or prior art in district court (that is, something less than a *Sotera* stipulation) will not guarantee immunity from *Fintiv*. The PTAB, however, generally weighs *Fintiv* factor 4 in favor of institution based on art-based stipulations, as highlighted in our previous report.[39] Given that the *Fintiv* analysis is highly fact sensitive, petitioners should assess how the PTAB would weigh the remaining *Fintiv* factors in their case when choosing between narrow and broad stipulations.

Patent owners involved in parallel litigation should still ask the PTAB to exercise its discretion under *Fintiv*, especially when the scheduled trial date in the parallel case is proximate to the PTAB's statutory deadline for issuing a final written decision. Because the PTAB must assess *Fintiv* factors 1-5 before assessing compelling merits, patent owners need to address all six *Fintiv* factors in the Preliminary Response to effectively convince the PTAB to exercise its discretion. A patent owner should determine if any stipulations were raised in the petition and evaluate whether the proffered stipulation truly eliminates overlap between the proceedings. When addressing *Fintiv* factor 6, patent owners should emphasize that "the compelling merits standard is a higher standard than the standard for institution,"[40] and explain how the petitioner's evidence would not be "highly likely [to] … prevail with respect to at least one challenged claim."[41] Raising any doubt against petitioners' invalidity challenges could tilt *Fintiv* Factor 6 in favor of denial.

Looking Ahead: Further Proposed Changes to *Fintiv*

Although the Director's Guidance Memo clarified the application of *Fintiv* to post-grant proceedings, the USPTO proposed further actions that would impact discretionary institution practices under 35 U.S.C. §§ 314(a) and 324(a), along with other issues in PTAB practice. On April 21, 2023, the USPTO published an Advanced Notice of Proposed Rulemaking (ANPRN), based on a Request for Comments published in 2020.[42] The ANPRN proposed rule-based changes that "build on and codify existing precedent and guidance on Director's discretion to determine whether to institute an IPR or PGR."[43] The ANPRN garnered thousands of stakeholder responses that the USPTO is parsing to formulate policy intending to provide consistency and predictability in panel decisions.

In addition, Congress proposed legislation that would replace the PTAB's application of *Fintiv*. Senators Coons, Tillis, Durbin, and Hirono introduced a bill, titled "Promoting and Respecting Economically Vital American Innovation Leadership (PREVAIL) Act," to stop duplicative patent invalidity challenges, amongst other objectives.[44] The PREVAIL Act proposes ending duplicative validity challenges by requiring a party to choose between making its validity challenges either in the PTAB or in district court.[45] For example, upon institution of an IPR, the petitioner would not be able to raise or maintain in another forum any validity arguments against the patent based on earlier publications or patents.

We expect that the issues pertaining to PTAB discretion and *Fintiv* will continue to play out in 2024, and look forward to seeing what the USPTO and Congress do next.

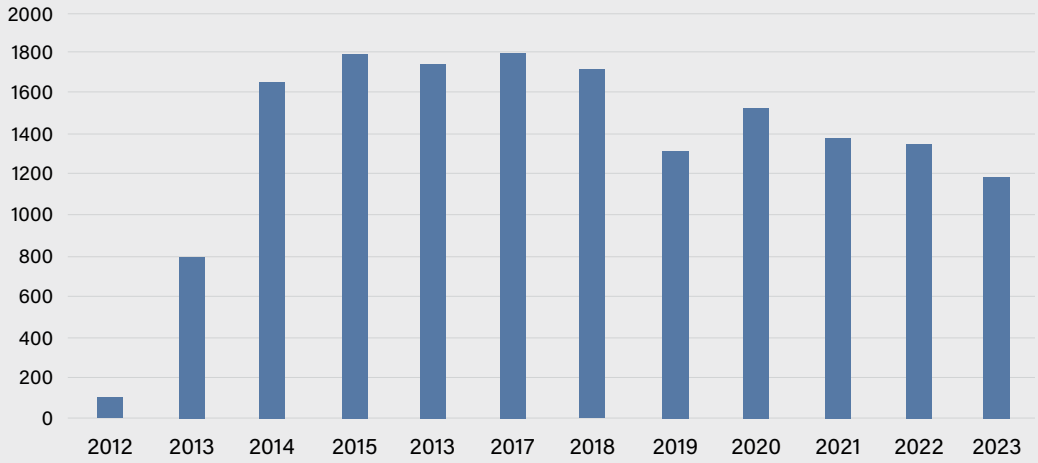
Sterne Kessler Achieves Top Litigation Rankings in Patexia's 2023 PTAB Intelligence Report

The firm and several individual attorneys earned top rankings in Patexia's 2023 PTAB Intelligence Report. Of particular note, Sterne Kessler was rated the best performing law firm representing patent owners, topping the list of 100 ranked firms in the category. This annual PTAB report provides comprehensive law firm, attorney, petitioner, and patent owner rankings across all proceedings within the US Patent and Trademark Office's Patent Trial and Appeal Board (PTAB). Learn more about our award-winning PTAB Trials Practice by scanning the QR code.

1. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (designated precedential May 5, 2020).
2. Richard M. Bemben & Steven Pappas, "2021 PTAB Year in Review: Analysis & Trends: *Fintiv* Continues To Take Center Stage: The Effect of Parallel Litigation at the PTAB in 2021," 2021 PTAB Year in Review (2022), available at: https://www.sternekessler.com/sites/default/files/2022-02/ptab_year_in_review_2021_fintiv_article_final.pdf.
3. *See* Dani Kass, "Tech Giants Are Putting PTAB's Discretion To The Test," Law360 (Sept. 3, 2020); *Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board*, 85 Fed. Reg. 66,502 (Oct. 20, 2020).
4. *See e.g.*, "Restoring the America Invents Act," 117th Congress, 1st Sess., S. 2891 (introduced Sept. 29, 2021), available at: https://www.govinfo.gov/content/pkg/BILLS-117s2891is/pdf/BILLS-117s2891is.pdf.
5. *See, e.g.*, Petition for a Writ of Certiorari, *Apple Inc. v. Optis Cellular Tech., LLC*, No. 21-118, 2021 WL 3207820, at *3 (2021), cert. denied, 142 S.Ct. 859 (2022). Also note that some legal challenges to the *Fintiv* framework continue to work their way through the Federal Court system, albeit in more limited form. *See Apple Inc. v. Vidal*, 63 F.4th 1 (Fed. Cir. 2023) (ruling that a district court could review whether the Director's instructions on how panels should apply her discretion at institution were improperly issued because they were not promulgated through an APA procedure known as "notice-and-comment rulemaking.").
6. Dani Kass, "Patent Policy to Watch In 2022," Law360 (Jan. 3, 2022).
7. Katherine K. Vidal, *Interim Procedure For Discretionary Denials in AIA Post-Grant Proceedings With Parallel District Court Litigation* (June 21, 2022), available at: https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_ denials_aia_parallel_district_court_litigation_memo_20220621_.pdf ("Guidance Memo").
8. *Commscope Technologies LLC v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 (P.T.A.B. Feb. 27, 2023).
9. Patent Trial and Appeal Board Consolidated Trial Practice Guide November 2019, p. 58. Note that Director Vidal's Guidance Memo ended the PTAB's practice of applying *Fintiv* to deny institution in light of a parallel ITC investigation. See below.
10. *Fintiv*, Paper 11 at 6.
11. *See Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC*, IPR2019-01393, Paper 24 at 11–12, 12 n.5 (June 16, 2020) (informative).
12. *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 18 (P.T.A.B. Dec. 1, 2020) (precedential as to § II.A).
13. *Id.* at 4.
14. *Id.* at 5.
15. *Id.* at 8–9.
16. *Id.*
17. IPR2021-01556, Paper 13 (P.T.A.B. Sept. 7, 2022).
18. *Id.* at 3–4.
19. The data of Figure 3 tracks PTAB decisions issued as of December 11, 2023.
20. *Ericsson Inc. et al. v. Godo Kaisha IP Bridge 1*, IPR2022-00725, Paper 10 (P.T.A.B. Nov. 2, 2022); *Ericsson Inc. et al. v. Godo Kaisha IP Bridge 1*, IPR2022-00726, Paper 11 (P.T.A.B. Nov. 2, 2022); *Nokia of America Corporation et al. v. Godo Kaisha IP Bridge 1*, IPR2022-00755, Paper 9 (P.T.A.B. Nov. 2, 2022); *Ericsson Inc. et al. v. Collison Communications, Inc.*, IPR2022-01233, Paper 12 (P.T.A.B. Jan. 19, 2023).
21. *Commscope Technologies LLC v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 (P.T.A.B. Feb. 27, 2023).
22. *Id.* at 4–6.
23. *Id.* at 4.
24. *Id.*
25. *Id.*
26. *Id.* at 5.
27. *Id.*
28. *Id.* at 5–6.
29. IPR2023-00587, Paper 12 (P.T.A.B. Sept. 22, 2023).
30. *Id.* at 10-12.
31. IPR2021-01492, Paper 12 at 9–16 (P.T.A.B. Mar. 21, 2022) (granting institution even when the co-pending trial date was scheduled six months before the final written decision deadline).
32. Zhuhai Cosmx Battery, IPR2023-00587, Paper 12 at 12.
33. IPR2023-00565, Paper 13 (P.T.A.B. Sept. 25, 2023).
34. *Id.* at 11.
35. *Id.*
36. *Id.*
37. *Id.* at 11–12.
38. *Id.* at 12, 18.
39. Richard M. Bemben & Steven Pappas, "2021 PTAB Year in Review: Analysis & Trends: *Fintiv* Continues To Take Center Stage: The Effect of Parallel Litigation at the PTAB in 2021," 2021 PTAB Year in Review (2022).
40. *Commscope Technologies LLC*, IPR2022-01242, Paper 23 at 3 (citing 35 U.S.C. § 314(a).
41. *Id.* at 4 (quoting OpenSky Indus., LLC et al. v. VLSI Tech. LLC, IPR2021-01064, Paper 102 at 49–50 (P.T.A.B. Oct. 4, 2022) (precedential)).
42. *Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board*, 88 Fed. Reg. 24,503 (Apr. 21, 2023).
43. *Id.* at 24,504.
44. "Senators Coons, Tillis, colleagues introduce bipartisan bill to support American inventors by reforming Patent Trial and Appeal Board" (Aug. 9, 2023), available at: https://www.coons.senate.gov/news/press-releases/senators-coons-tillis-colleagues-introduce-bipartisan-bill-to-support-american-inventors-by-reforming-patent-trial-and-appeal-board.
45. "Prevail Act," 118th Congress, 1st Sess. (introduced Aug. 9, 2023), available at: https://www.coons.senate.gov/imo/media/doc/prevail_act_bill_text.pdf.

