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Director Vidal's Impact On the PTAB: Big Changes and More On the Way

By Jennifer Bush

After over a year and a half at the helm of the U.S. Patent and Trademark Office (USPTO), Director Kathi Vidal has made significant and lasting impacts on the Patent Trial and Appeal Board (PTAB) through a variety of different actions, including Director Reviews, issuing guidance, designating additional cases as precedential, issuing sanctions *sua sponte*, and returning institution rates to 2016 levels. All signs point to continuation of additional changes under her continued leadership, based on various proposed rulemaking announcements and the USPTO's current Strategic Plan.

Perhaps the largest impact that Director Vidal has had upon the PTAB is has been via Director Reviews. The U.S. Supreme Court's decision in *United States v. Arthrex, Inc.*, 141 S.Ct. 1970 (2021), mandated Director Reviews to correct what the case deemed procedural defects in the way that administrative patent judges are appointed to the PTAB. Although the interim Director Review procedure was put in place before Director Vidal was in office, prior to her tenure only five out of the 189 requests filed were granted, according to PTAB-published statistics. According to those same statistics, under Director Vidal a total of 41 Director Reviews have been issued as of this writing, with most being issued *sua sponte* by the Director and just a handful of them resulting from parties' requests for Director Review. Thus, Director Vidal has taken seriously the mandate of the *Arthrex* case and has been a very active in clarifying PTAB procedures and precedent via *sua sponte* Director Reviews.

Among the cases addressed in Director Reviews in the past year, a multitude of topics was addressed. *CommScope Tech, LLC v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 (Final Written Decision) (PTAB Feb. 27, 2023) addressed clarifying the standard for instituting an IPR in view of the factors set out in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (Final Written Decision) (PTAB March 20, 2020) (designated precedential May 5, 2020); Director Vidal explained that even where compelling evidence is presented, the *Fintiv* analysis must be undertaken. *Nested Bean, Inc. v. Bing Beings US Pty. Ltd.*, IPR2020-01234, Paper 24 (Final Written Decision) (PTAB Jan. 24, 2022), Paper 42 (Director Review Feb. 24, 2023), clarified the proper treatment of multiple dependent claims as each claim needing to be considered separately. *Apple Inc. v. Zipit Wireless, Inc.*, IPR2021-01131, Paper 30 (Final Written Decision) (PTAB Dec. 20, 2022) (Director Review Jan. 4, 2023) providing clarity on the standard for abandonment of contest by a party in an IPR as requiring an affirmative statement to abandon it. In 2022, in *UAB v. Bright Data Ltd.*, IPR2021-014921, Paper 54 (Final Written Decision) (PTAB Sept. 27, 2023), Director Vidal had weighed in on discretionary denial under the factors in *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (Final Written Decision) (PTAB Sept. 6, 2017) (Precedential Oct. 18, 2017) addressing serial petitions, specifically allowing petitioners to pursue a second petition where the first-filed petition was not evaluated on the merits. Each of these cases had a meaningful and likely long term impact on PTAB practice.

Director Vidal also has updated the Director Review process several times during her time as Director, including three times near the beginning of her tenure. Most recently, in July of this year the USPTO announced via its website a revision to the process following a request for comments, with the major updates in the revision being expanding the topics for which parties can request Director Review to include institution decisions and the retirement of the Precedential Opinion Panel process. Since institution decisions are not appealable, the inclusion of them in the Director Review process may provide parties unhappy with an institution decision a greater opportunity than rehearings have served in the past, since Director Reviews review all issues raised *de novo*.

Issuing guidance and designating opinions precedential are additional ways that Director Vidal has had a significant impact on the PTAB. Early in her time in office, Director Vidal issued guidance clarifying several aspects of the PTAB application of the *Fintiv* factors. Following the *Apple v. Fintiv* case being designated presidential in 2020, discretionary institution denials in view of the

timing of parallel litigation had gone up significantly, to a high of a 43.6% denial rate through the end of 2020. They had started to decrease following *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (Institution Decision) (PTAB Dec. 12, 2020), which outlined a specific form of stipulation that petitioners would not pursue in district court the grounds it raised or reasonably could have raised at the PTAB. Following the *Sotera* case, the denial rate for the first half of 2021 was 35.7% and was down to 21.7% for the second half of the year. *Fintiv*-based discretionary denials have stayed down consistently since Director Vidal issued the *Fintiv* related guidance, with an approximately 22% denial rate for the early part of 2023 according to PTAB-published statistics. In the issued guidance, Director Vidal prohibited the PTAB from denying a petition under *Fintiv* for petitioners relying on *Sotera* stipulations and noted that a case could not be denied strictly based on parallel litigation timing where the merits of the petition were deemed strong by the board, nor where the parallel litigation was taking place at the U.S. International Trade Commission. These changes provided greater clarity for petitioners and patent owners alike on whether a PTAB trial was likely to be instituted.

One precedential opinion that had an impact on PTAB substantive practice was *Xerox Corp. v. Bytemark, Inc.*, IPR2022-00624, Paper 9 (Institution Decision) (PTAB Aug. 24, 2022), Paper 12 (Director Review Feb. 10, 2023), which clarified that expert declaration testimony, that merely repeated, verbatim, conclusory assertions of the petition without citing additional evidence or reasoning is to be given little weight. This decision eliminated the sometime practice using of expert declarations that essentially parroted the briefing without adding any additional substance or evidentiary support.

