

2022 ushers in new developments in the patent review process

By Nicholas W. Stephens, Esq., and Casey Kraning, Esq., Fish & Richardson PC

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In April 2022, Kathi Vidal assumed office as Director of the United States Patent and Trademark Office (USPTO or Office), ushering in a new era for the agency.

Director Vidal has made a number of moves early in her tenure to shape proceedings before the Patent Trial and Appeal Board (PTAB or Board), including issuing new guidance on *Fintiv* denials and applicant admitted prior art (AAPA), and addressing additional issues through the post-*Arthrex* Director review procedures.

In June 2022, Director Vidal issued interim guidance clarifying the PTAB's current application of the Fintiv factors.

These developments, along with developments in Federal Circuit case law and the introduction of further rounds of PTAB reform legislation, have marked 2022 as yet another busy year in the post-grant world.

Updated *Fintiv* guidance

In *Apple, Inc. v. Fintiv, Inc.*,¹ the PTAB set forth six factors governing the PTAB's use of discretion to deny institution in view of parallel litigation involving the challenged patent:

- (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 Board'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 Board's exercise of discretion, including the merits.

The Board stated that "[t]hese factors relate to whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of an earlier trial date in the parallel proceeding."

In October 2020, the USPTO issued a Request for Comments on the Board's approach to *Fintiv*. In June 2022, Director Vidal issued interim guidance² clarifying the Board's current application of the *Fintiv* factors.

The interim guidance provides four clarifications:

- **No *Fintiv* denials where the petition presents compelling evidence of unpatentability:** Factor 6 directs the Board to consider the merits of the petitioner's challenge. The guidance clarifies that "compelling, meritorious challenges" should proceed regardless of parallel litigation. "Compelling, meritorious challenges" are "those in which the evidence, if unrebutted in trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence."
- **No *Fintiv* denials for parallel International Trade Commission (ITC) proceedings:** The guidance limits the applicability of *Fintiv* to parallel district court proceedings only, as the ITC lacks the authority to invalidate patents.
- **No *Fintiv* denials where the petitioner commits to a *Sotera*-style stipulation:** Factor 4 directs the Board to consider the overlap between issues raised in the petition and the parallel litigation. In a *Sotera*-style stipulation, the petitioner stipulates not to pursue in district court the same grounds or any grounds that reasonably could have been raised in the petition. The guidance clarifies that the Board will not discretionarily deny institution where the petitioner provides a *Sotera*-style stipulation.
- **Board can consider median time-to-trial in the district:** Factor 2 directs the Board to consider the proximity of the district court trial date to the Board's projected final written decision timeline. The guidance now permits the Board to consider the median time-to-trial in the district rather than the stated trial date alone, as case schedules often change.



The interim guidance clarifies that the Board retains the right to deny institution for other reasons under 35 U.S.C.A. §§ 314(a), 324(a), and 325(d). It applies to all proceedings pending before the Board and will remain in place until the USPTO replaces it with rules after completing the formal rulemaking process.

Updated guidance on the use of applicant-admitted prior art in IPR proceedings

Under 35 U.S.C.A. § 311(b), an IPR petitioner may request to cancel a patent claim “only on the basis of prior art consisting of patents or printed publications.” Section 311(b) does not specifically address the use of so-called “applicant-admitted prior art” (AAPA) — i.e., admissions about the prior art found within a challenged patent itself.

In August 2020, guidance from Director Iancu had clarified that evidence of a skilled artisan’s general knowledge could be obtained from AAPA, and further clarified that AAPA could properly be used to support obviousness arguments in an IPR — including to supply a missing claim limitation. The guidance emphasized that AAPA is neither a patent nor a printed publication, and AAPA therefore could not form the “basis” of a ground in an IPR under § 311(b).

Earlier this year, the Federal Circuit addressed the scope of IPR estoppel.

In February 2022, the Federal Circuit issued a decision on AAPA in *Qualcomm Inc. v. Apple Inc.* that similarly stated that “the ‘patents or printed publications’ that form the ‘basis’ of a ground for *inter partes* review must themselves be prior art to the challenged patent,” but remanded back to the PTAB the question of “whether AAPA improperly formed the ‘basis’ of Apple’s challenge.”³

In June 2022, Director Vidal issued updated guidance⁴ expanding the ability of petitioners to rely on AAPA. The guidance eliminated the requirement that a prior art patent or printed publication, rather than AAPA, must form the “foundation or starting point” of an IPR ground.

The new guidelines instead direct Board panels not to preclude the use of AAPA when it is used in combination with patents or printed publications based on the number of claim limitations the AAPA supplies or the order in which the petition presents the obvious combination.