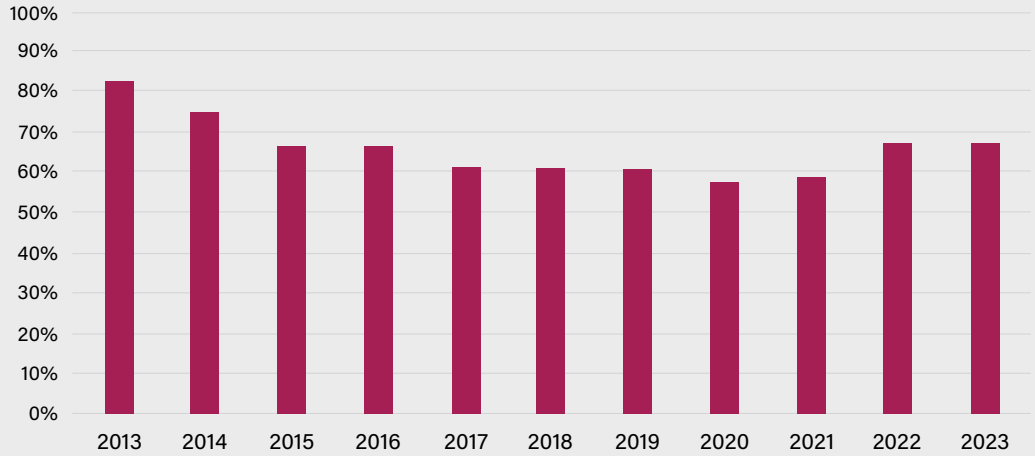
Key 2023 PTAB Statistics

Petitions Filed by Year



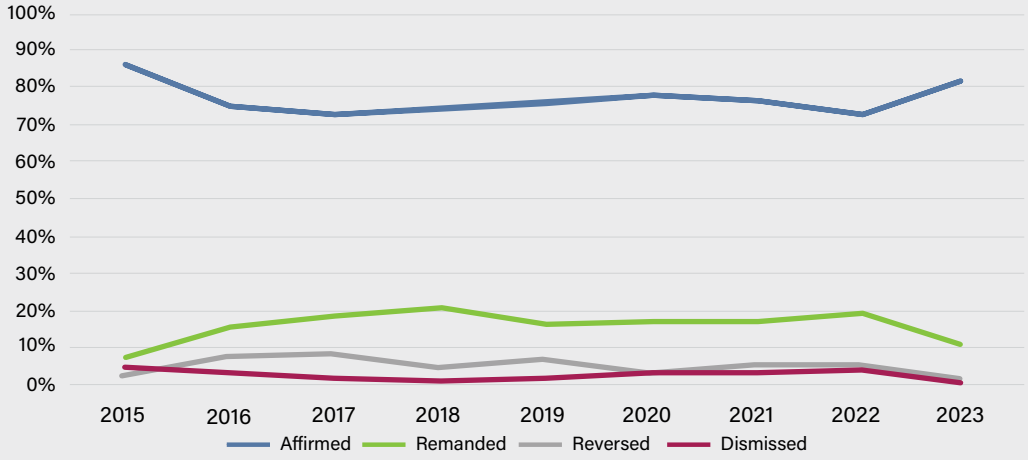
1,188 petitions were filed in 2023, marking a year-over-year decline in new petitions filed for the fifth time in the last six years. This was the fewest petitions filed in any year in the last decade.

Proceeding Institution Rate



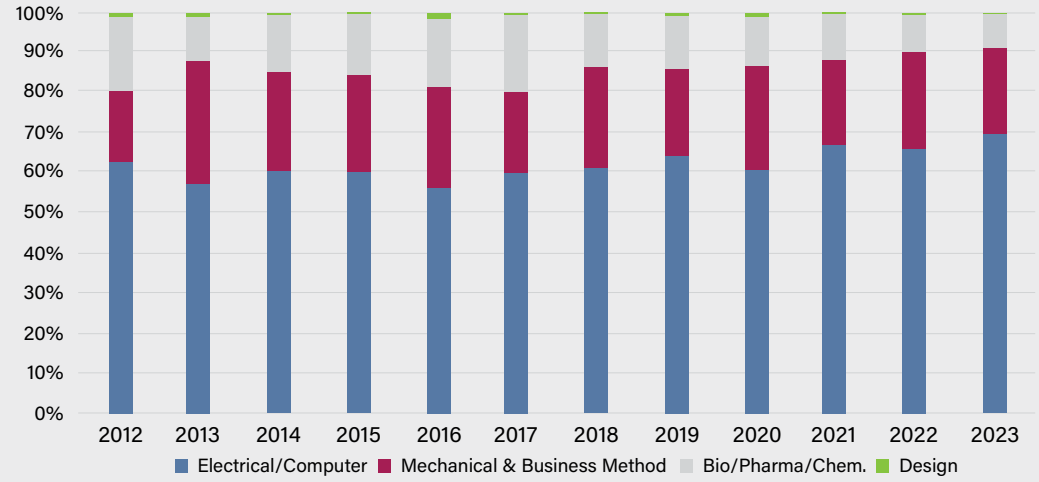
The institution rate ticked up in 2022, and this increase persisted in 2023 relative to the rate that hovered around 60% from 2017-21.

PTAB Trial Appeal Outcomes



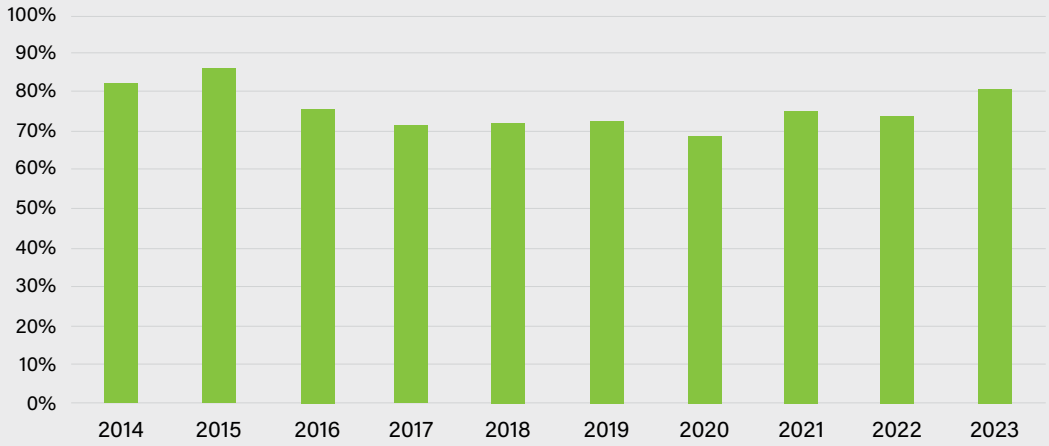
The Federal Circuit affirmance rate of IPR and PGR appeals spiked to 83% in 2023. This was the highest annual affirmance rate since 2015, the first year that the CAFC issued a significant number of decisions in appeals of AIA trials.

Challenged Patents by Technology



Petitions filed against life science patents continued to decline as a percentage of all filings in 2023. Electrical and computer patents made up an all-time high share of challenged patents, with more than two-thirds of petitions filed in this technology space.

Claim Cancellation Rate in FWDs



This year, the Board cancelled 80% of the claims that it ruled on in Final Written Decisions for the first time since 2015.

Sterne, Kessler, Goldstein and Fox is nationally ranked a Tier 1 PTAB Litigation Firm in "IP Stars 2023."

— Managing Intellectual Property

Standard Essential Patents at the PTAB: Are SEPs Faring any Differently than Non-SEPs?

Impacts and Analysis[1]

BY RYAN C. RICHARDSON

Standard Essential Patents are on the Rise, as is Litigation

Standard-essential patents (SEPs) are on the rise. A key factor undergirding that rise is the desire for device connectivity in all things, and the fact that reliable and robust connectivity is impossible without using key standards that are almost always subject to SEPs. For example, it is estimated that by 2025, more than 26 billion home and workplace devices will be connected to the Internet and have sensors, processors, and embedded software for facilitating connectivity.[2]

The economic impact of these connected devices is estimated to be approximately $10 trillion per year by 2025.[3] It is no surprise then that, in the last several years, the number of issued SEPs impacting connectivity has increased dramatically. Just looking at one of the more recent standards—5G cellular communications—the number of declared 5G patent families has increased tenfold between 2017 and 2023, reaching over 60,000.[4] In fact, the number of declared 5G patent families is almost 2.5 times more than the number of patent families declared essential to the previous 4G cellular communication standard. In addition to a surge in quantity, the relevance of SEPs has broadened—wireless and telecom standard technology have become prevalent in everything from biotech and automotive products to home appliances. Consequently, the impact of patents covering standard essential technology is felt, and will continue to be felt, across all major industries.

Predictably, the number of SEPs involved in litigation follows the progression of the technology. With the increased adoption of 4G technology, there was a corresponding rise in litigation of SEPs; the more products that were 4G compliant meant more potential infringers, which led to increased SEP litigation.[5] A similar rise has taken place with the more recent release and increasingly widespread adoption of 5G technology. Unsurprisingly, then, the 4G and 5G standards generally account for more 70% of all SEP litigation.[6]

The Threat of Injunctive Relief

As the widespread adoption of standardized technologies continues to rapidly increase, the number of technology implementers that find themselves entangled in SEP disputes will also increase. Technology implementers therefore must be aware of the potential risks involved with SEP litigation. This includes understanding who the SEP holders are, their relative business objectives, and their SEP litigation history. But regardless of the existing SEP landscape, the biggest risk to potential infringers will always be the threat of an injunction.

