

## Leahy's Bill Seeks To 'Course Correct' From Iancu's PTAB

By Dani Kass

*Law360 (September 27, 2021, 10:11 PM EDT)* -- Vermont Sen. Patrick Leahy has announced a bill to stop Patent Trial and Appeal Board judges from factoring in the timing of related litigation when deciding whether to review a patent, a policy shift that backtracks from the pro-patentee reforms implemented over the last few years.

Perhaps the biggest mark former U.S. Patent and Trademark Office Director Andrei Iancu left on the office was increasing the instances where PTAB judges could use their discretion to turn away patent challenges, particularly when parallel district court litigation was running on a similar timeline.

Democrat Leahy, the leader of the U.S. Senate Judiciary Committee's subcommittee on intellectual property, said Wednesday that he is trying to shut down Iancu's so-called Fintiv rule, along with other precedent made over the last few years. Leahy's goal with the newly announced bill is to restrengthen the board created under the America Invents Act, a 2011 law that he co-sponsored.

"Sen. Leahy sees this as a way to course correct back to the intent of the America Invents Act," said Haynes and Boone LLP partner Raghav Bajaj. "He saw that the office was going away from its initial mission to review patents and improve the quality of patents and cutting off that review using things that were outside of the statute itself. He sees this as a necessary step to ... focus on the review of the patent."

### Fintiv's Divisiveness

In May 2020, the PTAB declared that its Fintiv decision would be made precedential, meaning future cases could rely on its criteria for when parallel litigation justified turning away AIA petitions that may have otherwise had merit. Ever since, Fintiv has become one of the most controversial parts of patent law, drawing battle lines and challenges in all three branches of government.

Leahy's aim with the AIA was to have patent challenges handled more quickly than at the district courts and to have them handled by a set of technical experts. Whether Fintiv has undermined this goal is the big picture question about the decision.

According to a pending lawsuit filed by Big Tech and various U.S. Supreme Court petitions, Fintiv has overstepped the AIA. But the hundreds of comments received by the USPTO about the Fintiv decision are more divided.

Leahy's bill would jump over those court cases and rulemaking proceedings and change the law so PTAB judges couldn't use their discretion on factors not set out in the AIA to turn away cases, which would stop district courts with a reputation for speed from getting first dibs on patent validity disputes. In doing so, the AIA would fall back into what Leahy had intended.

"All of these Fintiv decisions at bottom are saying, 'We think it's best for you proceed in the district court,'" said Ropes & Gray LLP partner Scott McKeown. "We've got Leahy saying you've got a statute that says, 'If you get your [IPR petition] in in 12 months, you get your day before the agency.' Then you've got the agency turning around and saying things in direct conflict with the statute. He's plainly annoyed with that practice."

But McKool Smith PC principal Nick Matich, a former USPTO acting general counsel, thinks that is overstating matters. Under Fintiv, the PTAB isn't saying district courts should get to decide patent challenges instead of the PTAB, but rather the board is making sure that patent owners don't have to defend their patent's validity at both venues, Matich said.

"Defendants like having two attempts to invalidate a patent, because if you could either convince the PTAB or convince the jury that the patent is invalid, you win," he said. "But the patent owner has to win both times, and that doesn't strike me as a fair process. Everyone should have their day in court, but giving [only] one side two days in court ... doesn't strike me as fair."

If Leahy wants to make Fintiv more closely align with his goals, Matich said there should be stronger estoppel provisions, meaning something decided at the PTAB couldn't then be relitigated in district court. For example, parties may not be able to present the same piece of prior art in both venues when attempting to invalidate a patent, but there are ways to work around the rules, Matich said, like introducing a manual for a product at the PTAB, and the product itself in district court. Congress could tighten those provisions and make Fintiv more appealing, he said.

A bill summary provided by Leahy's office shows estoppel provisions will be clarified, but doesn't explain how.

McKeown suggested that one of those clarifications could be that when a patent owner wins at the PTAB, it would block the dispute from being relitigated in district court. Right now, only PTAB losses for the patent owner are estopped, he said.

