



NYIPLA PTAB Committee

May 16, 2023

DISCUSSION OF ADVANCED NOTICE OF PROPOSED RULEMAKING FOR PTAB PRACTICE

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WHERE ARE WE?

1. On April 21, 2023, USPTO published a lengthy Advance Notice of Proposed Rulemaking (**ANPRM**) announcing potential changes to “**discretionary institution practices**,” “petition word-count limits,” and “settlement practices” for IPRs and PGRs. May 9, 2023 Presentation by USPTO. Comments must be filed by **June 20, 2023**.
2. On April 27, 2023, Director Vidal testified before the **House of Representatives IP Subcommittee**.
3. House IP Subcommittee members focused on several ANPRM proposals:
 - a. **6-month petition filing window** to avoid discretionary denial when parallel rocket docket litigation;
 - b. “**compelling merits**” test to avoid discretionary denial; and
 - c. “**substantial relationship**” test to supplement statutory real party in interest and privity tests for estoppel and the one-year time bar.
4. This will be a **long process** (ANPRM comments/NPRM/comments/NFRM). House IP Subcommittee to **engage Director** regarding scope of rulemaking.

USPTO Explanation May 9, 2023

Proposals in Advance Notice of Proposed Rulemaking (ANPRM)

Michael Tierney, Vice Chief Administrative Patent Judge
Amber Hagy, Lead Administrative Patent Judge

May 9, 2023



Topics

- Definitions
- Discretionary Denials
- Restriction on Future District Court and AIA proceedings
- Briefing and Page/Word Limitations
- Settlement Agreements
- Feedback



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<https://www.uspto.gov/sites/default/files/documents/anprm-proposals-information-session-05092023.pdf>

Key Topic: Definitions

ANPRM Proposal

Definitions

What constitutes a “**substantial relationship**” between entities sufficient to trigger or avoid discretionary denial:

- **Substantial Overlap:** The Office is considering a “**substantial overlap**” test where claim sets are deemed to “**substantially overlap**” the challenged claims when at least one challenged claim is “**substantially the same**” as a claim in a set to which the claim is being compared.
- **For-Profit Entities:** The Office is also considering including any parties with a substantial relationship with a for-profit entity.
 - **Proposed Definition:** Entities that do not qualify for tax-exempt status with the Internal Revenue Service including any entity that is a real party in interest with, or in privity with, a for-profit entity.
- **Compelling Merits:** Under this potential test, the petitioner has the burden of presenting evidence at the institution stage that leaves the Board with a firm belief or conviction that it is highly likely that the petitioner would prevail with respect to at least one challenged claim.
 - **Proposed Definition:** Evidence of record before the Board at the institution stage is **highly likely** to lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence.

Key Topic: Definitions (cont.)

ANPRM Proposal

Definitions

(cont.)

- **Parallel Petition:**

Proposed Definition: Two or more petitions that:

(1) challenge **the same patent** by the petitioner or by a petitioner who has a substantial relationship with another petitioner challenging **the same patent**; and

(2) are filed on or before

(a) the filing date of a preliminary response to the first of two or more petitions,

(b) the due date set forth in 42.107(b) for filing a preliminary response to the first petition, if no preliminary response to the first petition is filed.

Key Topic

ANPRM Proposal

Discretionary denials

- **For-Profit Entities:** Proposal to automatic deny petitions by **for-profit entities**
- **Under-Resourced Patent Owners:** Proposal to deny petitions lacking compelling merits when brought against **under-resourced entities**.
- **Prior Final Adjudications:** The Office is considering **discretionary denying** when **prior final adjudications** by a district court or by the Office in AIA post-grant proceedings upholding the validity of claims that substantially overlap the challenged claims
- **Serial Petitions:** The Office is considering discretionary denying any serial petition in which at least one claim same as a challenged claim in a prior petition unless: (1) prior petition was not resolved on merits; and (2) exceptional circumstances are shown (e.g., patentee broadening scope with proposed claim construction).
- **Previously Addressed Prior Art or Arguments (325(d)):** The Office 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.
- **Parallel District Court Litigation:** The Office is considering cutting back on *Finitiv*.
- **Disclosure of Ownership Interest and Funding:** The Office is considering expanding the scope of disclosure of the Patent Owner.