SEP-based injunctions have not always been viewed as a viable option. SEPs are generally FRAND-encumbered, meaning that the SEP holder has made a promise to license its SEPs on fair reasonable and non-discriminatory terms, which has been viewed by many courts as an admission that monetary damages are adequate compensation.[7] But in 2019, the US Patent and Trademark Office (USPTO), US Department of Justice (DOJ), and National Institute of Standards and Technology (NIST) issued a joint statement to clarify their collective view that SEPs should be eligible for injunctive relief.[8] The statement provided that, as with all other patents, infringement of SEPs should be analyzed for potential injunctive relief under the *eBay* framework.[9] Then, in June 2022, the DOJ, USPTO, and NIST announced the withdrawal of the 2019 joint statement, and chose not to institute a new SEP policy in its place. This has left the industry without any formal government-sanctioned guidelines for SEP licensing and enforcement. Meanwhile, a number of SEP disputes were brought before the US International Trade Commission (ITC), which led to a string of decisions essentially indicating that SEP-based injunctions (in the form of exclusion orders and/or cease and desist orders) are available at the ITC.[10]

With injunctions now a clear possibility, and with the SEP landscape being thrown into a state of flux with both the rollout of the Unitary Patent Court and the European Unions' Proposed European Commission Regulation For Standard Essential Patents published in April of this year, *inter partes* reviews (IPRs) offer a strategic option for defendants. A pending or already-instituted IPR decreases a patentee's chances of obtaining an injunction against a defendant in district court[11], and increases the likelihood of obtaining a stay of the district court proceedings. Thus, filing an IPR petition early in the course of SEP litigation can be a critical component of the technology implementer's defense. Moreover, US Patent Trial and Appeal Board (PTAB) judges are generally more receptive to invalidity arguments relating to highly complex technology (which is often the case with SEPs), more so than district court judges and juries, thereby making the PTAB an attractive forum for technology implementers seeking to defend against SEP litigation.[12]

For the SEP holder, mitigating the effect of an IPR on a request for injunctive relief should be a primary focus. To this end, SEP holders should research available forums and select an injunction-friendly court if possible (including the, for example, the ITC). SEP holders should also lay out specific details in the complaint to paint the technology implementer as an unwilling licensee (an important factor in determining the availability of injunctive relief involving SEPs), and should seek expedited discovery under FRCP 26(d), which could factor into whether the PTAB decides to use its discretion to deny institution of the IPR.

Petitioners are successfully challenging SEPs at the PTAB

Unsurprisingly, the number of IPRs filed against SEPs has also followed the progression of the technology, and the widespread adoption of agreed-upon standards. As illustrated in Figure 1 below, IPR filings against SEPs saw a spike in 2013-2014, growing to a peak in 2017, before falling to a low in 2019. Then IPR filings against SEPs saw another rise in 2020-2021. These spikes followed the rollouts of 4G and 5G, respectively. The annualized number of SEP IPRs is expected to fall again (as publication), but the rollout and mass incorporation of new connectivity standards (e.g., WiFi 6) will likely cause another spike in SEP litigation and IPRs in the coming months and years.

Petitioners challenging SEPs have had similar success at the PTAB as those challenging non-SEP patents, dispelling any notion that SEPs are necessarily higher quality. As shown in Figure 2 on page 32, IPRs involving electronics-based SEPs have similar institution rates as proceedings involving non-SEP electronics patents.[13] The outlier year, 2020, which saw significantly lower institution rates for IPRs involving electronics-based SEPs coincided with the rollout of the new 5G standard. These lower institution rates are likely due to the unsettled nature of the technology and available universe of prior art.

Additionally, Figure 3 on page 32 shows that IPRs involving electronics-based SEPs have similar claim cancellation rates as proceedings involving non-SEP electronics patents, and actually have higher chances of having all claims cancelled.

One important factor behind the high claim cancellation rates for IPRs involving SEPs—which generally cover highly complex technology with only incremental improvements over existing technology—is the choice of prior art. Seventy-six percent of all IPRs filed against SEPs used non-patent literature (NPLs) as prior art, and 61% of these proceedings specifically used NPLs that were produced explicitly for the purpose of developing and refining standards (SEP NPLs). These include, for example, technical specifications/reports or working group documents produced under the auspices of a standard-setting organization. While the use of NPLs, and specifically SEP NPLs, has led to high claim cancellation rates (76% and 85%, respectively), such references come with their own set of challenges. It can be difficult to prove that these references are printed publications that were publicly accessible sufficiently early, which—despite their compelling substance—has led to relatively low institution rates (51% for NPLs and 57% for SEP NPLs). It is important for petitioners seeking to file SEP IPRs to select counsel familiar with these unique challenges since it is very difficult to cure defective IPR petitions before the PTAB.

Figure 1: IPRs Filed Against SEPs

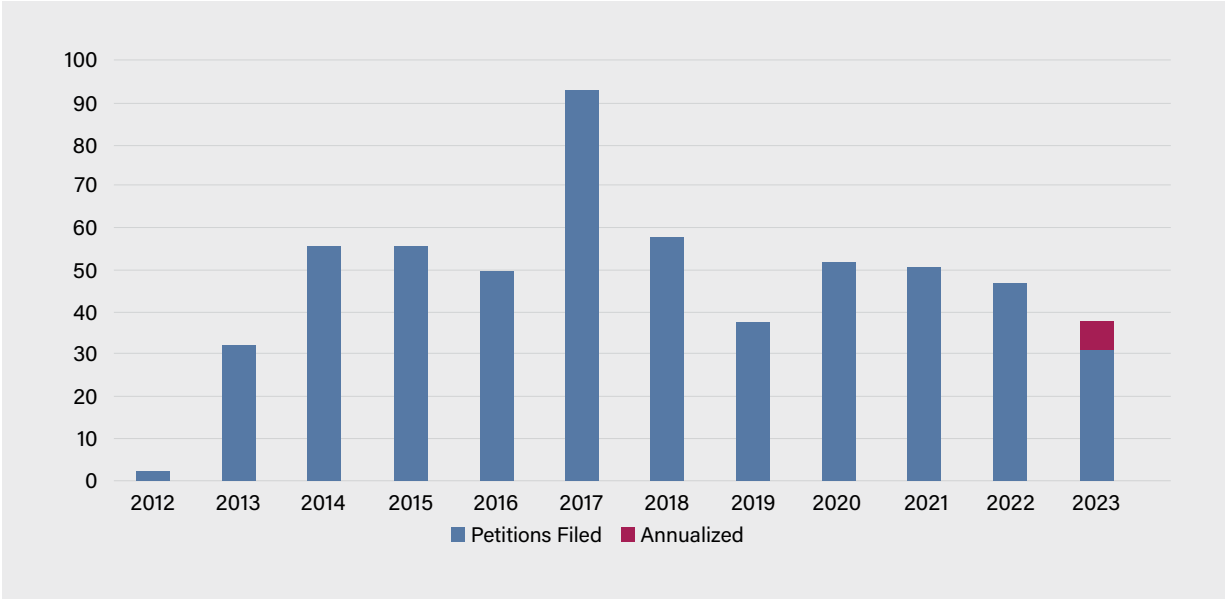
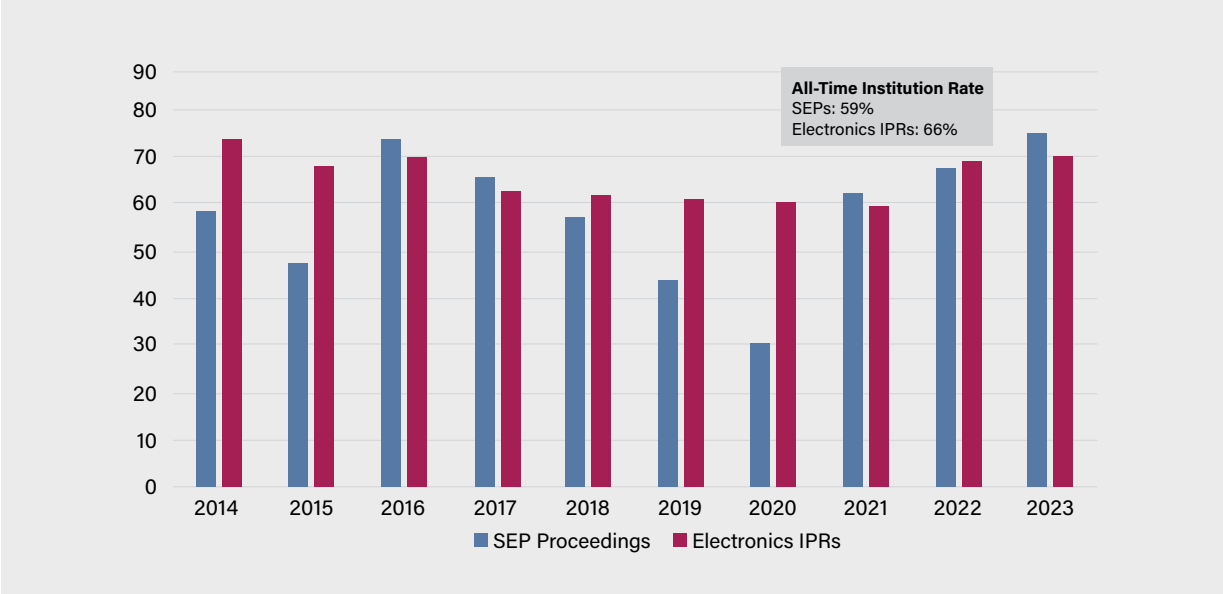


Figure 2: Proceeding Institution Rate (Electronics IPRs)



Considerations for Petitioners and Patent Owners

In light of the difficulty in proving that SEP NPL qualifies as prior art, petitioners should consider presenting both a set of patent-based grounds *and* a set of non-patent-based grounds in a single IPR petition (if possible) challenging an SEP. Doing so may allow petitioners to both avoid the lower institutions rates and take advantage of the higher claim cancellation rates associated with using NPLs as prior art. If it is not possible to fit both sets of grounds in a single petition, then petitioners should consider filing two petitions and highlighting the potential for a public accessibility challenge to the set of non-patent-based grounds as justification for instituting both petitions. At the very least, this approach will increase the likelihood that the SEP holder will raise any public accessibility challenge prior to institution, and may in turn increase the chances that the PTAB will address or resolve these issues at institution.

Additionally, petitioners should engage experts to authenticate these NPL references, and help draw clear lines of correlation between the NPLs and the challenged SEP, which were each drafted for and by different individuals. These experts would preferably have personal experience with the relevant standard setting organizations (SSOs) that produced the SEP NPLs being considered for prior art. This may mean that the petitioner engages multiple experts: one to authenticate and give context to the NPLs and another to speak to patentability, including factors relevant to obviousness and reasons to combine the prior art.

Petitioners should also be aware of possible priority date issues that can impact the available pool of prior art. SEP holders tend to file applications as early as possible as they compete to get their proposed technology adopted as the standard. The earlier the application, the more likely that continuation or divisional applications were filed in an attempt to have these later-filed claim sets read on the final version of the standard. This means that if the SEP being challenged claims priority to an earlier filed application, the claims of the challenged SEP may not be supported by the earlier application(s). This could prevent the patent owner from getting an earlier priority date, thereby increasing the available pool of prior art by a couple months or even years. This can make all the difference when dealing with SEPs that are generally in highly congested technology spaces and may cover only incremental changes.

