

Suggestions for Changes to the Bill titled “Patent Trial and Appeal Board (PTAB) Reform Act of 2022,” introduced into the Senate, June 16, 2022, by Senators Patrick Leahy (D-VT), John Cornyn (R-TX), and Thom Tillis (R-NC),

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1. Introduction

This article contains my suggestions for changes to the “Patent Trial and Appeal Board (PTAB) Reform Act of 2022,” (herein after “Bill”) and my reasoning for those suggestions. The Bill I reviewed was posted here: <https://www.leahy.senate.gov/imo/media/doc/OLL22554.pdf>

2. Director Review of a PTAB Final Decision, Election and Deadline for Appeal

The Bill section "(d) REVIEW BY THE DIRECTOR" does not provide for a reset of the deadline for appeal based upon action on a request for Director review, and does not provide for the right to rehearing when also requesting Director review. For the reasons explained below, the Bill should required both the reset and the right to rehearing.

2A. Background

The Director imposed an interim rule for the actions a party can take in response to a PTAB final decision, in response to the Supreme Court’s June 21, 2021 decision in *United States v. Arthrex*. That interim rule is posted at URL:

<https://www.uspto.gov/patents/patent-trial-and-appeal-board/interim-process-director-review>

That interim rule includes item “2. Interplay with panel rehearing” which reads, italics added for emphasis:

After a PTAB panel issues a final written decision, a party may request either Director review or rehearing by the original PTAB panel, *but may not request both*. If a party requests Director review, and that review is not granted, the party may not then request PTAB panel rehearing. If a party requests rehearing by the original PTAB panel and the panel denies rehearing, the party may not request Director review of that decision. In the event a panel grants rehearing, however, a party may request Director review of that panel decision. *If a party requests both Director review and panel rehearing (either together or in the alternative) of a final written decision or a decision granting rehearing by a PTAB panel, the USPTO will treat such a request as a request for Director review.*

That interim rule includes item “14. How does the Director review process work?” which reads, italics added for emphasis:

When a party submits a Request for Rehearing by the Director to Director_PTABDecision_Review@uspto.gov, the USPTO catalogs the request and reviews it to ensure compliance with the interim Director review requirements. If the request is compliant, it is entered into the record of the corresponding proceeding as “Exhibit 3100 – Director Review Request.” If the request is not compliant, the USPTO will attempt to work with the party making the request to rectify any areas of non-compliance. If the request is not compliant because it was submitted after the deadline (see Timing above), it will not be considered because it will be considered untimely.

The request is then routed to and considered by the Advisory Committee

that the Director has established to assist with the process. The Director may also consult others in the USPTO on an as-needed basis, so long as those individuals do not have a conflict. (See How does the USPTO handle conflicts of interest? below). The Director is then presented with each Director review request, the associated arguments and evidence, and the recommendation of the Advisory Committee to determine whether to grant or deny the request. The Director's decision to grant or deny *a request* will be communicated directly to the parties in the proceeding through PTAB E2E. *Director review grants will be posted on the Status of Director Review Requests webpage. Director review denials can be found on the Director review status spreadsheet, which is updated monthly.*

Director review decisions may be issued as precedential, informative, or routine decisions. Routine Director review decisions may be nominated for precedential or informative designation, and such nominations will follow the procedure set forth in Standard Operating Procedure 2. If a Director review decision is designated as precedential or informative, it will be added to the PTAB's precedential and informative webpage and an email notification will be issued to inform the public of its precedential or informative designation. Stakeholders and the public may submit nominations for precedential or informative designation using the anonymous PTAB Decision Nomination web form or by sending an email to PTAB_Decision_Nomination@uspto.gov

Item 14 explains that the Director may grant or deny the request for review. And only if review is granted, will the Director issue a decision on review.

In contrast, the PTAB is entitled to grant rehearings, and parties are authorized to request rehearing. 35 USC 6(c) entitles the PTAB to grant rehearings, states in relevant part "Only the Patent Trial and Appeal Board may grant rehearings." 37 CFR 42.71(d), states in relevant part "Rehearing. A party dissatisfied with a decision may file a single request for rehearing without prior authorization from the Board."

