

Life After 5: Issues Facing The PTAB

By **Matthew Bultman**

Law360, New York (September 13, 2017, 1:52 PM EDT) -- It's been five years since America Invents Act reviews at the Patent Trial and Appeal Board became available, creating new ways to challenge the validity of patents. In Part 1 of this series, Law360 looked at five things we've learned about the board since then. Here, experts weigh in on some issues to watch moving forward.

Court Cases Could Bring About Change

There are several cases in the pipeline that have the potential to cause significant changes at the PTAB. Let's start with the most obvious: *Oil States*, a case the U.S. Supreme Court will hear later this year to decide whether inter partes reviews violate the U.S. Constitution.

If the justices find IPRs unconstitutional, it could derail the entire AIA trial system.

"While I have to think that it's unlikely that these proceedings will be unwound in their entirety, we may very well get signals from the Supreme Court ... that help define a different path forward," said Matthew Cutler, a principal at Harness Dickey & Pierce PLC.

The Supreme Court has also agreed to hear a case involving *SAS Institute* that challenges whether the PTAB can choose to review only some patent claims challenged in an IPR. The U.S. Patent and Trademark Office has defended the practice as a way to help streamline the proceedings.

At the Federal Circuit, judges are weighing a challenge to the PTAB's rules for amending patent claims in AIA reviews. Patent owners have long complained that the board has made it almost impossible to secure claim amendments, which can be a key tool for saving patents from invalidity challenges.

Then there's a case involving *Wi-Fi One*, which will require the entire Federal Circuit to address whether patent owners can appeal PTAB decisions holding that IPR petitions challenging their patents were timely. Attorneys believe the case could set the parameters for what is reviewable at the appeals court.

"There's a lot that's happened over the last five years, but there are still a lot of open questions that remain," said Naveen Modi, the global vice chair of the IP group at Paul Hastings LLP.

"Obviously, the Supreme Court will answer the big one, constitutionally," he said, but the other cases "will give us more guidance on proceedings before the PTAB."

Continued Calls for More Consistency

The PTAB has more than 270 administrative patent judges, and not all of them are always on the same page.

There is a perception that some key issues are treated differently depending on which panel of judges is hearing a case. For example, different panels might approach the analysis of whether a patent is obvious in different ways.

Attorneys would like to see a little more predictability.

“I think right now there’s more variability in the outcomes than I would like to see and there’s more panel dependency in the outcomes than I’d like to see,” said Brenton Babcock, head of the USPTO trials and post-grant proceedings practice group at Knobbe Martens Olson & Bear LLP. “I think the goal would be that you’d get the same answer regardless of which three judges you drew.”

The same can be said for differences related to procedural issues, like how a case will proceed after being remanded from the Federal Circuit, or whether parties will be allowed additional briefing beyond the standard filings.

“For the PTAB to remain a popular forum, one thing that I think it will need to work on — and it has tried to work on — is consistency,” Modi said.

During a webinar to mark the PTAB’s fifth anniversary this week, PTAB Chief Judge David Ruschke did address the issue of a timeline on remand, saying parties can anticipate a six-month turnaround once the Federal Circuit’s mandate comes down.

While there are no guarantees in litigation, having more predictability on how the board will handle certain issues can help attorneys and their clients make more informed decisions when weighing how to proceed in cases, some said.

“My goal is to be able to better apprise my clients of likely outcomes of these proceedings on the merits,” Babcock said.

Expect More Precedential Decisions, Expanded Panels

One way the board could provide that sort of guidance and help ensure a greater degree of consistency in proceedings, attorneys said, is by issuing more precedential decisions and decisions from expanded panels of judges.

Unlike typical board decisions, those designated as precedential are binding on other panels at the PTAB. And decisions from expanded panels tend to carry more weight. Modi said he wouldn’t be surprised to see more such rulings going forward.

“I think we’ll see more [guidance] from the board, whether expanded panels or precedential decisions,” he said.

It appears the board is already trending in that direction.

