USPTO Director Reviews: Did OpenSky Prompt a Rethink?
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Kathi Vidal's explosive intervention in OpenSky v VLSI saw dormant concerns over the director review process resurface. Did she go too far, will she change tack, and what might a new-look process look like? Muireann Bolger speaks to lawyers from Wilson Sonsini Goodrich & Rosati, Haynes Boone, and Finnegan to find out more.

Hard on the heels of Kathi Vidal's explosive sanctions against OpenSky in October came word that the US Patent and Trademark Office (USPTO) Director would rethink key policies, including the director review process.

Stemming from the Supreme Court's *Arthrex* ruling last year, the process hands the USPTO director a vast—and potentially burdensome responsibility—to review *inter partes* review (IPR) decisions.

As Jad Mills, partner at Wilson Sonsini Goodrich & Rosati, notes, no matter how large the appetite is for her to step in, the sheer volume of Patent Trial and Appeal Board (PTAB) cases make it "next to impossible" for the director to review all of the decisions.

Following Vidal's scathing and, for some, eyebrow-raising comments in *OpenSky v VLSI*, the process is under the spotlight.

According to Supreme Court reasoning in *Arthrex,* the director's intervention in IPR decisions remedies the unconstitutional appointment of PTAB judges, the issue which formed the crux of the long-running legal wrangle.

But this solution prompted concerns over how the director's increased discretionary powers would materialise in practice.

Some even speculated that the director role could become politicised, while others bemoaned the lack of action regarding reviews taken by the interim director Drew Hirshfeld in the latter part of 2021.

'Robust' response

But since her appointment in April, Vidal has worked hard to quell disquiet, tackling the task with relish.

She has been phenomenally busy: within just four months she intervened nine times on PTAB rulings, including on *Code200, UAB v Bright Data*, where she clarified how to apply factors in a *sua sponte* review vacating a PTAB decision denying the institution of IPR petitions.

Vidal also issued new guidance on two occasions—most notably on the controversial *NHK-Fintiv* rule.

As Mills observes: "Director Vidal came onto the scene robustly exercising reviews of PTAB decisions. In at least one case, she granted review before any party had even requested rehearing, suggesting she was being proactive about finding cases that would benefit from director input."

Then came *OpenSky*.

In a highly critical decision, Vidal lambasted the tech company for filing an IPR in what she described as an "opportunistic attempt to extract payment from VLSI as well as from Intel".

Vidal barred OpenSky from the IPR proceedings, relegating it to a "silent understudy" role, "temporarily elevating" Intel to lead petitioner and describing the company's actions as "abusive".

"Each aspect of OpenSky's conduct—discovery misconduct, violation of an express order, abuse of the IPR process, and unethical conduct—taken alone, constitutes sanctionable conduct," Vidal wrote.

"Taken together, the behaviour warrants sanctions to the fullest extent of my power. Not only are such sanctions proportional to the conduct here, but they are necessary to deter such conduct by OpenSky or others in the future."

Missing the bigger picture?

But the strength of Vidal's remarks drew criticism, which may have caused her to stop in her tracks.

At the time of the decision, Nick Matich, a principal in McKool Smith's IP practice, told *WIPR* that Vidal's stance was problematic.

"She's right that initiating a legal proceeding on false pretences is bad, but I think she misses the larger picture," he argued.

He pointed to Vidal's decision to let Intel take over the petition, even though the tech giant couldn't itself file one because it already had opportunities to challenge the patent—in court and once previously at the PTAB. These attempts were largely unsuccessful, most recently resulting in Intel facing a record $948 million damages verdict for infringement.

Now, he contended, Intel had been given yet another chance.

In Matich's view this is "the kind of outcome that disincentives inventors from trusting the patent system with their inventions," and "destabilises the patent system".

Dina Blikshteyn, counsel at Haynes Boone, agrees that Vidal's critique raised issues and some other pertinent questions concerning the USPTO's guidance and policy.

"Vidal obviously felt strongly about the case, perhaps perceiving a form of gamesmanship, which made the proceedings unfair. And she took that as an opportunity to try to fix it," she observes.