### **Democrats Take Different Sides**

Leahy's bill highlights the depth of division that has broken out in different industries and in Congress — although not along party lines — over PTAB policies.

When first launched, the PTAB quickly gained a reputation of invalidating patents at a high rate. Iancu, finding the PTAB had made things too hard on patent owners, implemented reforms aiming to give patentees a better chance at the board. For example, he made Fintiv precedential, made it difficult to file multiple petitions against the same patent, and he changed the claim construction standard used by the board.

Iancu, who has declined to comment on the proposed bill, had found allies in Sens. Thom Tillis, R-N.C., and Chris Coons, D-Del., who ran the IP subcommittee during his UPSTO tenure and agreed the PTAB needed to be reined in.

Coons had introduced the STRONGER Patents Act in 2019, which would have given patent owners more protections, such as limiting what attacks can be lodged at the board, the opposite of Leahy's bill, which adds new types of attacks, like allowing double patenting, or patenting the same invention twice, to be a ground in IPRs.

This conflict among Democratic leaders is partially why it's been so difficult to select a new USPTO director, McKool Smith's Matich said. A director approved by Leahy may simply make the USPTO's discretionary denial decisions no longer precedential, cutting off the problem without action by Congress.

"The administration is going to be in the position of either finding someone who is acceptable to both Coons and Leahy, which it seems like there's nobody in that Venn diagram, or they would have to rely on Republican votes to get their nominee passed," Matich said. "If you have Coons and other Democrats who think like [Coons] does, they would vote against Leahy's preferred candidate."

One area of the proposed bill that could have wide approval is related to the director review process established by the U.S. Supreme Court in its *Arthrex* decision. The bill would require USPTO directors to issue their own opinions in cases where they review PTAB decisions.

"At one time, there was panel stacking," said University of Texas School of Law professor Melissa Feeney Wasserman, pointing to the director's ability to appoint who sits on a PTAB panel. "I think there's a push that if the director's getting involved, we want to know about it and want it to be transparent. I would have imagined the director would have written an opinion, but I think this is trying to reinforce that if the director is involved, we want to know about it."

### **Differing Tech, Pharma Interests Arise**

Attorneys speculate that there are two main interests at play in the senators' dispute: Leahy's support of the technology industry, which appreciates the PTAB invalidating patents asserted against it, particularly by nonpracticing entities, and Coons and Tillis' support of the pro-patent pharmaceutical industry, which doesn't have the same problem with NPEs.

Bart Newland, general counsel for the startup Atalanta Therapeutics and former chief IP counsel for Biogen, said the "disconnect" between high tech and biotech is particularly evident in this debate.

"High tech wants to weaken patents because of their issues, and it weakens all patents, including those that target biotech innovation," Newland said.

Beyond dismantling *Fintiv*, the tech industry likely supports provisions of Leahy's bill allowing the government to challenge patents at the PTAB — after the Supreme Court said the AIA bars the government from doing so — according to McKeown of Ropes & Gray.

The branded pharmaceutical industry, however, likely wants to smother any chance for additional patent challenges and therefore supports *Fintiv*, McKeown said. However, he added that given how few IPRs occur in the pharma space, it may not be a fight the industry deems worthwhile.

Newland suggested that Leahy's bid to increase the PTAB's power could be part of a plan to lower drug prices by invalidating branded drug patents, although he said that "fiddling with the patent system" is a

way to make it seem like drug prices are being targeted without doing something more dramatic like letting the government negotiate prices.

The bill also calls for patent ownership to be made clear, which Newland said would be unnecessary paperwork for biotechs, even though tech attorneys say it's key to figuring out the true owners of NPEs, which can repeatedly target the same patents.

"You have these various shell companies. You get sued, settle with one shell, and get sued by another shell and maybe they're related," McKeown said. "[Disclosure] seems like a good idea, but the question is how do you do that without burdening every honest player."

--Editing by Jill Coffey and Emily Kokoll.