On the other side, patentees' strategies should include challenging the public availability of the asserted references at the institution stage. This may include engaging multiple experts as well, where one is specifically tasked with rebutting the documentation and distribution practices of the relevant SSOs. Patentees should also contact the named inventor(s) to get the

Figure 3: Claim Cancellation Outcomes at FWD (Electronics IPRs)[14]

	All Claims Cancelled	Some Claims Cancelled	No Claims Cancelled	n
SEP Proceedings	73%	8%	18%	142
Electronics IPRs	67%	16%	16%	2,271

complete invention story, including facts relevant to objective indicia evidence. As technology implementers will often argue that SEPs only cover incremental changes to previous versions of a standard, being able to tell a compelling story of why those changes would not in fact have been obvious will be important. Finally, in light of the highly congested technology spaces that SEPs generally cover, patentees should also fully understand art cited and applied during prosecution of the entire SEP family. Additionally, patentees should consider developing a fulsome record during prosecution of the SEPs, including citing all relevant references in an IDS. Patentees should then seek to leverage past precedential decisions to show that art or arguments applied in the IPR are redundant of art or arguments presented during prosecution.[14] Indeed, the PTAB has demonstrated "a commitment to defer to previous Office evaluations of the evidence of record unless material error is shown."[15]

SEPs Moving Forward

IPRs will continue to play a critical role in SEP assertion efforts. The PTAB has become well-versed in dealing with SEP challenges, and in comparison to district court judges and juries, PTAB judges are generally more receptive to complex technical positions and unpatentability arguments. Thus, stakeholders will benefit from incorporating PTAB strategy into their overall SEP assertion strategy.

1. A similar article was published in Sterne Kessler's PTAB Year in Review 2021. This article has been updated to include new statistics and developments.
2. Ménière Yann, Ilja Rudyk & Javier Valdes, *Patents and the Fourth Industrial Revolution: The Inventions Behind Digital Transformation* 10 (Eur. Pat. Off. ed., 2017).
3. *Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee Setting Out the EU Approach to Standard Essential Patents*, at 1, COM (2017) 712 final (Nov. 29, 2017)(noting the potential is up to EUR 9 trillion per year in developed countries).
4. Tim Pohlmann, Magnus Buggenhagen, & Marco Richter, *Who is Leading the 5G Patent Race?* (LexisNexis® IPLytics ed., 2023).
5. Report: Litigation Landscape of Standard-Essential Patents 2 (Darts-IP ed., 2019).
6. Tim Pohlmann, *How to Navigate Risk Webinar Part 1: The Role of SEPs & Standards in the Auto Industry* (IPLytics GmbH ed., 2021).
7. *Realtek Semiconductor Corporation v. LSI Corporation and Agere Systems LLC*, 946 F. Supp. 2d 998 (N.D. Cal. 2013).
8. U.S. Pat. & Trademark Off., U.S. Dep't of Just. & Nat'l Inst. of Standards & Tech., Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments, at 4-5 (Dec. 19, 2019).
9. *Id.* at 6.
10. *See, e.g., Certain Memory Modules and Components Thereof* (Inv. No. 337-TA-1089), *Certain LTE- and 3G-Compliant Cellular Communications Devices* (Inv. No. 337-TA-1138), *Certain UMTS and LTE Cellular Communication Modules and Products Containing the Same* (Inv. No. 337-TA-1240).
11. *See, e.g., DNA Genotek Inc. v. Spectrum Sols. L.L.C.*, Case No.: 16-CV-1544 JLS (NLS) (S.D. Cal. Aug. 11, 2016) (denying a preliminary injunction for patent infringement based on an IPR filed against the asserted patent); *Sciele Pharma Inc. v. Lupin Ltd.*, 684 F.3d 1253, 1263 (Fed. Cir. 2012) (vacating a preliminary injunction because "the district court incorrectly concluded that [Defendant] failed to raise a substantial question of validity regarding the asserted claims of the [] patent").
12. Importantly, courts have held that an implementer cannot be criticized for challenging the validity of an SEP, and doing so does not render the implementer an unwilling licensee (a label that in some jurisdictions can increase the likelihood of an injunction). *See, e.g., Motorola Mobility LLC*, 156 F.T.C. 147, 205-06 (2013).
13. A Docket Navigator search of motion success indicated petitions against non-SEP electronics patents have a 66% institution rate and petitions against electronics-based SEPs have a 59% institution rate.
14. *See, e.g. Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469 (PTAB Feb. 13, 2020); *Oticon Med. AB v. Cochlear Ltd.*, IPR2019-00975 (PTAB Oct. 16, 2019); *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, IPR2017-01586 (P.T.A.B. Dec. 15, 2017).
15. *Advanced Bionics.*

Reexamination Statistics and the Federal Circuit's SNQ Clarification/Expansion

BY JASON D. EISENBERG, JESSICA HARRISON, AND PATRICK MURRAY

The recent resurgence in ex parte reexamination demonstrates the importance of this post-grant review vehicle. It has become particularly important for patent challengers who may be estopped from requesting inter partes review (IPR), and for challengers who, for varying reasons, were unsuccessful before the Patent Trial and Appeal Board (PTAB). We review here the most recent ex parte reexamination statistics. We also cover new Federal Circuit case law elucidating what is required to establish a substantial new question of patentability (SNQ), which is the threshold requirement to initiate an ex parte reexamination.

As a preview, the most recent reexamination statistics indicate that both Requesters and Patent Owners may need to redefine what it means to succeed at the Central Reexamination Unit (CRU). This is because many patents emerge from reexamination only when claims are amended to avoid prior art.

In addition, Requesters and Patent Owners should consider the Federal Circuit's holding in *In re Cellect*, 81 F.4th 1216 (Fed. Cir. 2023). There, the court lowered the threshold for finding an SNQ, bringing into play issues an Examiner circumstantially *might* have considered, but did not expressly consider in the file history. This is because the reexamination Requester should not have to disprove a negative implication when the Examiner fails to perform an act they could have performed.

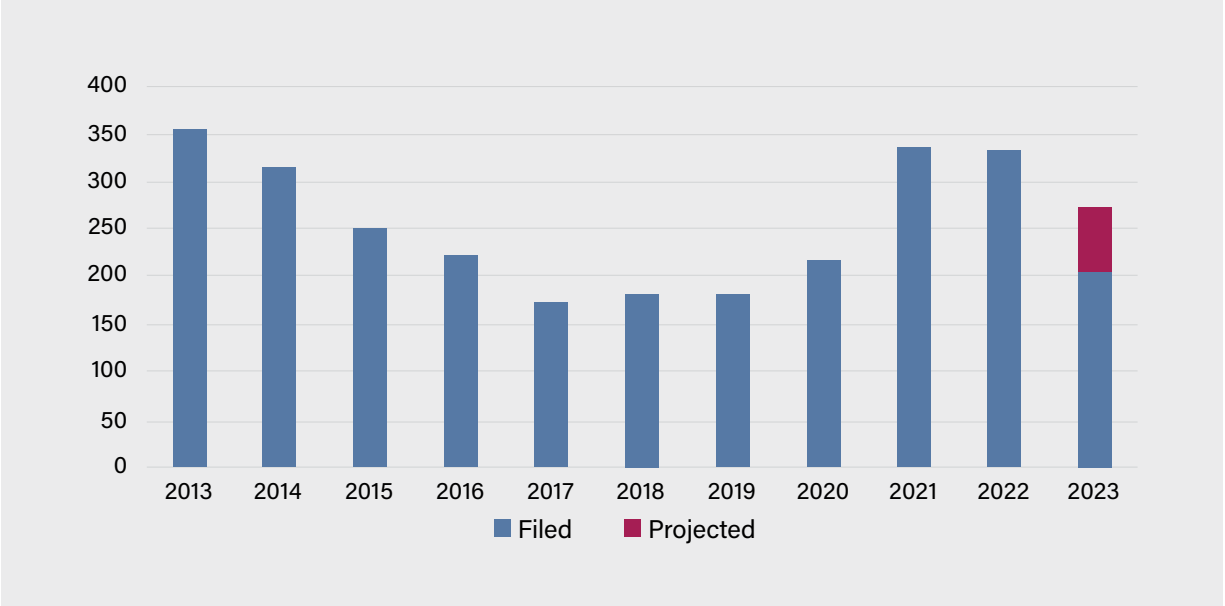
Statistics

After the America Invents Act (AIA) came into effect in 2012, ex parte reexamination filings steadily declined until 2019, when they began to rebound. Notwithstanding changes the current PTO administration has made with respect to discretionary denials of IPR petitions, 2023 saw a solid pace continue for a third straight year. However, reexamination requests will most likely never return to the popularity that they achieved in the years just prior to the passage of the AIA, when 600 to 800 new requests per year was the norm.

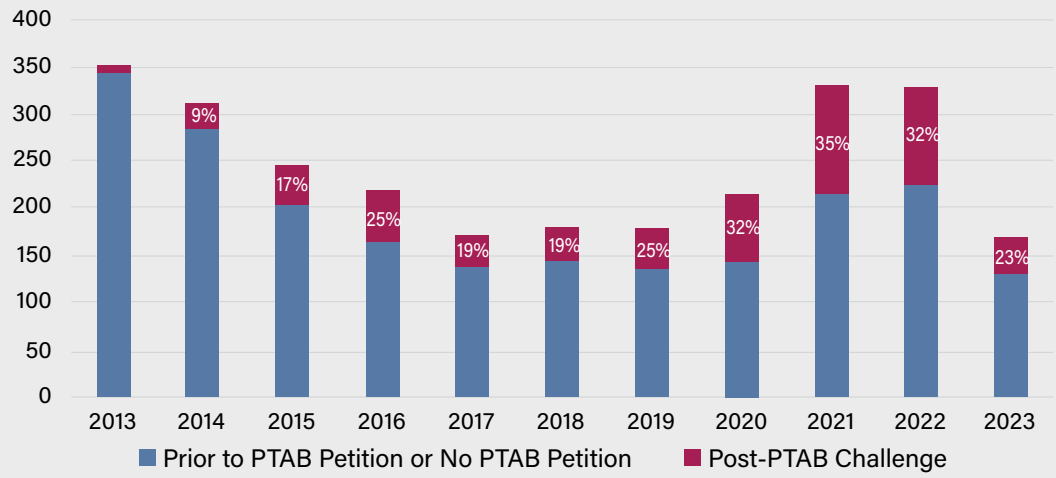
Beginning in 2020, about a third of ex parte reexaminations filed were against patents that had already faced an AIA challenge at the PTAB. The steady stream of requests for ex parte reexaminations filed after a "failed" AIA challenge has continued, but a dip in 2023 indicates that this trend should be watched closely in the coming years. Still, about a quarter to a third of all reexaminations in the most recent years were so-called do-over post grant challenges.