"But it was a huge change in policy. The USPTO didn't have guidance on what is abusive and what is not. So Vidal's opinion could be seen as a step forward. But on the other hand, the question arises, should the director do that *sua sponte*? And how fair is it to the party involved?"

OpenSky fallout

Matthew Harvey, partner at Holland & Hart, believes that such reactions from patent lawyers may have spurred Vidal to initiate a review of the director's review process itself—and to tread with caution.

"The timing of Director Vidal's comments on the process in the wake of her sanction decision in the *OpenSky* matter indicates a sensitivity to the outsized weight that may be imparted to *any* decision by the director," he explains.

"She issued this very strong rebuke in *OpenSky*. And boy, it really got everyone's attention, maybe more than she anticipated. There was a definite practitioner and patent owner community reaction, and she's now reacting to that reaction.

"And she wants to offer more clarity: because one thing *Arthrex* certainly didn't give was a lot of guidance."

A change in cadence

So as the dust from *Open Sky* settles, what might a revamped review process look like?

Jeffrey Totten, partner at Finnegan, predicts a more circumspect attitude towards the cases picked for review.

"We may see some change in the cadence of the reviews. For example, there were several decisions granting director review in August of 2022, as well as decisions on director reviews.

"I don't know if we'll see another month like that. With respect to the number of cases that are being reviewed and decisions issued, perhaps the director will be a little more selective," says Totten.

Current guidelines provide seven types of issues parties may raise for director review, mainly focused on law or policy changes, such as those deemed important to the patent community, and where decisions may be inconsistent with USPTO procedures, guidance, or decisions.

As Totten notes, these represent a lot of issues for the director to grapple with.

"One could see the director focusing on, for example, primarily novel issues, or factual errors, and perhaps trying to make it a little more predictable as to what types of issues can be raised and will be taken on director review."

There is also a clamour for the rules around the director reviews to be more defined. "We might see the director focus more on what the rules were at the time the decision was made, and applying those rules, instead of doing things that might be perceived as changing a patent office policy or procedure through the director review process," says Totten.

Constitutional tightrope

Harvey notes that above all, Vidal and the USPTO want to avoid any perceived gung-ho approach to policy making.

"I think she's aware that director reviews emerged because a constitutional problem was deemed to exist. She wants to avoid the creation of other constitutional concerns and may implement procedural safeguards to avoid some other constitutional issue developing," says Harvey.

This, he explains, will require a fine-tuning of the application process and creating/adding procedural mechanisms that need to be in place before a decision to implement review is made.

"That would be the change that would probably most directly relate to her concerns relating to due process. She wants to be cautious," he adds.

Harvey continues: "Rightly or wrongly, a decision by the director in practice will be treated differently by the patent community than other types of USPTO decisions, and Director Vidal seems wary of having her director review decisions improperly treated as *de facto* policy pronouncements," he said.

Mills forecasts that the director may issue review guidelines similar to the existing judicial panel rehearing rules to limit requests showing why the decision was wrongly decided under existing law, precedents, and policy.

"It's possible that the guidelines will identify specific issues that parties should address through a director rehearing request, such as panel deviations from the director's recent policy guidance, for example, *Fintiv* or admitted prior art guidance, or from recently-designated precedential decisions, such as *Code200, UAB v Bright Data*," he says.

The guidelines, he continues, may also identify additional factors such as PTAB panel splits on an issue, and/or cases of great public significance that warrant a director review.

Meanwhile, direct requests for policy changes may be done by inviting comments on proposed rulemaking or through precedential opinion panel requests, Mills adds.

A clearer path

According to Blikshteyn, one thing is at the forefront of this rethink: a desire for clarity.

“Vidal is very clear that she wants the review process to be seen as a clarifying route. Ultimately, she wants to reinforce prime office positions, rather than take up cases where she changes the policy,” she says.

Amid the speculation, change and evolution are the two certainties that await patent practitioners.

Notes Totten: “[The director review] process is new so it’s unpredictable, and unsurprising, that it continues to evolve. We’re less than a year and a half on from *Arthrex*, so more changes can be expected. Because it is new, each decision gets a “fairly big reaction”, he adds.

“And that’s certainly exciting to watch.”

WIPR has approached Kathi Vidal and the USPTO for comment.