

PTAB's increased exercise of discretion may squash new patent legislation

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Enacted in 2011, the America Invents Act has ushered in enormous change to the patent landscape. Among these changes was the creation of the Patent Trial and Appeal Board at the U.S. Patent and Trademark Office to simplify the process of eliminating bad patents.

These changes, however, have not been without their detractors.

One complaint is that the PTAB has allowed serial petitions and joinder to keep up multiple attacks on the same patent. New proposed legislation would curtail this and other practices.

Recently, the PTAB has increased the exercise of its discretion and rejected more attempts to institute serial PTAB proceedings and joinders. The PTAB also designated some of these decisions as precedential, thereby guiding future decisions.

These efforts have reined in some of the more egregious offenders.

In exercising its discretion more often, the PTAB may be implicitly working to avoid a formal change to the law.

THE ISSUE OF SERIAL PETITIONS

The AIA created post-issuance proceedings at the PTAB to review the validity of patents. These proceedings include the inter partes review, the covered business method review and the post-grant review.

Within just a few years, the PTAB was invalidating more patents than expected and being referred to as a "patent death squad."

One target of AIA criticism is the practice of serial petitions and joinders. According to a USPTO report, approximately 15% of patents that have gone through an IPR will face two or more such petitions.¹

Of those multiple petitions, about 16% were filed after the PTAB decided to institute the first IPR petition.

One out of 20 patents that face multiple petitions also face multiple rounds of institution. In other words, a second, third or even fourth round of petitions are filed after the first-round petition is instituted.

Other research has confirmed the problems with serial petitions. One academic study found that 49% of IPR and CBM petitions

reviewed were "serial petitions," meaning they were at least a second (or later) petition that had been filed by the same petitioner against a patent.²

Further, 24% of the 3,460 patents with an IPR challenge that were reviewed were also "serially petitioned patents."

For patents subjected to more than two IPR challenges, the serial petitions involved either an overlap in the claims, the asserted prior art, or both.

Various amendments to the America Invents Act have been discussed and proposed since its enactment, including some that address the issue of serial petitions.

Too often, these serial petitions aid the petitioner in getting to what the PTAB considers the "right" answer — "[o]ut of 294 patents, 63 patents (21.43%) had one or more prior art references admitted after the board had already denied this very same prior art" in an earlier decision.³

Either the PTAB has been applying inconsistent standards, or it is letting subsequent petitioners "fix" previous problems. In either case, this behavior may encourage more serial petitions.

NEW LEGISLATION PROPOSED

These issues, among others, have raised questions about whether the AIA has gone too far.

Various amendments to the statute have been discussed and proposed since its enactment, including some that address the issue of serial petitions.

Versions of legislation called the STRONGER Patents Act have been offered both in the Senate and the House of Representatives.⁴ This legislation would roll back some of the AIA provisions in ways that could reduce the ability for multiple reviews of the same patent in PTAB proceedings.

The current version of the AIA gives the USPTO director discretion when it comes to joinder in IPR proceedings. Specifically, under

Section 315(c) of the AIA, 35 U.S.C.A. § 315(c), the director “at his or her discretion, may join as a party to that inter partes review any person who properly files a petition.”

This discretion applies to multiple proceedings under Section 315(d) of the act, 35 U.S.C.A. § 315(d), under which the director may decline to institute a new proceeding or terminate a pending one.

Further, Section 314(d) of the Patent Act, 35 U.S.C.A. § 314(d), specifically provides that a “determination by the director whether to institute an inter partes review under this section shall be final and nonappealable.”

Collectively, these AIA provisions give the director ample discretion as to both commencement of a new petition and joinder.

In addition, the Supreme Court confirmed in *Cuozzo Speed Technologies LLC v. Lee*, 136 S. Ct. 2131 (2016), that “the agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”

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The STRONGER Patents Act would eliminate much of this discretion. The Senate version, for example, states that “[t]he director shall not authorize an inter partes review to be instituted on a claim challenged in a petition if the director has previously instituted an inter partes review or post-grant review with respect to that claim.”