As we reported in our 2021 publication, historically, a CRU determination that all the claims of a patent were unpatentable at the conclusion of a reexamination proceeding was rare, coming in at around 10-15 % (whether or not a patent owner or a third party files the request). However, in recent years, the number of cases where all claims of

Reexam Requests Filed



Reexam-Requested Patents — PTAB Challenge Status



a patent are found unpatentable has increased to about 15-20% of the time. Thus, it appears it is becoming more difficult for Patent Owners to exit reexamination with unamended claims.

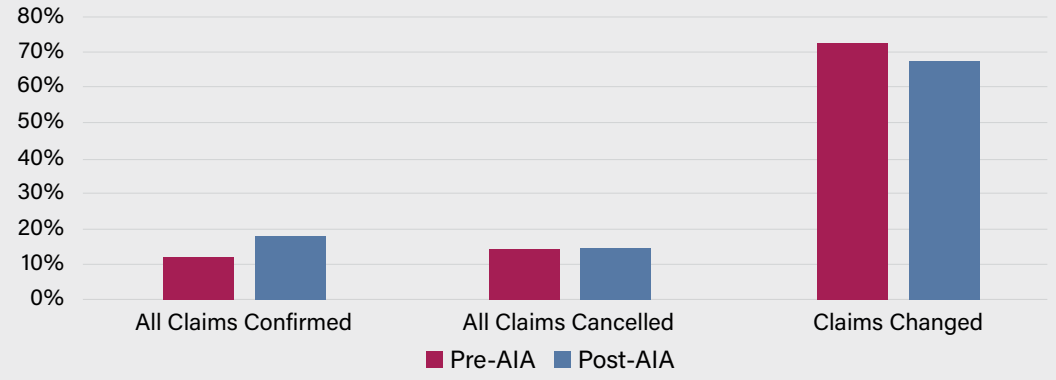
Not surprisingly, then, Patent Owners appear to have responded with more reexamination amendments. And those strategic amendments, in turn, have obtained favorable outcomes such as adding additional claims directed to infringing products. Without amendment, on the other hand, the reexamination process has benefited Requesters in recent years, with a majority of reexaminations terminating with none of the originally challenged claims confirmed as patentable.

Of particular interest is a more granular breakdown looking at all outcomes for claims challenged in a reexamination request, showing 64% of challenged claims emerging from reexamination either canceled or narrowed in scope.

If we shift the analysis to consider new claims presented and allowed during reexamination, we can see why Patent Owners are seizing the opportunity to add new claims to their patents during reexamination. As shown, 17% of claims listed in reexamination certificates are newly added over the course of the reexamination. These new claims are a mixed bag result for Patent Owners. They emerge having survived CRU scrutiny, but due to

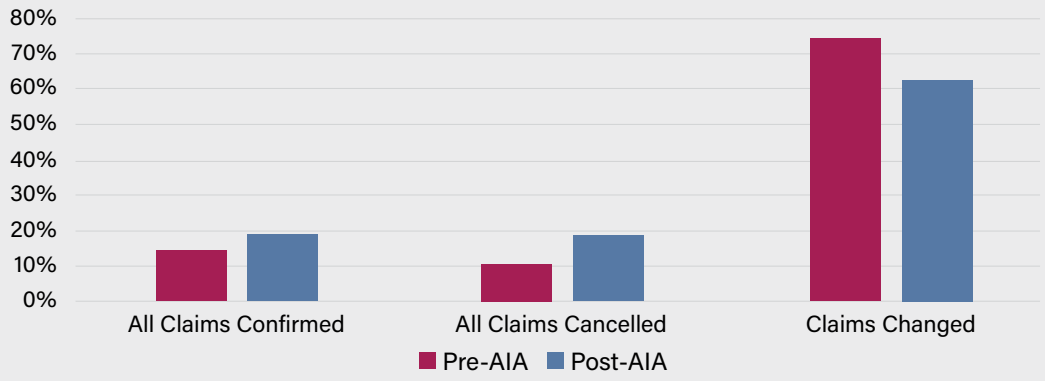
Ex Parte Reexam Outcomes

Patent Owner Requester



Source: Analysis of USPTO Statistics
Pre-AIA: Compared cumulative outcomes reported in FY08 to FY12
Post-AIA: Compared cumulative outcomes reported in FY13 to FY20

Ex Parte Reexam Outcomes
Third Party Requester



Source: Analysis of USPTO Statistics
Pre-AIA: Compared cumulative outcomes reported in FY08 to FY12
Post-AIA: Compared cumulative outcomes reported in FY13 to FY20

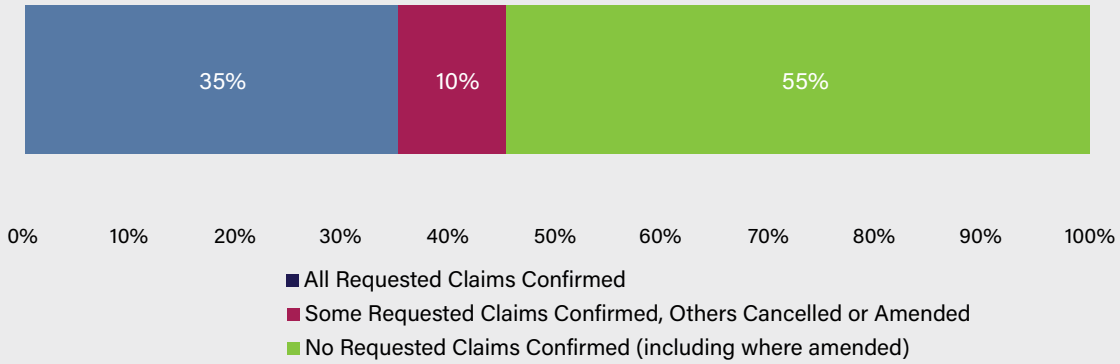
intervening rights, the new claims are only valuable from an infringement perspective from the conclusion of the reexamination proceeding going forward.

In the end, the statistics show that there are a variety of success metrics for both Requesters and Patent Owners.

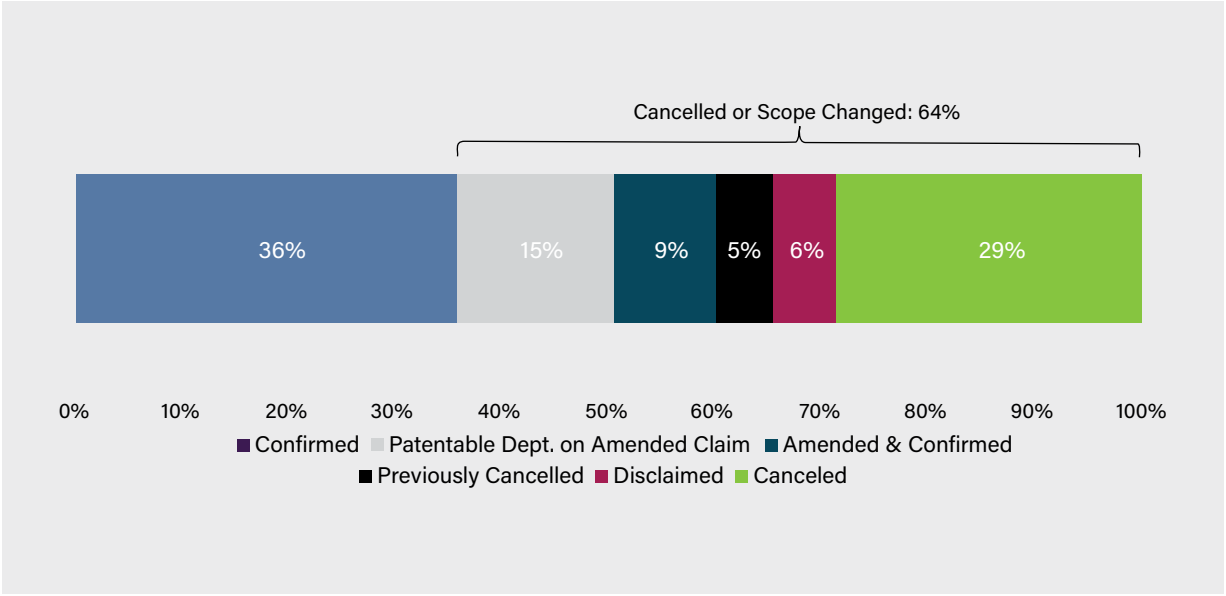
Requesters may define success as forcing Patent Owner to submit narrowing amendments and adding new, narrower claims to initiate intervening rights that help to eliminate or reduce damages.

Patent Owners may define success as shepherding a patent out of reexamination even if that means accepting narrowing amendments. And Patent Owners should also consider taking advantage of reopening examination to add *new* claims focused on infringement reads, along with any amendments to strengthen the original claims.

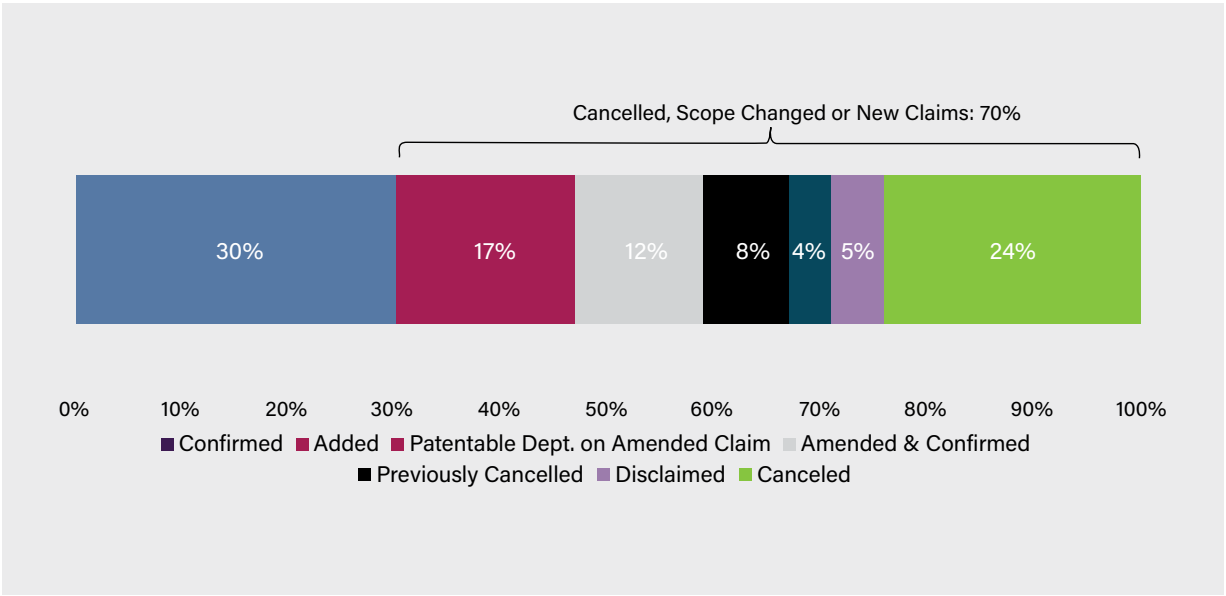
Reexam Proceeding Outcomes
2021-23



Claim Outcomes: Requested Claims Only
2021-23



Claim Outcomes: Requested and Added Claims
2021-23



In re Cellect clarifies/expands the boundary of SNQ

Requesters and Patent Owners alike have often wrestled with whether circumstantial evidence pointing to what an Examiner should have considered during prosecution before allowing a claim effects whether that same issue is ripe to be an SNQ. For example, if a small IDS is submitted and acknowledged during the original prosecution and that IDS contains prior art that explicitly reads on the patented claims, is the examiner's consideration of that IDS a deterrent to using that prior art in reexamination? Or is there an obviousness double patenting (ODP) SNQ when an Examiner examining an entire family of patents inconsistently issues ODP rejections during original prosecutions?