§ 314(a) institution/denial under *Fintiv* (**parallel litigation**) and *General Plastic* (**serial petitions**);

- Time frame to file IPR/PGR petitions when parallel litigation;
- Decision to file a **Sotera stipulation** (“reasonably could have raised” estoppel);
- Ability of “**certain for-profit entities**” to file IPRs and PGRs;
- Ability of “individual inventors, startups, and **under-resourced innovators**” to avoid IPRs/PGRs;
- Ability of petitioners to file **parallel petitions**;
- Petition, response, reply, and sur-reply word count limits; and
- Estoppel effect of a prior validity decision in district court or PTAB;
- § 325(d) **cumulative art or argument denials** under *Advanced Bionics* and *Becton Dickinson*.

Discretionary IPR Institution With **Parallel District Court Litigation (*Fintiv*)**

(PTAB Slides 20-22, 27)

- a. No PGR or ITC-based discretionary denials – limited to IPRs with parallel district court litigation
- b. Clear, predictable rule – **Denial** if time-to-trial before FWD, OR **No Denial** if IPR filed \leq 6 months of complaint
- c. **Streamlined *Fintiv*** Factors – investment in parallel litigation; issue overlap; other circumstances
- d. **No Denial** safe harbors: (i) ***Sotera stip.***; (ii) Dist. Ct. stay entered; and (iii) petition demonstrates “**compelling merits**”

Discretionary Denial of IPR/PGR for “**Under-Resourced Inventors**” IF (PTAB Slide 16):

- a. PO claimed **micro** or **small entity status** at patent issuance + timely request for discretionary denial;
- b. During calendar year prior to petition filing, PO did not exceed **8X the micro entity income** level under 37 CFR 1.29(a)(3) (currently about \$212,000); $8 \times \$212,000 = \$1,696,000$;
- c. At time petition filed, PO or licensee “was **commercializing the subject matter** of a challenged claim”; and
- d. Petition does not satisfy “**compelling merits**” standard for institution.

Discretionary Denial of IPR/PGR Petitions by “For-Profit, Non-competitive Entities” IF (PTAB Slides 15):

- a. Petition filed by **for-profit entity**;
- b. Petitioner **has not been sued** for, or threatened with, patent infringement;
- c. Petitioner is **non-practicing entity** in the field of challenged patent; and
- d. No **substantial relationship** with an entity outside scope of a.-c.

Discretionary Denial of **Serial Petitions** IF (PTAB Slides 18):

- a. Petition filed by same party/RPI/Privy or party with (i) **significant relationship** to petitioner or (ii) who **previously joined** an instituted IPR/PGR (*Valve I/II*).
- b. **No Denial** safe harbors: (i) previous petition **not decided on merits**, e.g. discretionary denial; or (ii) “exceptional circumstances.”
- c. Exceptional circumstances include patentee changes claim scope by **amendment or construction**, prior art not reasonably available at time of earlier petition, or new statutory challenge (§§ 101, 102, 103. 112) with justifiable explanation.
- d. Replaces *General Plastic* factors