While not expressly stated in statute or rule, long course of practice before the PTAB and its predecessor in authority, the Board of Patent Appeals and Interferences (BPAI), indicates that the PTAB is obliged to issue a decision on a request for rehearing. See for example the PTAB's "Patent Trial and Appeal Board Consolidated Trial Practice Guide November 2019", page 90, section "P. Rehearing Requests," stating in relevant part "[t]he Board envisions that, absent a need for additional briefing by an opponent, requests for rehearing will be decided approximately one month after receipt of the request." That document is posted by the USPTO here: "<https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf?MURL=>"

37 CFR 90.1(b) provides 63 days from the date of a decision on "rehearing," for an appeal, stating in relevant part "(b) Time computation. (1) Rehearing. A timely request for *rehearing* will reset the time for appeal or civil action to no later than sixty-three (63) days after action on the request." The 63 days is 3 days greater than the 60 day minimum provided for appeal in 35 USC 142, which states:

When an appeal is taken to the United States Court of Appeals for the Federal Circuit, the appellant shall file in the Patent and Trademark Office a

written notice of appeal directed to the Director, within such time after the date of the decision from which the appeal is taken as the Director prescribes, but in no case less than 60 days after that date.

The PTO explained the basis for promulgating the regulation providing 63 days instead of 60 days, as a time period that would avoid confusion over deadline calculations. See 77 FR 48626, middle column, which reads in relevant part:

The rule extends the period for filing a notice of appeal or a civil action under § 1.304 to sixty-three (63) days. This change avoids confusion regarding that period, which was two months except when the two-month period included February 28, in which case the period was two months and one day. The sixty-three (63) day period results in the deadline for filing a notice of appeal or a civil action falling on the same day of the week as the Board decision. Thus, the rule minimizes calculations regarding extensions of time pursuant to 35 U.S.C. 21(b), which applies when the time period ends on a Saturday, Sunday, or Federal holiday in the District of Columbia, by eliminating the possibility that a Saturday or Sunday would be the final day of the period.

2B Discussion

To summarize the current legal framework, the Director requires the party to elect between a request for PTAB rehearing and request for Director review, but denies the party the right to delay appeal when requesting Director review, and denies the party the right of review when requesting Director review. This interim regulation expresses the intent of the Director and indicates how the Director would proceed to impose the same requirements in a final rule, unless otherwise constrained.

The requirements of the interim rule is unjust and against public policy for the following reasons (ignoring the issues related to promulgation of the interim rule without notice and comment). Therefore, the Director should be constrained to preclude the current election and to entitle an appeal be deferred until action on the request for Director review.

First, the interim rule is unjust and against public policy because it forces the party, in order to preserve the right of appeal, to initiate an appeal. This burdens the Court of Appeals for the Federal Circuit and the party with work that might be moot upon a Director review decision.

Second, one policy favoring Director review is to entitle the Director to decide issues of policy that are generally unsettled, and normally primarily issues pure law as opposed to primarily issues of fact. However, the election requirement of the interim rule is unjust because it sways a party to a case involving both unsettled legal issues and the normal factual issues to request rehearing and not Director review. This is so, because the request for rehearing guarantees a delay in the time for filing a court appeal, and it guarantees a review on the merits. This bias towards PTAB review is also against public policy, because the PTAB decision would leave open the unsettled issue of law because normal PTAB decisions have no precedential value. And unsettled issues of law have implicit costs to society.

Because the Bill does not preclude the Director from maintaining the election requirement in the interim rule, and does not require the Director to extend the time for appeal

until action after the review, and the Director has manifested an intent to promulgate those requirements in a final rule given the interim rule, one can expect the Director will maintain both the election requirement and the lack of a right to delay appeal when requesting Director review. Therefore, the Bill should be revised to preclude the election requirement and entitle the party to the same right to defer appeal that is present when requesting rehearing.

2C. Proposed Revisions to the Bill

The following revisions are one way to accomplish those goals.

To preclude the election, the Bill section "(d) REVIEW BY THE DIRECTOR.-"; subsection "(3) TIMELINE AND BASES FOR REVIEW"; sub subsection "(B)"; should be amended to add "(v) The Director shall impose no rule limiting a party's right to request rehearing."

To enforce the entitlement to delay of an appeal until after action on the appeal, the Bill section "(d) REVIEW BY THE DIRECTOR.-"; before subsection (5), the following new subsection (5) should be added, and current subsection (5) should be renumbered as subsection (6).