Thus, if the STRONGER Patents Act is enacted, serial petitions would be effectively eliminated.

PTAB REACTION

Historically, government agencies have been reluctant to give up power, and the PTAB appears to be no different.

Recently, the PTAB recognized that serial petitions can be a problem and, as a result, has begun to exercise its discretion to address the issue.

In *General Plastic Industries Co. Ltd. v. Canon Kabushiki Kaisha*, the PTAB observed that “[a]llowing similar, serial challenges to the same patent, by the same petitioner, risks harassment of patent owners and frustration of Congress’ intent” in enacting the AIA.⁵

Indicating the seriousness of this issue, the PTAB designated the *General Plastics* decision as precedential in October 2017.

General Plastics considered seven factors to determine whether to reject follow-on petitions. These factors were first

set forth in the PTAB’s May 2016 decision in *Nvidia Corp. v. Samsung Electronics Co.*⁶

The seven factors, which are not exclusive, are:

- (1) Whether the same petitioner previously filed a petition directed to the same claims of the same patent.
- (2) Whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it.
- (3) Whether at the time of filing of the second petition the petitioner already received the patent owner’s preliminary response to the first petition or received the board’s decision on whether to institute review in the first petition.
- (4) The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition.
- (5) Whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent.
- (6) The finite resources of the board.
- (7) The requirement under Section 316(a)(11) of the Patent Act, 35 U.S.C.A. § 316(a)(11), to issue a final determination not later than one year after the date on which the director notices institution of review.

In *General Plastics*, the PTAB applied these factors and denied institution of five follow-on petitions covering two patents that General Plastic had challenged nine months earlier.

The PTAB “recognize[d] the potential for abuse of the review process by repeated attacks on patents” and explained that “the absence of any restrictions on follow-on petitions would allow petitioners the opportunity to strategically stage their prior art and arguments in multiple petitions, using our decisions as a road map, until a ground is found that results in the grant of review.”

The board in *General Plastics* found six of the seven factors weighed against institution of the IPR, noting in particular that “multiple, staggered petition filings, such as those here, are an inefficient use of the inter partes review process and the board’s resources.”

The designation of *General Plastics* as precedential has led the PTAB to exercise its discretion under the AIA more freely. In fact, numerous decisions have cited *General Plastics* and the seven factors it enumerates.

Further, the PTAB is exercising its discretion to deny joinder, thus curbing another aspect of the issue.

In *Proppant Express Investments v. Oren Technologies*, the PTAB rejected a petition for joinder to an existing IPR proceeding that already had the petitioner as a party.

Specifically, the petitioner tried to join a pending IPR by adding a new ground of rejection that previously had not been included in the institution.

The main PTAB opinion in *Proppant Express* rejected the joinder request, noting that the plain meaning of Section 315(c), which provides that “the director, at his or her discretion, may join as a party to that inter partes review,” does not permit that same party to join an issue (e.g., a new claim) to an existing IPR proceeding.

The concurrence rejected this interpretation because “the director has repeatedly taken the position, in briefing before the U.S. Court of Appeals for the Federal Circuit, that such same-party joinder is permitted by § 315(c).”⁷

However, the concurrence agreed that denial of the petition for joinder was correct, as an application of the seven factors in *General Plastics* all weighed against institution and joinder.

The PTAB recognized the split in handling this issue and granted the petitioner’s request for rehearing in *Proppant Express* on the issue of joinder.

This rehearing was heard by the Precedential Opinion Panel of the PTAB, which includes the director of the USPTO and decides issues of importance before the PTAB.

After the rehearing, the POP upheld the denial of the IPR petition in a precedential decision. The POP held that Section 315(c) does not prohibit joinder of issues.

In so holding, the POP emphasized that this joinder is discretionary and “the board will exercise this discretion only in limited circumstances where fairness requires it.”⁸

However, because the petitioner’s own conduct resulted in the need for the joinder, the POP exercised its discretion and declined to add this issue to the IPR proceeding.