Key Topic

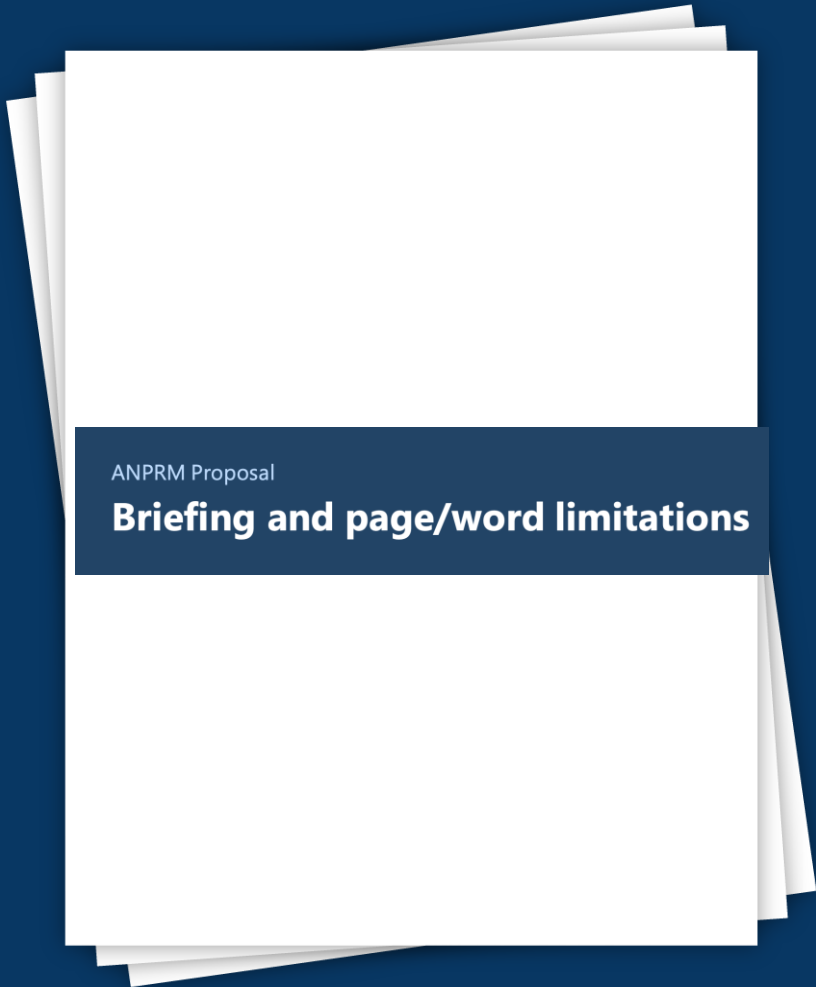
ANPRM Proposal

Stipulations regarding future district court and AIA proceedings

Required Stipulations:

- The Office is considering making a *Sotera stipulation* a **necessary** but not sufficient basis for institution.
- The Petitioner would still need to meet the other criteria for institution in view of a parallel litigation.
- The Office is also considering, as a condition to not discretionarily deny institution under 35 U.S.C. 314(a), requiring
 - Petitioners to file a stipulation that neither they nor their privy or real parties have filed prior post- grant proceedings (PGRs, IPRs, CBMs or *ex parte* reexaminations requested by third parties, not by patent owner) as to any of the challenged claims; and
 - If their post-grant proceeding is instituted, neither they nor their privy or real parties in interest, will challenge any of the challenged claims in a subsequent post-grant proceeding (including PGRs, IPRs and *ex parte* reexaminations requested by third parties, not by patent owner).
- The Office is considering an exception to this rule where a petitioner can establish exceptional circumstances.
 - Exceptional circumstances may include, for example, situations in which a patentee broadens the scope of the claims through a proposed claim construction.

Key Points



- Setting forth Good Cause Factors for Additional Briefing
- Additional Words for Additional Fees and restricting additional Petitions
- Separate Briefing on Discretionary Denial issues
- Separate Briefing on whether one or more petitions are necessary

- a. **Excluded from** 14,000 (18,700) IPR (PGR) **petition/POPR word-count**
- b. PO files 10-page request **prior to POPR**; Petitioner files 10-page opposition; PO files 5-page reply

Additional Word-Count Fee and Parallel Petitions (PTAB Slides 30-32)

- a. Avoid parallel petitions with **+50% or +100% additional petition fee** for +50% or +100% words
- b. Parallel petitions require good cause: **separate 5-page ranking** of petitions and justification
- c. Examples: large # of claims in parallel litigation/petition, priority date dispute, alternate claim constructions; technical complexity
- d. Largely codifies current practice. See Consolidated Trial Practice Guide 59-61

Key Points

ANPRM Proposal

Settlement agreements

Require filing of pre-institution settlement agreements

- The USPTO is considering changes to the rules to clarify that parties **must file with the Office true copies of all settlement agreements**, including **pre-institution settlement agreements** (or understandings between the parties, including any collateral agreements referred to in such agreements or understandings), similar to post-institution settlement agreements.
- In addition, although the USPTO may grant a motion to terminate an AIA proceeding prior to or after institution based on a binding term sheet, the Office proposes to clarify that parties are required to **file a true copy of any subsequent settlement agreements** between the parties in connection with, or in contemplation of, the termination.

Questions and Discussion