Instead, “Board panels should review whether an asserted ground as a whole as applied to each challenged claim relies on AAPA in the petition in combination with reliance on at least one prior art patent or printed publication.”

Under the new guidance, petitioners generally can rely on AAPA in an obviousness ground so long as it is used in combination with a patent or printed publication, and regardless of whether one supplies more claim limitations than the other.

Update on director review process

Following the Supreme Court’s decision in *United States v. Arthrex, Inc.*,⁵ in June 2021 the USPTO issued interim guidance on its implementation of the Director review process. Under the interim process,⁶ the Director may conduct a review of any issue of law or fact raised by a Board panel’s decision. Director review is *de novo* and thus gives no deference to the underlying decision.

Since then, 211 requests for Director review have been made. As of September 13, 2022, a total of 12 requests for Director review have been granted, including eight that the Director initiated *sua sponte*. Below, we briefly summarize a selection of cases under Director review.

Applicant admitted prior art: MED-EL *Elektromedizinische Geräte v. Advanced Bionics AG*⁷

On June 1, Director Vidal *sua sponte* ordered director review to clarify Office guidance on the treatment of AAPA in view of the *Qualcomm* decision. The petition at issue relied on AAPA in combination with a patent application to allege obviousness of the challenged claims. In its final written decision, the Board had applied Director Iancu’s pre-*Qualcomm* AAPA guidance and concluded that MED-EL’s petition failed to set forth a valid obviousness ground.

The Board concluded that AAPA impermissibly formed the “foundation or starting point” of the obviousness ground, and therefore was the “basis” of the ground, contrary to § 311(b). On August 22, Director Vidal vacated and remanded the final written decision, instructing the Board to issue a new decision consistent with the updated AAPA guidance and her determination that the petition did not improperly rely on AAPA.

Validity of multiple dependent claims: *Nested Bean, Inc. v. Big Beings USA PTY Ltd.*⁸

In a final written decision dated January 24, 2022, the Board determined:

- (1) Independent claim 1 was not shown to be unpatentable;
- (2) Independent claim 2 was shown to be unpatentable; and
- (3) Claims 3-16, which are multiply dependent on claims 1 or 2, were deemed to be unpatentable “if either version of these claims (the version depending from claim 1 or the version depending [from] claim 2) is described by the prior art.”

On June 17, Director Vidal granted the patent owner’s request for Director review.

At issue is whether a multiple dependent claim is rendered wholly unpatentable when less than all versions of the claim are demonstrated unpatentable and, if not, how the Board should treat such a claim following a partial showing of invalidity.

The patent owner argues that a multiple dependent claim should be treated as a “bundle” of dependent claims and that the Board must determine the validity of each one separately.

The petitioner argues that a claim cannot be partially invalid, and that a finding of unpatentability as to any version of the claim is sufficient to render the claim wholly unpatentable.

Abusive tactics allegations: *OpenSky Indus., LLC v. VLSI Tech., LLC* and *Patent Quality Assurance, LLC v. VLSI Tech., LLC*⁹

In March 2021, a jury awarded VLSI \$2 billion in a suit against Intel for infringement of two patents. Intel had previously challenged both patents, and the Board denied institution under *Fintiv*. After the verdict, OpenSky formed as an entity and filed copycat petitions on both patents, copying Intel's expert declarations, but not retaining the experts.

PQA, formed one week later, filed its own petition challenging one of the patents. PQA entered an "exclusive" retention agreement with one of Intel's experts and leveraged that to argue against institution of OpenSky's petition. The Board instituted PQA's petition and OpenSky's unchallenged petition.

Patent Owner VLSI then appealed to the Precedential Opinion Panel (POP), claiming the petitions were filed for purposes of harassment and alleging a parade of horrors, including that litigation defendants "will be incentivized to file petitions it knows are likely to be denied without reaching the merits (e.g., under *Fintiv*, *Gen. Plastic*, or because the § 315(b) bar has elapsed)" because "[s]hould it then lose in court, a wellspring of new entities will arise to copy and refile the denied petition."

On June 7, Director Vidal denied the POP appeal, instead taking up the case *sua sponte*. The issues the Director will consider on review are:

- (1) What actions the Director, and by delegation the Board, should take when faced with evidence of abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the America Invents Act (AIA); and
- (2) How the Director, and by delegation the Board, should assess conduct to determine if it constitutes an abuse of process or if it thwarts, as opposed to advances, the goals of the Office and/or the AIA, and what conduct should be considered as such.