In August, the Federal Circuit answered these questions in *In re Cellect*, 81 F.4th 1216 (Fed. Cir. 2023). Much of the press related to this case rightfully surrounds its obviousness double patenting holding and whether ODP should take into account patent term adjustment (PTA), which is not directly addressed in this article. However, the decision also provides a clarification of what constitutes an SNQ.

In *Cellect* the core SNQ issue addressed was this: If the Examiner had all related patents in front of them and did not issue an obviousness double patent (ODP) rejection, does that remove ODP from being a proper SNQ because it was circumstantially already considered by the Examiner? According to the Federal Circuit, no – circumstantial evidence that an Examiner considered an issue is not sufficient to preclude an SNQ.

Here, the Examiner handling the family of patent applications issued ODP rejections for some patent applications in the family, but not for the applications underlying the patents addressed in this Federal Circuit case. Patent Owner argued the spectrum of ODP rejections proved the Examiner considered ODP for all family members and allowed these claims without issuing an ODP rejection. Thus, Patent Owner contended, Requester was not allowed to use ODP for the patent as an SNQ since it was not a *new question* or in a question viewed in *new light*. *Id.* at 1230. The USPTO countered that mere knowledge of the family of related patents is not enough to prove the Examiner considered ODP for each and every patent in that family, and as such, that ODP was a proper SNQ. *Id.*

Under a substantial evidence standard, the Court affirmed the Board's determination that an issue that only *might* have been considered by an Examiner, without more, can be properly raised as an SNQ. *Id.* at 1231. Namely, the Court held:

> We agree with the USPTO that the Board's determination that the reexamination requests raised a substantial new question of patentability was supported by substantial evidence. Cellect's arguments lack merit and amount to little more than attempting to prove a negative. The examiner's willingness to issue ODP rejections of claims in other Cellect-owned patent applications but not in the challenged patents and his knowledge of the reference patents do not affirmatively indicate that he considered ODP here. Further, "[t]he existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the [USPTO] or considered by the [USPTO]." 35 U.S.C. § 303(a). And, as the Board notes, neither party points to anything in the prosecution history that affirmatively indicates that the examiner considered whether or not an ODP rejection should be made. We thus conclude that the Board's findings were supported by substantial evidence and that a substantial new question of patentability was present in the underlying *ex parte* reexaminations.
>
> A substantial new question of patentability requires just that—a substantial new question. Here, where Cellect itself does not indicate a single portion of the prosecution history explicitly showing that the examiner considered ODP, the threshold for showing a substantial new question has been met. The fact that this case is before us here without terminal disclaimers having been required itself strongly suggests that the examiner did not consider the issue.

Id.

Because ODP is proper for consideration in reexamination, Requesters and Patent Owners alike should consider all ODP implications that may arise during reexamination proceedings.

And although a narrow issue in *Cellect*, i.e., ODP, we will wait and see if the holding is used by Requesters and the USPTO to expand what may be considered a proper SNQ. For example, the authors believe by the Court's logic, an expansion of what is available for an SNQ might also encompass lessening the deterrent of using art found in an IDS that was not directly addressed during prosecution even if indicated as being considered by the Examiner.

Potential Implications on § 325(d) analysis

As also discussed in 2021, we addressed a comparison between SNQ analysis and § 325(d) analysis to determine if "the same or substantially the same prior art or arguments previously were presented to the Office." One could argue that under the Court's *new* SNQ guidance here the Court might have moved the threshold to deferentially deny a reexamination proposed rejection or PTAB Ground. But we will have to see if Requesters or Petitioners utilize *Cellect* to expand what art they believe should be available in these challenges. And we know that the Federal Circuit will not be able to weigh in under Supreme Court precedent, e.g., *Thryv, Inc. v. Click-To-Call Technologies, Inc.*, 140 S. Ct. 1367 (2020).

Final Thoughts

Requesters and Patent Owners alike should heed statistics when considering expectations of success in reexamination because, as noted in the 2021 publication, reexaminations are full of unique rules and traps for the unwary. Failure to involve reexaminations specialists is a mistake for patent challengers and a fatal lacuna for Patent Owners

The Changing Contours of IPR Estoppel Law

BY ANDREW Z. BARNETT AND RICHARD A. CRUDO

Introduction

As any PTAB practitioner knows, the possibility of being estopped from asserting prior art in district court is a significant risk that must be considered when filing an IPR. Section 315(e)(2) prevents a petitioner, following a final written decision, from asserting invalidity grounds that the petitioner "raised or reasonably could have raised" in the petition.[1]

That provision has teeth—the Supreme Court recently denied certiorari in *California Institute of Technology v. Broadcom Ltd.*, thus leaving intact the Federal Circuit's broad interpretation of § 315(e) as applying "not just to claims and grounds asserted in the petition and instituted for consideration by the Board, but to all grounds not stated in the petition but which reasonably could have been asserted against the claims included in the petition."[2] In other words, a petitioner may be estopped with respect to grounds that the PTAB never adjudicates, including grounds involving prior art that was unknown to the petitioner at the time it filed its petition.

Courts are now grappling with issues that *Caltech* did not address. What happens, for example, when a challenger discovers art after filing its petition? How does a court determine whether invalidity grounds based on such art "reasonably could have" been raised? Further, what happens when a challenger asserts in IPR a reference describing a commercial product—is the challenger estopped from asserting the product in district court? Finally, when statutory estoppel does *not* apply, can common law estoppel (i.e., issue preclusion or claim preclusion) fill the gap to prevent a challenger from asserting an invalidity challenge? This article explores these issues.

Estoppel Based on Newly Discovered Art

In *Ironburg Inventions Ltd. v. Valve Corporation*, the Federal Circuit addressed the extent to which § 315(e)(2) applies to art that the challenger discovers after filing its petition.[3] The case began when Ironburg sued Valve for infringement of Ironburg's video-game-console controller patent. Valve responded by filing an IPR challenging the claims on various grounds. The PTAB instituted partial review (pre-*SAS*[4]) and cancelled some, but not all, claims. In district court, Valve challenged the remaining claims based on the non-instituted grounds, as well as non-petitioned grounds involving art that Valve discovered after filing its petition. Ironburg responded that Valve was estopped under § 315(e)(2), and the district court agreed. The case went to trial, resulting in an infringement verdict and a damages award of more than $4 million.

On appeal, the Federal Circuit affirmed the district court's ruling with respect to the non-instituted grounds but vacated the court's ruling with respect to the non-petitioned grounds. As to the non-instituted grounds, the court held that because those grounds were included in the petition, they were "raised" during the IPR and thus subject to estoppel.[5] The court noted, moreover, that Valve's choice not to seek remand after *SAS* for the PTAB to address the non-instituted grounds "does not shield it from estoppel."[6]

As to the non-petitioned grounds, the Federal Circuit agreed with the district court that such grounds "reasonably could have been raised" in an IPR petition if "a skilled searcher conducting a diligent search reasonably could have been expected to discover" the grounds.[7] But the Federal Circuit disagreed with the district court's determination that the patent challenger bears the burden to show that this standard has not been met. The Federal Circuit held instead that the patentee, "as the party asserting and seeking to benefit from the affirmative defense of IPR estoppel," bears "the burden of proving, by a preponderance of the evidence, that a skilled searcher exercising reasonable diligence would have identified an invalidity ground."[8] This burden allocation, the court reasoned, "is consistent with the general practice that a party asserting an affirmative defense bears the burden to prove it."[9]

In so holding, the court rejected Ironburg's argument that the burden should be borne by the patent challenger merely because details of its search efforts are uniquely within its possession and will often be claimed as privileged. The Federal Circuit noted that district courts frequently encounter and resolve such privilege issues without difficulty. In any event, such details are largely irrelevant because the inquiry focuses on what a *skilled searcher* would find by exercising reasonable diligence, not on what the patent challenger did (or did not) find.[10] Accordingly, the Federal Circuit vacated the district court's estoppel ruling as to the non-petitioned grounds and remanded for the district court to determine whether Ironburg, as the party asserting estoppel, can meet its burden.

Ironburg's holding sounds simple enough. But, as a practical matter, how can a patentee show that a skilled researcher would have found a prior art reference by exercising reasonable diligence? Is it enough merely to show that the reference was cited during prosecution of the challenged patent? Can the patentee rely on the fact that the reference was cited in a third-party's IPR petition? Perhaps, but not standing alone. In fact, Ironburg relied on precisely this type of evidence, and the Federal Circuit determined that it was insufficient without additional information. It is not enough, the court noted, for a patentee to show that another challenger was able

to find the art at issue. Rather, the patentee must provide details about the challenger's search—if the searcher was reasonably diligent, then estoppel could apply; but if the challenger performed a more rigorous search, then the mere fact that the challenger found the prior art does not imply that a skilled searcher also would have found it exercising mere reasonable diligence.[11]

A patentee seeking to assert IPR estoppel must proffer affirmative evidence establishing the steps that a skilled searcher would take when exercising reasonable diligence. Mere assumptions about what a skilled searcher would do are insufficient.[12] Thus, patent owners should consider having their own searches conducted near the time that an IPR petition is filed and proffer evidence of such. Relevant evidence might include, for example, declarations from experts or neutral, third-party attorneys or search firms.[13] At least where a patentee relies on the search results of a third-party challenger, moreover, such evidence will require discovery from the challenger to determine whether its efforts were reasonably diligent. And, even though the patentee bears the burden on this score, the patent challenger would be wise to conduct a thorough prior art search and proffer countervailing evidence of its own.