New subsection (d)(5) should read:

“(5) A determination by the Director whether to review final decision and a decision on such a review, of a final decision of the Patent Trial and Appeal Board under this subsection, shall both be considered a decision on rehearing of the Patent Trial and Appeal Board, for determining the deadline for appellate review.

3. Limitations on Serial IPR Petitions Involving the Same Claims by Related Petitioners

The Bill contains new subsection 35 USC 315(e)(3). This new subsection fails to clearly define the limit on serial petitions involving the same claims, leaving open questions analogous to the issues raised in the Supreme Court’s *Oil States* decision. The Bill’s draft language for 35 USC 315(e)(3) conflates "petitions" with "reviews."

14 "(3) LIMIT ON REPEATED PETITIONS.-The Director may not authorize an inter partes review to
16 be instituted if the Director has previously instituted
17 an inter partes review or post-grant review that in
18 cludes one or more of the same claims based on a
19 petition that was filed on a different day by the
20 same petitioner, or a real party in interest or privy
21 of the same petitioner.";

These new subsection 35 USC 315(e)(3) should instead read:

14 "(3) LIMIT ON REPEATED PETITIONS.-The Director may not authorize an inter partes review, based on a petition, to

16 be instituted if the Director has previously instituted
17 an inter partes review or post-grant review that challenged in
18 ~~cludes~~ one or more of the same claims challenged in another ~~based on a~~
19 petition that was filed on a different day by the
20 same petitioner, or a real party in interest or privy
21 of the same petitioner.";

The Director has no way to know who the privies of a petitioner are. The statute does not require a petition to identify privies to the petition. It should, so that the Director can make this determination.

The Bill should revise 35 USC 312(a)(2) to require the petition to identify all privies to the IPR petition. Here is 35 USC 312(a)(2) with a proposed revision which parallels language in 315(e):

35 USC 312(a) Requirements of Petition -A petition filed under section 311 may be considered only if—

(2) the petition identifies all real parties in interest and privies of the petitioner;

4. Correction of the 35 USC 315(e)(2) Estoppel Subsection

The Bill fails to cure the lack of symmetry between 35 USC 315(e)(1) (estoppel in the PTO) and 315(e)(2) (estoppel in civil actions). Compare the (e)(1) limitation "may not request or maintain" to the (e)(2) limitation " may not assert ..." Symmetry would require (e)(2) to read "may not assert or maintain an assertion".

Providing this symmetry would have the beneficial effect of forcing a party in court to withdraw an assertion to which estoppel applied.

The Bill should therefore include the following revision to 35 USC 315(e)(2):

(2) Civil actions and other proceedings.—

The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert or maintain an assertion either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

5. Excluding Consideration of Parallel Proceedings On an IPR Institution Decision

The exclusion of consideration of parallel proceedings in new section 35 USC 315(f) "INSTITUTION NOT TO BE DENIED BASED ON PARALLEL PROCEEDINGS" is too broad. This is because this provision prevents denial when the invalidity issue is likely to be decided by a court before the PTO decides the same issue.

A major goal of Congress promulgating IPRs was to give infringement defendants a choice where to litigate validity, either the PTO or the courts. It was not the goal of Congress to

give the defendant two bites at the apple.

A problem Congress had, and still has, with implementing that goal, is that a defendant does have the basis to make an informed decision whether to file an IPR petition, when sued for patent infringement. It takes time for a defendant to review the validity of a patent.

Therefore, Congress allowed a defendant to raise a counterclaim challenging validity, see 35 USC 315(a)(3), presumably knowing that at the time a counterclaim was due it would be unfair to require election between challenging validity in the civil action versus challenging validity in an IPR petition. Counterclaims are due relatively soon after being sued.

Congress also set an arbitrary 1 year deadline, by enacting 315(b), to file an IPR petition after being sued for patent infringement. This was presumably on the theory that one year was more than sufficient time to determine whether claims of a patent were valid.

But Congress apparently failed to appreciate that the deadline for filing in a patent infringement litigation of invalidity contentions is a time by which the defendant must have determined whether the claims were invalid on any basis, including any basis that could be raised via an IPR. And the time for filing invalidity contentions is not so soon after the filing of the civil action as to be unfair to require the defendant to elect whether to proceed via IPR or defense in court for invalidity contentions based upon patents and printed publications.

