



Expanded PTAB Menu Wouldn't Appeal, Say US Counsel

Managing IP

Rani Mehta

April 28, 2023

[\[Link\]](#)

Some counsel say it doesn't make sense to treat certain petitions differently, while others believe the USPTO's proposals don't go far enough

- Insight from counsel in pharma and tech as well as two funders
- Analysis of USPTO proposed policies on discretionary denials
- Comments on suggested word count changes

The USPTO's proposals to create new categories for different petitions at the Patent Trial and Appeal Board concern lawyers for multiple reasons, sources tell Managing IP.

The office issued a [56-page Advanced Notice of Proposed Rulemaking](#) (ANPRM) on April 20 related to discretionary denials and other practices at the PTAB. Stakeholders have until June 20 to submit comments.

Outside the statute

One of the proposals was to create different criteria for denying proceedings based on the patent owner, petitioner and other factors.

The ANPRM suggested, for example, that the USPTO could deny any petition filed by a for-profit entity that didn't produce or invest in a product in the patent's field.

It stated, however, that it would consider reviewing these petitions when these challengers demonstrated compelling merits. This would be a heightened standard when compared to the reasonable likelihood typically required for a petition.

This proposed change would seem to affect organisations like Unified Patents, which files inter partes reviews (IPRs) in particular technology areas to try to stop non-practising entities from suing companies.

Jonathan Stroud, general counsel at Unified Patents in Washington DC, says the USPTO's proposal falls outside the America Invents Act and would have to be implemented by Congress.

"It feels like no good deed goes unpunished," he says.

"We don't file that many challenges. But when we do file, it's against patents that are asserted against a lot of companies, and a lot of these patents are clearly invalid and are being used to hold up innovators.

"We've done everything we possibly can to comply. We've been public about our business model, we've been open about what we do and now they're saying that's not okay, and it feels unfair," he says.

Managing IP asked the USPTO for comment about whether the proposal was not in line with the statute, but the office declined to comment on specifics.

"We encourage everyone with an interest in these topics to submit their written comments through the comment portal at [regulations.gov](#)," a spokesperson said.

Even those who generally like the proposal, however, have some issues with the drafting.

Anup Misra, director at litigation funder Curiam Capital in New York, says he wishes the provision was a little broader because companies could just restructure as non-profits to get around the proposals.

“It’s a good start. It just needs to be defined a little more broadly so companies can’t use corporate formation tricks to get around it,” he says.

Managing micro-entities

The office has also proposed limiting institution of PTAB proceedings against micro-entities that seek to bring their inventions to market, unless there are compelling merits for filing a claim.

The office noted that such entities had limited resources, which could affect the perceived fairness of post-grant reviews.

Some counsel say this proposal doesn’t make much sense.

Scott McKeown, chair of Ropes & Gray’s PTAB practice in Washington DC, says there shouldn’t be different rules for micro entities.

“If you have an invalid patent, you can do a lot of damage regardless of your size,” he says.

The senior counsel at a tech company says it could be easy to game the system if this proposal were to go into effect.

Hedge funds or other businesses could set up shell companies that appear to meet the office’s criteria for being micro-entities but that actually have the backing of larger players, he speculates.

The USPTO has proposed ways to prevent gamesmanship, however.

The ANPRM stated that the office could consider whether a party is backed by litigation funders and whether anyone has a financial interest in the patent owner.

But the senior tech counsel says it’s not clear whether the USPTO is equipped to manage information gathering on third-party funding arrangements.

Creating a separate category for under-resourced innovators may not be the best way to help such inventors anyway, says Nicholas Matich, principal at McKool Smith and former acting general counsel at the USPTO in Washington DC.

He says patent owners that bring disputes typically have some form of funding, so they might not meet the criteria for being a micro-entity.

He adds that some of the USPTO’s proposals, such as its attempts to cut down on duplicative IPRs, could help patent owners because they would reduce the cost of litigation.

“But it’s not terribly clear from the document which ones are going to be adopted,” he says, predicting that it will take the office at least six months to process all the comments.

Codifying Fintiv

One of the main goals of the ANPRM is to try to codify the USPTO’s approach to Fintiv, the rule introduced in 2020 that compels PTAB judges to discretionarily deny IPRs on the basis that parallel district court cases will finish first.

The office stated that it was considering denying IPRs based on Fintiv unless certain safe harbour exemptions were met.

Such exceptions could include the petitioner filing a stipulation not to pursue potentially overlapping grounds in district courts, a federal court dispute being stayed, finding compelling merits for institution, or the petitioner filing the IPR within six months of being served with an infringement complaint.

The USPTO also proposed an additional factor test, in which the office would evaluate a few non-exclusive factors to determine whether to discretionarily deny IPRs.

These would include the expected investment in parallel proceedings by the district court and parties, the degree of overlap between the issues and any other circumstances that the parties contend are relative to a potential discretionary denial.

The suggestion to codify Fintiv and the proposed additional factor test has not pleased those who wanted to see the doctrine abolished.

The senior counsel at a generics company says he's opposed to both the suggestions related to Fintiv, as the additional tests could create a lot of uncertainty.

"What's really important for us is to have certainty that when we file these petitions they'll be reviewed. It's hard to get the funding from management if we can't be certain that the PTAB will look at it," he says.

He adds that the safe harbour exemptions, including the proposal not to deny proceedings based on Fintiv if petitioners file within six months, will provide certainty. However, he has misgivings.

"The concern there is that the statute actually gives you 12 months and now they're moving it to six, which doesn't seem right. But it's something that gives you certainty. I do think it's unfair, though," he says.

McKeown at Ropes & Gray says, however, that the proposed Fintiv rules are just codifying existing practices, with additional proposals here and there.

"All of that is overdue and fine," he adds.

The changes that the USPTO makes, or doesn't make, to Fintiv and other discretionary denials may not matter very much to certain patent owners – at least when it comes to getting funding.

Christopher Citro, investment manager and legal counsel at litigation funder Omni Bridgeway in New York, says it's a common misconception that funders are afraid of IPRs.

"That's not the case. We apply very rigorous vetting to find cases that will be successful regardless of IPR petitions," he says.

Wonderful word counts

One proposal that could make IPRs easier on petitioners is the office's suggestion to allow applicants to purchase increased word-count limits above the 14,000 threshold.

Petitioners could also submit a separate paper to address discretionary denial issues, including Fintiv, rather than doing this in their main petitions.

The senior counsel at the generics company says allowing petitioners to address discretionary denials separately makes sense.

“It allows you to devote more of your pages to the substance; you don’t have to take away your word count,” he says.

And McKeown at Ropes & Gray says he’s been advocating for allowing parties to purchase more words for 10 years.

“It just doesn’t make sense to have to pay for an entire second petition if you need more words,” he says. “This is helpful for the patent office because you have critics saying that it’s allowing all these multiple petitions even though you need to do that for word count purposes.”

That said, not all petitioners are entirely impressed.

The senior counsel at the tech company says the USPTO could make these changes on its own without going through a formal rulemaking process.

And others think there are good reasons to limit word count.

Matich at McKool Smith says efficient litigation means thinking about which arguments are most persuasive and not wasting others’ time and resources.

“If you allow parties to make as many arguments as they want, that tends to favour the wealthier parties,” he says.

There will be a lot of debate in the coming weeks about who the ANPRM favours, and which proposals should become policy.

Based on feedback so far, the USPTO may have to rethink a few things.