But not just any search will do. Rather, the search must be performed without undue influence from the reference being searched for in the first place. In *EIS, Inc. v. IntiHealth*, the patent owner proffered evidence of two prior art searches it commissioned that turned up the reference at issue to support its argument that a skilled searcher would have found the reference.[14] The problem, though, was that the individuals performing the search reviewed the reference prior to formulating their search criteria, which included certain terms found *only* in the reference and not the challenged patents themselves. When such terms were excluded from the search, moreover, the search queries failed to locate the reference. Accordingly, the court reasoned, the search criteria "was plagued by hindsight bias."[15] Further, the court faulted the patent owner for failing to indicate where the reference ranked among the search results or explain why the searches "would not have ceased prior to locating" the reference.[16] *EIS* thus establishes the importance of impartiality in prior art searches.

Finally, given that the patentee bears the burden, to the extent it wishes to have its expert opine on estoppel, it must submit an opening expert report addressing these issues—at least one court has held that a patentee's expert cannot address estoppel for the first time in a rebuttal report.[17] The full effects of *Ironburg* have yet to be seen. But *Ironburg* could significantly broaden the scope of discovery in district court and IPRs, leading to discovery and privilege fights in both venues.[18]

Estoppel Based on Product Prior Art

Another issue that has emerged in *Caltech*'s wake is how estoppel applies to product prior art. IPR petitions can only be based upon "patents or printed publications,"[19] and so product art cannot be "raised or reasonably ... raised" in IPRs. Such art, however, *can* be asserted in district court. Does estoppel apply to preclude an IPR petitioner from relying on product art?

Courts have reached different answers to that deceptively simple question. Some courts have answered affirmatively based on a broad view of estoppel. For example, in *Wasica Finance GmbH v. Schrader International, Inc.*, Judge Stark (then Chief Judge of the District of Delaware) addressed whether "IPR estoppel extend[s] to invalidity 'grounds' that include a physical product when a patent or prior art publication—to which the physical product is entirely cumulative—was reasonably available during the IPR."[20] The court noted that § 315(e)(2) applies to unpatentability *grounds*, not "*evidence* used to support those grounds."[21] Thus, because the obviousness combination at issue involved grounds that reasonably could have been raised in the IPR, estoppel applied. It did not matter that some of the evidence asserted in district court (namely, the underlying product) could not have been asserted as prior art in the IPR. Other courts have taken a similarly broad view.[22]

Some other courts, by contrast, have taken a narrower view of § 315(e)(2). In *Chemours Co. v. Daikin Industries, Ltd.*, for example, Judge Noreika (also in the District of Delaware) rejected *Wasica*'s holding, reasoning that "[a]s a matter of statutory interpretation," estoppel applies only to "grounds"—i.e., "specific pieces of prior art that are the basis or bases on which a petitioner challenges a claim."[23] Accordingly, because product art cannot be used in an IPR "ground," estoppel does not preclude the challenger from asserting such art in district court.[24] Other courts have taken a similar view.[25] In fact, Judge Bryson (sitting by designation in the District of Delaware) recently endorsed this view, holding that IPR estoppel does not apply to device art, even when that art is cumulative of patents and printed publications that were or could have been asserted in a prior IPR.[26] Accordingly, there are now two judges on the Federal Circuit (Judges Stark and Bryson) who have adopted different views as to this issue.

In still other cases, courts have tried to split the difference by permitting patent challengers to rely on prior art in district court that could not have been presented in IPR while at the same time preventing challengers from skirting estoppel. In *Boston Scientific Corp. v. Cook Group Inc.*, for example, the Southern District of Indiana rejected a categorical rule and instead articulated a burden-shifting framework based on differences between the product prior art and the IPR-asserted art:

> [A] plaintiff must show that each and every material limitation present in the physical device is disclosed in the estopped reference; the burden then shifts to the defendant. If the defendant, in response, points to a material limitation that is disclosed in the physical device

> that is *not* disclosed in the estopped reference, then the burden shifts back to the plaintiff to show why said limitation is (1) either *not* material or (2) is in fact specifically disclosed in the estopped reference.[27]

Applying that framework, the court held that estoppel did not apply to most of the products at issue given material differences between the products and the printed publications describing them.[28]

In sum, estoppel could apply to product prior art depending on the degree to which the art is coextensive with art asserted in an IPR. Thus, when selecting product art in district court, practitioners should ensure that the art adds features not disclosed in IPR art. Further, If an invalidity case is stronger with a prior art product, practitioners should consider avoiding IPR positions that may lead to their best product-based arguments being precluded by estoppel.

Estoppel Based on Common Law Issue Preclusion

Another issue that has recently sprung up is whether common law forms of estoppel such as issue preclusion and claim preclusion can apply to prevent a defendant from raising certain invalidity challenges even when statutory estoppel under § 315(e) does *not* apply. Courts addressing this issue have been reluctant to apply common law estoppel in such a way that would render § 315(e)(2) superfluous.

In *DMF, Inc. v. AMP Plus, Inc.*, for example, the patent owner argued that issue preclusion prevented the defendant from raising certain invalidity challenges after the patent had survived IPR even though the court had already ruled that § 315(e)(2) does not apply.[29] The patent owner's argument was based on *B & B Hardware, Inc. v. Hargis Industries, Inc.*, in which the Supreme Court held that TTAB decisions regarding likelihood of confusion are entitled to preclusive effect in later district court litigation "[s]o long as the other ordinary elements of issue preclusion are met[.]"[30] The Central District of California was not convinced. The court reasoned that, "because Congress enacted a specific framework with respect the issue preclusive effect of IPR proceedings, . . . § 315(e)(2) embodies an evident statutory purpose to apply the specified framework in lieu of common law issue preclusion."[31] The court noted that the patent owner's contrary argument would render § 315(e)(2) superfluous. Other courts have reached similar conclusions.[32]

Conclusion

Although estoppel law is still evolving, its boundaries are coming into focus. Such focusing will continue as the Federal Circuit weighs in on some of the issues described above, and as district courts continue to address novel estoppel theories.[33] Until then, below is a table that summarizes scenarios where estoppel has been held to apply.

Finally, the scope of IPR estoppel may change if and when the PREVAIL Act is passed.[34] If enacted, the Act would expand statutory estoppel to apply as soon as a petition is *filed* as opposed to when a final written decision is issued.[35] This would dramatically expand the scope of estoppel and make petitioners more wary of pursuing IPRs in the first place.

Table 1: Summary of IPR Estoppel Law

Scenario	Authority
Grounds raised in petition and subject to Final Written Decision	35 U.S.C. § 315(e)(2)
Grounds raised in petition but not instituted, where petitioner failed to request post-*SAS* remand	*Ironburg Inventions Ltd. v. Valve Corporation*, 64 F.4th 1274 (Fed. Cir. 2023); *Click-to-Call Techs. LP v. Ingenio, Inc.*, 45 F.4th 1363 (Fed. Cir. 2022)
Grounds not raised in petition but which the petitioner knew about	*California Inst. of Tech. v. Broadcom Ltd.*, 25 F.4th 976 (Fed. Cir. 2022); *cf. Intuitive Surgical, Inc. v. Ethicon LLC*, 25 F.4th 1035 (Fed. Cir. 2022)
Grounds not raised in petition but which a skilled searcher would have discovered exercising reasonable diligence	*Ironburg Inventions Ltd. v. Valve Corporation*, 64 F.4th 1274 (Fed. Cir. 2023)
Product art that is similar to printed publication art asserted in IPR	*Wasica Fin. GmbH v. Shrader Int'l,* 432 F. Supp. 3d 448, 454 (D. Del. 2020); *Boston Sci. Corp. v. Cook Grp. Inc.*, 2023 WL 1452172, at *34 (S.D. Ind. 2023). *But see Chemours Co. v. Daikin Industries, Ltd.*, 2022 WL 2643517 (D. Del. 2022).

