

USPTO Reveals Scaled-Back Plan For New Patent Board Rules

By Ryan Davis

Law360 (April 18, 2024, 10:41 PM EDT) -- The U.S. Patent and Trademark Office unveiled proposed Patent Trial and Appeal Board rules Thursday that would codify current policies on when multiple challenges to one patent are permitted and set a new briefing process about discretionary denials, which attorneys say should add clarity.

The proposals are much narrower than an advance notice of proposed rulemaking from last year, and omit rules on most of the contentious issues the office sought comment on, like denying reviews based on related district court litigation and limiting who can challenge patents.

The advance notice drew over 14,000 comments, and the office said that "in light of the robust, extensive feedback," it has proposed "rule revisions intended to help ensure fairness, transparency, and efficiency," and address only some of the issues in the advance notice. The office said it will keep considering whether to issue proposed rules later on the more contentious topics.

The proposals, which are open for comments through June 18 before final rules are issued, are "an important step towards ensuring an efficient and streamlined patent system that will strengthen patent quality while limiting counterproductive challenges and costs," USPTO Director Kathi Vidal said in a statement.

By putting forward narrower proposals, said Joe Matal of Clear IP LLC, a former interim USPTO director, "this seems like a sensible rules package" that "clarifies a number of rules in a way that will make these proceedings more efficient."

"What's equally important is the things that didn't go in here, a lot of which the office received substantial pushback over because they exceeded the office's statutory authority," he said. "It's good to see that they thought about this and didn't overreach in this package."

Here's a look at the rules the USPTO has proposed adopting.

Discretionary Denial Briefing

The USPTO proposed allowing separate briefing on whether the PTAB should use its discretion to deny a petition challenging a patent, such as when multiple petitions are filed or the challenger's arguments had been presented to the office before.

As it is now, those issues are discussed in the main briefs, and the petition often tries to preempt discretionary issues that the patent owner might raise in its response. The office said most comments it received favored separate briefs on discretionary issues, to "allow more fulsome discussion" of them and create more space for the main briefs to focus on the merits.

The proposal would let the patent owner file a request for discretionary denial, limited to 10 pages, two months after the petition filing date, and one month before its response brief is due. The petitioner could file a 10-page opposition one month later, and the patent owner could file a five-page reply two weeks after that.

The office said that the board may consider a discretionary denial even if the patent owner does not request it and that the parties would be allowed to file briefs in that case.

"This is just a much more efficient system: Wait to see what the patent owner actually raises and then allow the petitioner to respond to that," Matal said.

As it is, if the patent owner raises a discretionary denial issue in its response, the petitioner must seek the board's authorization to reply, and both sides eat into the word count for their briefs addressing those issues, said Jessica Kaiser of Perkins Coie LLP, a former PTAB judge.

The proposed rules would free up space in the briefs to address the merits of the challenge, and "would create certainty about how discretionary issues are raised, the timing for raising and the amount of pages," she said. However, the additional briefing could increase litigation costs, she noted.

The separate briefing is one of several aspects of the proposal that "generally cut in favor of patent challengers," said Nicholas Matich of McKool Smith, a former acting general counsel for the USPTO.

By no longer requiring the challenger to anticipate the discretionary issues that the patent owner might raise or request permission to respond, and allowing the petition to focus on the merits, "it's basically extra pages for the petitioner," he said.

Serial and Parallel Petitions

Other aspects of the proposed rules would mostly codify existing policies, including setting definitions of parallel and serial petitions, which the board can use its discretion to deny.

The rule would define parallel petitions as more than one petition challenging the same patent filed by the same petitioner up to when the patent owner's preliminary response is filed. Serial petitions would be defined as those filed by the same petitioner, or their privies or interested parties, challenging overlapping claims of the same patent after the patent owner's response.

The office said those definitions reflect current practice, provide clarity on the difference between parallel and serial petitions, and advance the goal of reducing duplicative challenges.

The office proposed adopting the current practice that petitioners must demonstrate why parallel proceedings should be allowed, and proposed a modified version of the current test for evaluating serial petitions set by a 2017 precedential decision.

That case set seven factors for the PTAB to consider, four of which are part of the proposed rule,

including whether the petitioner knew of the arguments in the second petition when it filed the first one, and whether there is an adequate explanation for the elapsed time between them.

Matal said the proposal to streamline the test is welcome, since "it really doesn't give parties much guidance when you have that many factors, some of which conflict."

A clear distinction between parallel petitions, filed before the patent owner's response, and serial petitions, filed after, is also helpful since each type is considered differently, Kaiser said.

Matich said the proposal limiting serial petitions to those filed by a privy of the petitioner or a real party in interest is "going to make it much harder for patent owners to argue that something is a serial petition."

Previously Considered Arguments

The PTAB has the discretion to deny petitions containing arguments previously presented to the office, such as during the patent application process. The proposal said that that should be limited to situations where those arguments were "meaningfully addressed" by the office and that patent owners must identify where that happened.

The office proposed adopting the current policy set in a 2020 decision that to secure review, petitioners must establish that the office made a "material error" in its previous consideration of the argument.

Putting that into practice "will be interesting because that's going to have to be interpreted," Kaiser said. "What is enough for it to be meaningfully addressed?"

The office also stated that merely citing prior art in an information disclosure statement, a collection of relevant information submitted by patent applicants, is not enough to show that it was meaningfully addressed. That question has been debated in some cases, so the proposal "draws a line," Kaiser said.

Matich expressed concern about that aspect, saying it appears to mean that examiners must write something on the record about every reference they look at before it would be useful in defending a patent later, which he said "just seems like a lot of unnecessary work."

Other Tweaks and the Road Ahead

The office also proposed that motions to terminate a PTAB case due to settlement must be accompanied by any written settlement agreement, whether the request comes before and after the board has decided whether to institute review.

The USPTO said the board has generally been uniform in mandating the filing of settlements, although some panels haven't required it when a deal is reached before a review is instituted. The rule would "provide consistency and predictability," and a depository of settlements would help other government agencies determine if the deals violate antitrust law, the office said.

While the office has mostly proposed adopting existing policies that were set through PTAB rulings, putting them in regulations means that "this is going to have staying power," Matal said, since USPTO leadership can change which decisions are precedential.

The office is on a tight timeline in an election year to consider comments on the proposals and secure final approval of the rules through internal White House processes, Matich said.

Getting final rules adopted in the coming months "is possible, but it would be challenging," he said, noting that if they aren't in place by November and President Joe Biden is not reelected, new USPTO leadership may not choose to adopt them.

"Whether or not this proposal moves forward in its current form depends potentially on who wins the election," Matich said.

--Editing by Brian Baresch and Jay Jackson Jr.

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