Therefore, if the defendant submits invalidity contentions that could have been presented in an IPR petition, that should be a bar to filing an IPR petition in the PTAB. Likewise, if the defendant files an IPR petition, that should be a bar to submitting invalidity contentions that could have been presented in the IPR petition. This timing of the election where to litigate validity, based upon the deadline for filing invalidity contentions, makes public policy sense. This is because it defines a time when the defendant has determined the specific contentions regarding claim validity that can be filed in either forum, the PTAB or the civil action.

35 USC 315(a) should have taken that into account to give force to efficient litigation, by requiring an election that invalidity contentions that could be presented in an IPR be presented either in the civil action or in an IPR petition to avoid unfairly giving the infringer two bites at the invalidity apple, burdening the parties with unnecessary costs, burdening the PTAB with unnecessary petitions.

The Bill should therefore include the election of venue triggered to the time infringement contentions are due in court.

The following revision adding new 315(a)(4), modeled after 315(a)(1), effects that change, and should be added to the Bill.

(4) Treatment of invalidity contentions. - An inter partes review may not be instituted if, before or on the date on which the petition for such a review is filed, the petitioner or real party in interest filed an invalidity contention in a civil action challenging the validity of a claim challenged in the petition, which invalidity contention was based upon invalidity over patents and printed publications.

The net result of this provision is to retain the 1 year limit after being sued, of 315(b), on filing IPR petitions, and to impose an election on relief not later than when invalidity contentions are due in court. That would carry into effect the election that Congress originally intended. And

that would avoid the nebulous 325(d)/314(a) discretionary denial *Fintiv* factors.

To avoid doubt, I have no problem with the new section 315(f) " INSTITUTION NOT TO BE DENIED BASED ON PARALLEL PROCEEDINGS".

6. The Burdens of Proof and Persuasion for Substitute Claims in IPR Proceedings

The Bill contains new section 35 USC 316(e)(2), which reads:

14 "(2) CLAIM AMENDMENT.-For any substitute
15 claim proposed under subsection (d), the burden of
16 proving patentability, including under sections 101,
17 102, 103, and 112, shall be the same as in examina
18 tion under section 131.";

35 USC Section 131 reads:

§131. Examination of application The Director shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Director shall issue a patent therefor.

In contrast, the current regulation governing burden of proof reads:

42.121(d) Burden of Persuasion. On a motion to amend:

(1) A patent owner bears the burden of persuasion to show, by a preponderance of the evidence, that the motion to amend complies with the requirements of paragraphs (1) and (3) of 35 U.S.C. 316(d), as well as paragraphs (a)(2), (a)(3), (b)(1), and (b)(2) of this section;

(2) A petitioner bears the burden of persuasion to show, by a preponderance of the evidence, that any proposed substitute claims are unpatentable; and

(3) Irrespective of paragraphs (d)(1) and (2) of this section, the Board may, in the interests of justice, exercise its discretion to grant or deny a motion to amend only for reasons supported by readily identifiable and persuasive evidence of record. In doing so, the Board may make of record only readily identifiable and persuasive evidence in a related proceeding before the Office or evidence that a district court can judicially notice. Where the Board exercises its discretion under this paragraph, the parties will have an opportunity to respond. [77 FR 48727, Aug. 14, 2012, as amended at 80 FR 28566, May 19, 2015; 85 FR 82935, Dec. 21, 2020]

I have a problem with the new section 316(e)(2)'s burden requirement for amended claims. I do not think it is a model of clarity and if anything it arguably reduces the burden of proof that a substitute claim is unpatentable which opens the door to the PTO changing the current rule, reducing the burden now on the petition to show a substitute claim is unpatentable over prior art.

The current regulation requires the petitioner to carry the burden of persuasion to show proposed substitute claims are unpatentable, specifically on anticipation and obviousness. In contrast, the Bills proposed 316(e)(2) incorporates by reference "section 131," and section 131 contains no express definition of burden.

Furthermore, the case law on the PTO's burden during examination refers to 35 USC 132 and not 35 USC 131, which makes the reference to "section 131," illogical and *void*.

35 USC 132 reads:

§132. Notice of rejection; reexamination

(a) Whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Director shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application; and if after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined. No amendment shall introduce new matter into the disclosure of the invention.

