

PTAB Limits On Amendment Rejections Spur Quality Worries

By **Ryan Davis**

Law360 (July 13, 2020, 8:48 PM EDT) -- A recent decision that the Patent Trial and Appeal Board should only craft its own reasons to reject proposed amended claims in "rare circumstances" has stirred concern among attorneys, who say it appears in tension with the patent office's responsibility to ensure that only valid claims are issued.

The PTAB's Precedential Opinion Panel, which includes Chief Judge Scott Boalick and U.S. Patent and Trademark Office Director Andrei Iancu, ruled last week in *Hunting Titan v. DynaEnergetics* that in most cases, decisions on whether to reject proposed amended claims in inter partes reviews should be based on invalidity arguments made by the petitioner.

The ruling surprised some observers, since the Federal Circuit ruled in April in a case involving Nike Inc. and Adidas AG that the board has the authority to look beyond the petitioner's arguments and come up with its own reasons why amendments shouldn't be allowed, provided the parties have a chance to respond.

The POP acknowledged that the Federal Circuit gave the board that authority, but held that it should be exercised sparingly. Broad use "would significantly diminish the incentives" for petitioners to make strong invalidity arguments by putting the onus on the board to come up with them, and "would also greatly undermine the efficiency" of the proceedings, the board said.

"In sum, we determine that the board may raise a ground of unpatentability that a petitioner did not advance, or insufficiently developed, against substitute claims in a motion to amend, but should only do so under rare circumstances," the panel said.

While the Nike ruling appeared to give the board leeway to ensure that proposed amendments put forth by patent owners pass muster before they become part of patents, the *Hunting Titan* decision means they may not get the scrutiny they should, said Scott McKeown of Ropes & Gray LLP.

"The elephant in the room is that the decision is offloading patent quality to the public," he said. "That is, anytime someone wants to come in and amend claims, the board has essentially said, if the petitioner doesn't do a good enough job, the claims will just get issued and somebody else can take a shot at them later. But that's not how the patent office should be working."

The decision is "kind of an oddity" in that the Federal Circuit gave power to the PTAB that the board has

been told to use rarely, but it also appears somewhat in conflict with the role of the patent office in policing patent claims and the goal of the America Invents Act to improve patent quality, said Matthew Johnson of Jones Day.

"The patent office does have some obligation to the system to not be issuing claims that are plainly unpatentable, so there's a little bit of a worry there that there needs to be proper oversight of any new claims that are going into patents," he said.

The POP decision did outline some of the rare circumstances in which the board can go beyond the invalidity arguments raised by the petitioner to reject proposed amendments.

Those include when the petitioner doesn't oppose a motion to amend, or doesn't raise "readily identifiable and persuasive" evidence that the proposed amendment is invalid that board feels it must take into account for "the integrity of the patent system."

"There may be other situations as well, but we need not undertake to delineate them with particularity at present. Such situations are usually fact-specific and the board can address them as they arise," the board added.

However, the outcome of the Hunting Titan case suggests the POP envisions strict limits on what counts as a rare circumstance, attorneys said. Petitioner Hunting Titan argued that the patentee DynaEnergetics' proposed amended claims were invalid as obvious, but the panel instead found that they were invalid as anticipated based on the same prior art.

The POP said that was improper, even though the anticipation argument was the same one, using the same prior art, that the board used to invalidate the original claims of the patent. The panel said the board's rationale for rejecting the amendment "is not the sort of readily identifiable and persuasive evidence of anticipation in the record that would justify the board raising its own grounds of unpatentability."

"How is that not a rare circumstance?" McKeown said. "I mean, if that's not a rare circumstance. I can't imagine what would actually qualify."

The POP's holding that the board couldn't reject the proposed amended claims in this case suggests that the number of situations in which the board can craft its own rejection is "close to zero," Johnson said: "It's almost never going to be appropriate for the board to go beyond the petitioner's case."

There may well be times when the petitioner recognizes that it does not infringe the proposed amended claims and chooses not to challenge them, leaving the board to fill the gap. But whether an amended claim is issued should not depend on the petitioner's inclinations and resources, McKeown said.

Issued patents are generally presumed to be valid and vetted by the patent office, though it's not clear if claims amended in inter partes review will be treated that way because there have been so few, he said. But "all that starts to fall apart" if claims are issued without a thorough review, even if it doesn't happen often, he said, calling the POP decision "bad policy."

The admonition from top PTAB officials that rejections for reasons other than the petitioner's should be infrequent could also make judges hesitant to go out on a limb and deem the situation before them a "rare circumstance," said Scott Hejny of McKool Smith PC.

The decision "kind of seems to muddy the water a bit" and appears to "very much narrow what the PTAB's authority would be in contrast to what was suggested by the Federal Circuit in Nike," he said.

He added that he will be curious to see what the Federal Circuit will say if the Hunting Titan case ended up there, and whether it would reemphasize its holding in Nike that the board has broader authority.

If the appeals court went that way, "obviously that that's not great for patentees, but it would seem to be in line with the underlying purpose of the American Invents Act, which would be to ensure that only valid claims are issued," he said.

The ruling may not come into play too often, since most PTAB decisions on proposed amended claims are based on arguments raised by the petitioners.

"Practically it's not going to change the modus operandi too much with respect to the parties," said Aziz Burgy of Axinn Veltrop & Harkrider LLP. "I think it does provide the latitude for the PTAB to come in if a petitioner settles out, and look at the record and see what the best arguments are."

Eugene Goryunov of Haynes and Boone LLP said that he expects the board to issue decisions where it "tests the waters" in the coming months, identifying some situations where it decides to come up with its own rationale for rejecting proposed amendments and others where it doesn't.

Some of those may be made informative, providing guidance on when it will happen going forward, Goryunov said, which may end up being in situations where it is "pure common sense" that the amendment shouldn't be allowed.

"The board may look at it and say, 'I can't see how this is patentable, even though the petitioner never challenged it under this ground,' so we have to take ... up this new basis for unpatentability,'" he said. "Because one of the mandates that we are charged with is to prevent bad patents from issuing."

The case is *Hunting Titan Inc. v. DynaEnergetics GmbH & Co. KG*, case number IPR 2018-00600, at the U.S. Patent Trial and Appeal Board.

--Editing by Brian Baresch and Kelly Duncan.