The POP also noted that it would have declined to institute the IPR under the seven factors set out in *General Plastics*.

The analysis in *General Plastics* continues to be used. Most recently, in *Valve Corp. v. Electronic Scripting Products Inc.*, the PTAB denied institution under the seven-factor test of *General Plastics*.⁹

Another party had previously filed an IPR that was instituted. Valve filed its own petition and was joined with that earlier petition. Valve then filed the three instant petitions against the patent.

The board weighed the seven factors from *General Plastics* and ruled against Valve on them all.

Specifically, the board found that the IPR that Valve had joined earlier was directed at the same claims of the patent as the instant three IPR petitions.

Moreover, Valve knew, or should have known, about the prior art it now relied upon when it joined the earlier IPR.

Because the patent owner had filed its preliminary response and the board had provided its institution decision before Valve filed the later three petitions, Valve had an unfair advantage.

The board found Valve’s delay of nearly five months after the earlier IPR petition to be unreasonable under the circumstances.

Recently, the Patent Trial and Appeal Board recognized that serial petitions can be a problem.

Finally, the board found that the serial and repetitive attacks against the patent would be an inefficient use of resources. In view of this analysis, the board declined to institute any of the three IPR petitions.

On May 7, a little over a month after the denial, the PTAB designated the *Valve Corp.* decision as precedential.

WILL IT BE ENOUGH?

The application of *General Plastics* and the PTAB’s continued exercise of its discretion has not ended all serial petitions or joinders. However, it has provided the PTAB, and patent owners, with a mechanism to rein in this practice.

As new legislation has been proposed to address serial petitions and joinder, the PTAB appears to have awakened to its own powers and has begun exercising its discretion to address the problem.

If the PTAB continues to address this issue and protect patents from unreasonable attacks, it will certainly blunt many of the current calls for new legislation.

By changing how it implements its rules, the PTAB may well have avoided a narrowing of its discretion and power.

NOTES

¹ David P. Ruschke & William V. Saindon, U.S. Patent & Trademark Office, “Chat with the Chief: An Analysis of Multiple Petitions in AIA Trials” (Oct. 24, 2017), <https://bit.ly/2zCIHQw>.

² Jay P. Kesan et al., *Serial Petitioning at the PTAB: Joinder, Denial, Precedent and Finality, Presentation at the 7th Annual Patent Conference (PatCon7)* (Apr. 7, 2017).

³ *Id.*

⁴ STRONGER Patents Act of 2017, S.1390, 115th Cong. (2017); STRONGER Patents Act of 2018, H.R.5340, 115th Cong. (2018).

⁵ *Gen. Plastic Indus. Co. Ltd. v. Canon Kabushiki Kaisha*, Nos. IPR2016-01357, -01358, -01359, -01360, -01361, 2017 WL 3917706 (P.T.A.B. Sept. 6, 2017).

⁶ *Nvidia Corp. v. Samsung Elec. Co.*, No. IPR2016-00134, Paper No. 9 (P.T.A.B. May 4, 2016).

⁷ *Proppant Express Invs. v. Oren Techs.*, No. IPR2018-00914, 2018 WL 5885457 (P.T.A.B. Nov. 8, 2018).

⁸ *Proppant Express Invs. v. Oren Techs.*, No. IPR2018-00914, 2019 WL 1283948 (P.T.A.B. Mar. 13, 2019).

⁹ *Valve Corp. v. Elec. Scripting Prods. Inc.*, Nos. IPR2019-00062, -00063, -00084, Paper No. 11 (P.T.A.B. Apr. 1, 2019). On May 1, the board issued a virtually identical opinion in *Valve Corp. v. Elec. Scripting Prods. Inc.*, Nos. IPR2019-00064, -00065, -00085, 2019 WL 1965688 (P.T.A.B. May 1, 2019), addressing three IPR petitions directed to U.S. Patent No. 8,553,935 under virtually identical factual circumstances. This denial cites to the earlier Valve case in reaching the same determination.

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