1. 35 U.S.C. § 315(e)(2).
2. 25 F.4th 976, 991 (Fed. Cir. 2022).
3. 64 F.4th 1274 (Fed. Cir. 2023).
4. The Supreme Court held in *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018), that the PTAB must institute IPR on all claims raised in a petition or none of them. The Federal Circuit has extended that holding to invalidity grounds raised in a petition. *See PGS Geophysical AS v. Iancu*, 891 F.3d 1354, 1359-1360 (Fed. Cir. 2018).
5. 64 F.4th at 1297 (citing *California Inst. of Tech.*, 25 F.4th at 990).
6. *Id.* (quoting *Click-to-Call Techs. LP v. Ingenio, Inc.*, 45 F.4th 1363, 1370 (Fed. Cir. 2022)).
7. *Id.* at 1298.
8. *Id.* at 1299.
9. *Id.*
10. *Id.*
11. *Id.* at 1298-99. *But see Sioux Steel Co. v. Prairie Land Mill Wright Servs.*, 2022 WL 4132441, at *9-11 (N.D. Ill. 2022) (holding estoppel applied where the petitioner itself found the prior art references at issue in a subsequent search).
12. *See, e.g., In the Matter of Certain Playards and Strollers, Inv.* No. 337-TA-1288, Initial Determination at 102 (I.T.C. Mar. 31, 2023) (refusing to find estoppel where, even though a prior art reference related to the reference at issue was listed on the face of the challenged patent, the patentee provided "no evidence to support … an assumption" that "a skilled searcher would search for similar art to that cited on the face of the patent[]").
13. *See, e.g.*, Decision on Petition to Vacate Reexamination Order, *In re Tyler*, Control No. 90/014,950 (Nov. 16, 2022) (PTAB relying on prior art searcher declaration to deny reexamination of patent).
14. 2023 WL 6797905, at *4 (D. Del. 2023).
15. *Id.*
16. *Id.* at *5.
17. *See CloudofChange, LLC v. Lightspeed POS Inc.*, No. 6:21-cv-01102 (W.D. Tex. July 18, 2023) (striking as untimely patentee's rebuttal expert report addressing estoppel).
18. *See* 35 U.S.C. § 315(e)(1) (imposing similar estoppel standard as between an IPR and PTO proceeding); *Intuitive Surgical, Inc. v. Ethicon LLC*, 25 F.4th 1035 (Fed. Cir. 2022) (applying § 315(e)(1) estoppel); *see also Samsung Elecs. Co. v. MemoryWeb, LLC*, IPR2022-00222, Paper 37, at 3-4 (P.T.A.B. June 1, 2023) (to address real-party-in-interest, estoppel, and waiver issues in view of a Final Written Decision issued in another IPR, ordering the parties to propose a "discovery plan" that accounts for *Ironburg*).
19. *See* 35 U.S.C. § 311(b) ("A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.").
20. 432 F. Supp. 3d 448, 454-455 (D. Del. 2020).
21. *Id.* at 455.
22. *See, e.g., Singular Computing LLC v. Google LLC*, -- F. Supp. 3d --, 2023 WL 2839282, at *7 (D. Mass. 2023) ("Google is estopped from using patents and printed publications of which it was aware, or reasonably should have been aware, at the time of the IPR proceeding. That bar applies whether the patents and printed publications are offered as stand-alone evidence, or in combination with other evidence that could not have been presented at the IPR proceeding."); *Hafeman v. LG Elecs., Inc.*, 2023 WL 4362863, at *1 (W.D. Tex. 2023) (holding that estoppel applied as to products that admittedly practiced the prior art patents asserted in IPRs.
23. 2022 WL 2643517, at *1-2 (D. Del. 2022) (cleaned up).
24. *Id.*
25. *See, e.g., EIS*, 2023 WL 6797905, at *5-6; *Pact XPP Schweiz AG v. Intel Corp.*, 2023 WL 2631503, at *1 (D. Del. 2023); *Medline Indus. Inc. v. C.R. Bard, Inc.*, 2020 WL 5512132, at *4 (N.D. Ill. 2020) ("The Court therefore reads 'ground,' as that term is used in 35 U.S.C. § 315(e)(2), to mean the specific piece of prior art or combination of prior art that a petitioner raised, or could have raised, to challenge the validity of a patent claim during an IPR."); *cf. Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 271 F. Supp. 3d 990, 1032 (E.D. Wis. 2017).
26. *Prolitec Inc. v. Scentair Techs., LLC*, No. 20-cv-00984, at 51 (D. Del. Dec. 13, 2023).
27. 2023 WL 1452172, at *34 (S.D. Ind. 2023).
28. *Id.* at *35-36.
29. 2023 WL 4157479, at *4-6 (C.D. Cal. 2023).
30. 575 U.S. 138, 160 (2015); *cf. Google LLC v. Hammond Dev. Int'l, Inc.*, 54 F.4th 1377, 1382 (Fed. Cir. 2022) (holding that patent owner was collaterally estopped from litigating validity of patent claim on appeal from an IPR based on the PTAB's intervening ruling in a different IPR invalidating claim of a related patent over the same art).
31. *DMF*, 2023 WL 4157479, at *5.
32. *See, e.g., Illumina. Inc. v. Qiagen, N.V.*, 207 F. Supp. 3d 1081, 1089 (N.D. Cal. 2016) (finding that patent owner was "unlikely to prevail" in using common law estoppel to "displac[e] the statutory design of Section 315(e)(2)").
33. *See, e.g., Cellwitch Inc. v. Tile, Inc.*, No. 19-cv-01315, D.I. 221, at 3 (N.D. Cal. Nov. 2, 2023) (rejecting argument that IPR estoppel can "bar a party from bringing an inequitable conduct counterclaim as to a particular prior art reference" that was asserted in an IPR).
34. PREVAIL Act, S. 2220, 118th Cong. (2023).
35. *See id.*, subsection (f) to newly proposed 35 U.S.C. § 315.

Federal Circuit Cases Exploring a Year of Rules, Rulemaking, and Rule Enforcement at the PTAB

BY KRISTINA CAGGIANO KELLY

A trio of cases this past year illustrate a trend of increasing importance in the power of Patent-Office rulemaking and enforcement, and the influence it has on patent owners and challengers alike.

First, the Federal Circuit's decision in *Parus Holdings v. Google*, Appeal No. 22-1269 (Fed. Cir. June 12, 2023) addressed 37 C.F.R. § 42.6(a)(3), which prohibits incorporating by reference arguments from another document. The Court affirmed the Patent Trial and Appeal Board's decision not to consider the patent owner's attempt to antedate a prior art reference, because the relevant arguments and evidence were incorporated by reference from multiple declarations and were not presented in the briefs themselves. Failing to antedate the reference resulted in the challenged patent being held invalid over the cited art.

The Federal Circuit struck a similar tone, with a very different outcome, in *Rembrandt Diagnostics, LP v. Alere, Inc.*, 2021-1796 (Fed. Cir. Aug 11, 2023). Here, the court endorsed the Board's leeway in the rules as asserted against a petitioner. Ordinarily, an IPR petitioner must stick to the arguments and reasoning that it sets forth in the original petition. Deviations or additional arguments are permitted, however, if they are directly responsive to new arguments presented by the patent owner.

Meanwhile, the Patent Office's authority and control over its institution decisions came under fire in *Apple v. Vidal*, 22-1249 (Fed Cir 3-13-2023). This third case addresses the Director's guidelines allowing the PTAB to deny IPR institution even in situations where the challenger raises strong challenges. These so-called *Fintiv* guidelines (based upon the precedential case of *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019 (P.T.A.B. 2020)) are regularly cited as justification for denying institution. Apple recently led a number of filers in collectively challenging these *Fintiv* factors under the APA. While their challenge has largely been unsuccessful so far, it has spurred new notice-and-comment rulemaking procedures limiting discretionary denials.

Each of these cases explores a different aspect of the Patent Office's authority to make, interpret, and apply rules as part of Congresses delegation of power under the America Invents Act.

For example, the challenged patent in *Parus* claimed priority to an application filed February 4, 2000, but the patentee argued that it could antedate an even earlier cited reference. Parus included nearly 40 exhibits (totaling 1,300 pages) as well as claim charts attached to declarations establishing prior conception, diligence, and reduction to practice as of 1999. However, "Parus only minimally cited small portions of that material in its briefs without meaningful explanation." *Parus*, No. 2022-1269, 2023 WL 3939532, at *2 (Fed. Cir. June 12, 2023).

The Board declined to consider Parus's arguments and evidence seeking to antedate Kovatch, explaining that Parus did not present these arguments in its patent owner response or sur-reply but instead did so "in several declarations and improperly incorporate[d] those arguments by reference into its Response and Sur-reply, in violation of Rule 42.6(a)(3)."

On appeal, Parus argued that the Board erred in applying Rule 42.6(a)(3) because the IPR statute and rules require "specific and persuasive attorney argument" only from the petitioner—not the patent owner, who is not even required to file a response. The Court rejected this argument, explaining that although a patent owner is not required to file a response, any response it chooses to file must comply with all applicable rules.

Parus further argued that the Board had improperly placed the burden of persuasion on it, by refusing to consider arguments and evidence not adequately raised in its briefing. The Court again disagreed, explaining that attempting to antedate a reference assumes a temporary burden of production. That burden "cannot be met simply by throwing mountains of evidence at the Board without explanation or identification of the relevant portions of that evidence," and that "[o]ne cannot reasonably expect the Board to sift through hundreds of documents, thousands of pages, to find the relevant facts." Rather, the patent owner must cite specific evidence and explain its relevance and applicability.

In its final argument, Parus suggested that the Administrative Procedure Act required the Board to consider Parus's evidence, regardless of the form in which it was presented. The Court again rejected this argument, stating that the APA does not require the Board to review evidence and issues that violate the rules. The Court likened this violation of Rule 42.6(a)(3) to filings that exceed page limits or are untimely: there is no APA violation in strict enforcement of these rules.

Conversely, the Patent Owner in *Rembrandt* accused Petitioner Alere of presenting new theories in the Petitioner's Reply Brief, including new arguments about cost and time savings as a motivation to modify the prior art. The Federal Circuit found that these arguments were responsive to Rembrandt's contention that there was no

motivation to modify the cited reference. The Court also construed Alere's discussion of cost and time savings as properly expanding on the motivation to combine presented in the Petition, which was phrased in terms of "efficiency."

The Federal Circuit also found an alternative reason to affirm, holding that Rembrandt's objection to Alere's new motivation-to-modify theory before the PTAB was too generic and therefore insufficient. The Court noted that Rembrandt had made a very specific objection regarding another new-theory issue (not on appeal), and the present objection was improper by comparison.

Having disposed of this procedural issue, the Court went on to affirm the Board's conclusions invalidating the patent as supported by substantial evidence. Importantly, Rembrandt did not provide expert testimony to rebut Alere's expert. The PTAB was therefore free to credit Alere's unrebutted evidence that the prior art satisfied the claims and that there was a motivation to combine the cited references.

Finally, the Patent Office's authority to make and enforce rules reached the height of scrutiny this past year when Apple and other companies challenged the Office's treatment of 35 U.S.C. § 314(d). Section 314 provides the USPTO Director with complete discretion to deny an IPR petition through the intersection of two provisions. First, the statute does not expressly require institution under any circumstance. Rather, it sets the reasonable-likelihood of success as a minimum threshold for granting institution. Second, the statute indicates that the decision of whether to institute is non-appealable.

A group of companies led by Apple sued the Patent Office in the Northern District of California, arguing that discretionary denials violate the APA. Apple and its co-plaintiffs identified their common interest as defendants who regularly face patent infringement allegations. As such, they argue that they are harmed by the Patent Office's arbitrary and capricious discretionary denial practice, which deprives petitioners of a regular and predictable mechanism for invalidating claims at the Patent Office.

The district court dismissed the APA case under 5 U.S.C. § 701(a)(1), finding that the Patent Office's discretionary denial practice was within the inevitable and congressionally expected delegations of power. The Federal Circuit largely affirmed that finding on appeal, though it agreed with Apple that "that the Director was required, by 35 U.S.C. § 116 together with 5 U.S.C. § 553, to promulgate the institution instructions through notice-and-comment rulemaking procedures," and failed to do so.

Apple has filed a petition for writ of certiorari challenging the Federal Circuit's affirmance. Meanwhile, Director Vidal has drafted an Advance Notice of Proposed Rulemaking (ANPRM) for potential PTAB reforms that place limits on discretionary denials. These limits fall short of what Apple has argued are appropriate, but may nonetheless comply with the Federal Circuit's remand instructions, pending intervention from the Supreme Court. Either way, the process and outcome of this new notice and comment period will only further highlight the importance of Patent Office rulemaking and enforcement in post-grant practice.

1101 K Street NW, 10th Floor, Washington DC 20005 ▪ 202 371-2600 ▪ sternekessler.com