In recent weeks, the PTAB has issued two precedential decisions — one solidifying its decision that former owners of patents can challenge them in IPRs, and another confirming it will not use the Supreme Court's *Nautilus* standard to determine if a patent is invalid as indefinite.

It also issued a decision this month from an expanded panel that included Judge Ruschke spelling out the factors the board will use to evaluate whether to allow multiple challenges to the same patent.

“I think the board is trying really hard to give guidance and say, ‘OK, here’s an expanded [panel] decision that you can probably cite to,’” Modi said.

PTAB's Response to the Federal Circuit

The PTAB has generally been responsive when the Federal Circuit has raised certain issues with its proceedings. For example, the board seems to have taken to heart recent appellate rulings that have restricted the scope of the covered business method review program.

But attorneys are curious to see how the board will react to some recent opinions from the appeals court.

For example, the court last month said the PTAB abused its discretion when it refused to consider testimony that a petitioner’s invalidity expert gave during a district court trial. The patent owner contended the testimony conflicted with statements the expert made to the board.

Jon Wright, who leads the appellate practice and co-chairs the USPTO litigation practice at Sterne Kessler Goldstein & Fox PLLC, said the appeals court laid out some homework for the board or, at the very least, some issues for it to consider with respect to how it resolves evidentiary issues going forward.

“As a practitioner before the board, I’m pleased that this issue finally got some review from the Federal Circuit and did so in a way that kind of exposes the flaws in the board’s procedures for dealing with these requests to supplement the record or requests to get evidence like this into the proceedings,” Wright said.

“I think the board has to pay attention to [the decision],” he added, “and perhaps modify its procedures so that what happened in [that case] doesn’t occur again in the future.”

In another recent decision, two judges on the Federal Circuit questioned whether it is appropriate for the USPTO to use expanded panels to overrule the first panel’s findings in order to maintain uniform decision-making by the board.

While the court didn’t directly rule on the practice, its warning indicates the board could be on thin ice.

“Those are the kind of shots across the bow that I think in and of themselves may be enough to change the PTAB’s behavior,” Cutler said. “But if it does continue using that particular type of tactic, I can almost guarantee you’re going to see the Federal Circuit come down on them pretty hard sometime in the near future.”

Another issue the Federal Circuit has been sensitive to is making sure that patent owners have a full

chance to respond to a challenge. It has vacated some decisions where it found the patentee didn't have a chance to respond after new evidence was introduced or theories changed.

While the PTAB has been more willing to grant additional briefing since the rulings, some patent owners would like to see it become automatic.

"I think patent owners would still like to level the playing field more, perhaps by giving them a sur-reply as a matter of right," said Dorothy Whelan, co-chair of the post-grant practice group at Fish & Richardson PC.

Congress Looking to Improve the System

While the Federal Circuit and, to some extent, the Supreme Court will continue to help shape AIA reviews at the PTAB, don't expect people to stop looking for ways to improve the system, perhaps through rule changes or even legislation in Congress.

Sen. Chris Coons, D-Del., for instance, recently introduced the STRONGER Patents Act, a measure that would make significant changes to board proceedings and, in some ways, harmonize validity challenges there with those in district court.

Modi said he believes debate about things such as the claim construction and burden-of-proof standards used by the PTAB, which are different from those applied in district court, will continue in the coming months and years.

"Those are open issues that I think we'll see continue to play out over the next few years," Modi said.

In the past, some in the pharmaceutical industry have lobbied for legislation that would insulate drug patents from IPR challenges. Those kinds of efforts could continue. Also, calls for more appellate review of PTAB institution decisions could continue to linger.

With respect to the latter, Whelan said that when the decision turns on a legal issue — like sovereign immunity, for instance — it might be attractive for some to have a court to be able to review the board's determination, which right now is generally not an option.

"That's one topic that I know has been floated," Whelan said.

--Additional reporting by Ryan Davis. Editing by Mark Lebetkin and Emily Kokoll.