Director Vidal requested further briefing from the parties and invited *amici curiae* briefing. Director Vidal also mandated written, document, and ESI discovery. Briefing finished on September 1 and an oral hearing is set for September 22. Meanwhile, the underlying proceedings continue on the merits.

Serial petitions: *Code 200, UAB, et al. v. Bright Data Ltd.*¹⁰

On August 23, Director Vidal *sua sponte* initiated director review of a Board decision discretionarily denying institution of a serial petition, where the earlier-filed petition was discretionarily denied under *Fintiv*. Director Vidal found that because the first petition was not evaluated on the merits, the application of the *General Plastic* factors governing discretionary denial of serial petitions should "only weigh in favor of discretionary denial when there are 'road-mapping' concerns[.]"

As the Board had found no evidence of road-mapping, Director Vidal determined that "the Patent Owner's concerns of fairness are outweighed by the benefits to the patent system of improving patent quality by reviewing the merits of the challenges raised in the petitions, which have not been addressed to date."

Thus, Director Vidal vacated the decision denying institution and remanded to the Board.

Clarification on the scope of IPR estoppel

Earlier this year, the Federal Circuit addressed the scope of IPR estoppel under 35 U.S.C.A. § 315(e) in *California Inst. of Tech. v. Broadcom Ltd.*,¹¹ Section 315(e)(1) provides that a petitioner "may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that *inter partes* review." (Emphasis added.)

Section 315(e)(2) then provides that a petitioner who has received a final written decision on a claim in an IPR "may not assert either in a civil action ... or in a proceeding before the International Trade Commission ... that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that *inter partes* review." (Emphasis added.)

In *Cal. Tech.*, the Federal Circuit addressed the reach of estoppel to non-petitioned grounds that were never part of the original IPR petition. The Federal Circuit held that "[e]stoppel applies 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." *Cal. Tech* thus confirmed that estoppel can still attach to non-petitioned grounds.

Legislative developments

In June 2022, Senators Patrick Leahy (D-VT), John Cornyn (R-TX), and Thom Tillis (R-NC) introduced the Patent Trial and Appeal Board Reform Act of 2022.¹²

The bill would make several changes to practice before the PTAB, including in part:

- Codifying *Arthrex* by giving the Director the authority to review, modify, or set aside decisions of the PTAB.
- Codifying *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*¹³ by limiting repeated petitions by the same petitioner, real party in interest, or privy challenging the same claims more than once.
- Abrogating *Fintiv* by prohibiting the PTAB from considering an ongoing civil action other than the time bar already in the statute.
- Requiring the Director to prescribe sanctions against petitioners who offer to deliberately delay or lose an instituted challenge for consideration.
- Extending standing for the right to appeal "at least to any dissatisfied party that reasonably expects that another person will assert estoppel against the party ... as a result of the decision."

- Requiring parties to notify the Director if “another proceeding or matter involving the patent is before the Office.” The Director shall then issue a written decision regarding how the other proceeding may advance.
- Directing the USPTO to cover the reasonable litigation expenses of small businesses who have undertaken the expense of applying for patents, relieving them of the burden of paying again to defend the same patent before the Board.

A companion bill is expected to be announced in the House but as of publication, one has not yet been introduced.

For even more information about developments in post-grant practice in 2022, please see the webinar “Post-Grant for Practitioners: 2022 Mid-Year Review.”¹⁴

Notes

¹ IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020).

² <https://bit.ly/3PGkFX0>

³ Fish & Richardson PC represented Apple in *Qualcomm Inc. v. Apple Inc.*, 24 F.4th 1367 (Fed. Cir. 2022) and in IPR2018-01276, -01460, -01281, -01282.

⁴ <https://bit.ly/3Dpy6Yw>

⁵ 141 S. Ct. 1970 (2021)

⁶ <https://bit.ly/3BFZiAW>

⁷ IPR2020-01016, 2021-00044.

⁸ IPR2020-01234.

⁹ IPR2021-01064, IPR2021-01229.

¹⁰ IPR2022-00861.

¹¹ 25 F.4th 976 (Fed. Cir. 2022).

¹² <https://bit.ly/3QYytN7>

¹³ IPR2016-0137.

¹⁴ <https://bit.ly/3BDjyDt>

About the authors



Nicholas W. Stephens (L) is a principal in the Twin Cities office of **Fish & Richardson PC**, where he focuses on patent prosecution, post-grant proceedings and client counseling. He can be reached at nstephens@fr.com. **Casey Kraning (R)**, Ph.D., is a litigation associate in the Delaware office, where she focuses on patent litigation in district court and post-grant practice before the U.S. Patent and Trademark Office. She can be reached at cmk@fr.com.

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