(b) The Director shall prescribe regulations to provide for the continued examination of applications for patent at the request of the applicant. The Director may establish appropriate fees for such continued examination and shall provide a 50 percent reduction in such fees for small entities that qualify for reduced fees under section 41(h)(1).

Case law indicates that 132 requires a *prima facie* case of unpatentability. *In re Oetiker*, 91-1026, 977 F. 2d 1443, 1445 (Fed. Cir. 10/13/1992). But *prima facie* does not mean preponderance of the evidence. And the Federal Circuit has repeatedly given the PTO slack to impose rejections by defining a *prima facie* as less than preponderance of the evidence. *See for example In re Jung*, 637 F. 3d 1356, 1362 (Fed. Cir. 2011) "the PTO carries its procedural burden of establishing a *prima facie* case when its rejection satisfies 35 U.S.C. § 132, in "notify[ing] the applicant . . . [by] stating the reasons for [its] rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of [the] application." 35 U.S.C. § 132."; and "Section 132 merely ensures that an applicant at least be informed of the broad statutory basis for the rejection of his claims, so that he may determine what the issues are on which he can or should produce evidence." Quoting *Chester*, 906 F.2d at 1578.

In synthesizing the reference in the Bill to section 131 instead of section 132, and in noting that the Bill fails to define a standard expressly, and fails to place the burdens now specified by the current PTO rule, I expect this provision to be a submarine provision to undermine the current burden for substitute claims, allowing the PTO to revise its regulation by removing the burden now placed by rule on the petitioner to show unpatentability over prior art.

The Bill's 35 USC 316(e)(2) is unfair. It unfairly removes the burden of proof of unpatentability over prior art from the petitioner. The petitioner has the burden of proof to show unpatentability of original patent claims. If the patentee amends their claims in a manner that avoids the prior art, why should the petitioner's burden be any lower than if those claims were

originally present in the patent? Lowering the burden of proof, which is arguably what the Bill does, is unfair to the patentee, unfairly favoring the petitioner.

Moreover, imposing the PTO's examination standard in litigation is wasteful, since it would require more effort than is necessary, allowing the APJs more leeway in weighing in on patentability issues, than is now present. That is, it provides leeway for APJs to decide a motion to substitute claims are more than just the pleadings of the parties to the dispute. That inevitably results in more litigation related work for the PATB and the parties, than required to resolve the dispute.

The Bill should implement a statute defining the status quo, which is defined by the current regulation, which places the burden of proof on the petitioner. The Bill's proposed section 35 USC 316(e)(2) can be amended as shown below to accomplish that goal.

14 "(2) CLAIM AMENDMENT.-For any substitute
15 claim proposed under subsection (d), the burden of
16 proving unpatentability is on the petitioner.";
~~patentability including under sections 101,~~
17 ~~102, 103, and 112, shall be the same as in examina~~
18 ~~tion under section 131."~~

7. Unnecessarily Burdening the Parties by Requiring Them to Inform the Director When the Time for Appeal Has Expired

The Bill's section 35 USC 318(b), is shown below.

19 (D) in section 318-
20 (i) in subsection (b), by inserting "
21 not later than 60 days after the date on
22 which the parties to the inter partes review
23 have informed the Director that the time
24 for appeal has expired or any appeal has
1 terminated," after "the Director shall";
2 and
3 (ii) by adding at the end the fol
4 lowing:

The current 35 USC 318(b) reads:

[318] (b) Certificate.-If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

The proposed amended 318(b) would read:

[318] (b) Certificate.-If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall, not later than 60 days after the date on which the parties to the inter partes review have informed the Director that the time for appeal has expired or any appeal has terminated, issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

Currently, parties to an IPR proceeding have no obligation to "inform[] the Director that the time for appeal has expired or any appeal has terminated." Nor is there any rule requiring that action.

This requirement to inform the Director that the time for appeal has expired or any appeal has terminated serves no functional purpose, because the PTO automatically equivelent information under current law and practice.