Preventing abuse of PTAB proceedings also has been an area of focus under Director Vidal. Early this year in *Patent Quality Assurance LLC v. VLSI Technology LLC*, IPR2021-01229, Paper 131 (Director Review Aug. 3, 2023), Director Vidal *sua sponte* issued sanctions against petitioner and dismissed it from IPR proceedings for failing to comply with the discovery mandated by the scheduling order and ordered petitioner briefing on why it should not have to pay compensatory damages, including attorney fees. In the case, in addition to violating discovery, Director Vidal found that VLSI made a number of misleading statements in its briefing in an apparent attempt to mislead the PTAB and the Director. While these sanctions issued by Director Vidal were not financially punitive in effect, this decision sent a strong message to the practitioners about the conduct Director Vidal expects.

Under Director Vidal, institution rates for PTAB proceedings have increased significantly according to PTAB-published statistics. The per-petition institution rate in 2022 was 66%, and in 2023 it was 67%. In the prior two years, the per-petition institution rate had been considerably lower at 58% for 2021 and 56% for 2020. Indeed, the PTAB has not seen a per-petition institution as high as 67% since 2016. While a focus on clarifying the standards for discretionary denial under both *Fintiv* and *General Plastic* have had an impact on these numbers, some of the effects of those changes began before Director Vidal took office.

While the changes to date under Director Vidal have been substantial, there is several indicators that further updates are on the horizon under her continued leadership. Director Vidal has issued multiple Notices of Proposed Rulemaking (NPRM) and an Advanced Notice of Proposed Rulemaking (ANPRM), for which corresponding new rules have not yet been issued but are expected. According to the Federal Register dated April 21, 2023, the proposals in the ANPRM touch on nearly every aspect of PTAB practice, from separate briefing on discretionary denials and other changes to the discretionary denial analysis — including consideration of certain commercial activities, whether petition is for already time-limited post grant reviews, and entity size — to fees for higher word counts, expanding the real parties in interest analysis, placing limits on nonmarket competitors for petitions filed by certain for-profit entities, and specific requirements for pre-institution settlement agreements, to name a few. The PTAB received thousands of comments on this ANPRM and it was the subject of some controversy with the House Judiciary Subcommittee on Courts, Intellectual Property and the Internet on Oversight of the USPTO. The NPRM have requested comments on USPTO initiatives to ensure the robustness and reliability of patent rights, according to the Federal Register Request for Comments (RFC) dated October 4, 2022, addressing the motion to amend pilot and burdens regarding the amendment process, according to the Federal Register RFC dated May 23, 2023, and on proposed changes to the processes governing internal pre-issuance circulation and review of decisions within the PTAB, according to the Federal Register RFC dated October 6, 2023. While some have commented that several of the proposed rule changes merely formalize the current *de facto* procedure, others of the proposed changes could have further significant impacts on PTAB practice in the next few years.

Last month, Director Vidal took two actions in a single day. In the first she designated a precedential *Penumbra, Inc. v. RapidPulse, Inc.*, IPR2021-01466, Paper 34 (March 10, 2023) (Precedential as to section II.E.3 Nov. 15,

2023), where she clarified the application of the Federal Circuit decision in *Dynamic Drinkware, LLC v. Nat'l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015) regarding whether a reference patent's claims must have written description support in its provisional application to be entitled to that provisional application's filing date for prior art purposes. The portion of the decision Director Vidal designated precedential today indicated that the holding in *Dynamic Drinkware* only applies to pre-AIA patents. In addition, the USPTO announced a final rule creating a separate Design Patent Bar to allow practitioners to represent clients in design patent applications despite not having the technology background necessary to take the current Patent Bar exam, which was first contemplated in a NPRM in May according to the Federal Register.

In addition, Director Vidal's USPTO Strategic Plan for 2022 through 2026, announced in June via Director Vidal's Director's Blog, includes two different sections that directly address the PTAB. Objective 2.1 is described as directed at issuing and maintaining robust and reliable patents that incentivize and protect innovation, and specifically calls out the PTAB to play a role in "providing an efficient system for amending, or avoiding patent claims that overreach and stunt innovation, inclusive capitalism, and global competitiveness." Considering this objective alongside some of the proposed rulemaking, it seems to be focused on the PTAB allowing patent owners to amend claims and the role that the director believes the PTAB serves in invalidating patents that are overbroad. Objective 3.1 is described as focused on protecting patents from fraudulent and abusive behaviors. With respect to the PTAB, this objective specifically points to further clarifying, revising, and formalizing what is the appropriate use of discretion in AIA trial proceedings to address and deter abuse of the process, as well as to avoid activities that do not advance the USPTO mission and to deliver educational resources and training to educate intellectual property stakeholders on PTAB proceedings. Again considering this objective through the lens of proposed rulemaking, Director Vidal appears to be determined to make change via both discretion and by targeting parties who may be more likely to abuse PTAB procedure.

Practitioners should expect additional adjustments to PTAB practice under Director Vidal, who is making affirmative efforts to address parties' concerns and to streamline and improve PTAB processes. The changes to date may only be the tip of the iceberg.

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