The rules require parties that appeal to file a copy of any Notice of appeal in the PTAB and serve a copy on the Director, if they appeal. No such notice means no appeal. At the end of 63 days after the final decision, that IPR is terminated by failure to appeal. 37 CFR 90.3(a)(1). And the Court of Appeals for the Federal Circuit issues a mandate terminating any such appeal. 35 USC 144. In either case, the PTO is notified sufficiently by the notice of appeal and mandate to enable it to determine whether to issue the certificate. This amendment to 318(b) is an attorney "make work" amendment, serving no functional purpose.

8. Providing Standing to Appeal To An Additional Class of IPR Petitioners

8A. The Bill's new section 319(a) reads as follows

13 (E) in section 319-
14 (i) by striking "A party" and insert
15 ing the following:
16 "(a) IN GENERAL.-A party"; and
17 (ii) by adding at the end the fol
18 lowing:
19 "(b) STANDING TO APPEAL.-For the purposes of an
20 appeal described in subsection (a), the right to appeal
21 shall extend at least to any dissatisfied party that reason
22 ably expects that another person will assert estoppel
23 against the party under section 315(e) as a result of the
24 decision.

8B. The Bill's New Section 319(a) Standing Right Is Limited to Petitioner

This provision is confusing because it speaks of some entity ("another person"), and not specifically the patent owner, applying 315(e) estoppel against the petitioner. The Bill's section

319(a) refers to “estoppel against the party under section 315(e) as a result of the decision.”

Estoppel under 315(e) applies only to the petitioner, the petitioner’s Real Parties in Interest (RPIs), and the petitioner’s privies. So this 319(a) provision could not expand the scope of patent owners that could appeal. Therefore, 319(a)’s recitation “the right to appeal shall extend at least to any dissatisfied party” in fact only applies to dissatisfied *petitioners*, and should therefore should read “the right to appeal shall extend at least to any dissatisfied petitioner party.” Therefore, the Bill’s section 319(a) should be amended by replacing “party” with “petitioner” to read as follows.

13 (E) in section 319-

14 (i) by striking "A party" and insert

15 ing the following:

16 "(a) IN GENERAL.-A party"; and

17 (ii) by adding at the end the fol

18 lowing:

19 "(b) STANDING TO APPEAL.-For the purposes of an

20 appeal described in subsection (a), the right to appeal

21 shall extend at least to any dissatisfied petitioner party that reason

22 ably expects that another person will assert estoppel

23 against the petitioner party under section 315(e) as a result of the

24 decision.

8C. The Bill’s New Section 319(a) "another person" and Warrantee Liability

The Bill’s proposed section 319(a)’s reference to "another person" could apply to a third party infringer to which the petitioner gave a warranty of invalidity. And given the existence of such a warrantee, the petitioner could then have a reasonable expectation that the infringer who had been sued, was being sued, or could be sued in the future, might assert 315(e) estoppel against the petitioner to collect on the warrantee. The infringer having such a warrantee might or might not qualify as an RPI or privy of the petitioner, depending upon the terms of their contract.

This warrantee fact pattern is reminiscent of the decision in *Consumer Watchdog v. Wisconsin Alumni Research*, 2013-1377, 753 F.3d 1258 (Fed. Cir. 6/4/2014) in which the decision stated that it left “to future panels to decide whether, under other circumstances, the preclusive effect of the estoppel provisions could constitute an injury in fact.” The Federal Circuit relied upon *Consumer Watchdog*, in *Phigenix, Inc. v. Immunogen, Inc.*, 2016-1544 (Fed. Cir. 1/9/2017), to conclude that the estoppel effect of the PTAB’s final decision adversely impacting Phigenix’s ability to provide a contractual warranty did not constitute an injury in fact.

So it appears that the Bill’s 319(a) is directed to situations where a non practicing entity might be contractually liable to a third party past, present, or future infringer.

8D. The Bill’s New Section 319(a) is a Bad Idea

For the following reasons, the Bill’s 319(a) expansion of statutory standing to appeal a petitioner that reasonably expects that a third party (“another person”) will assert 315(e) estoppel against it, is a bad idea.

Because the Bill’s 319(a) provision purports to statutorily expand standing, it is in tension

with the Article III case or controversy requirement. As noted below, this issue would have to be litigated before providing legal certainty.

Because the Bill's 319(a) provision statutorily expands standing based upon a warrantee of invalidity to an infringer that is not necessarily itself barred by 315(e), it would entitle both the infringer and the petitioner to appeal. In effect, two bites at the apple on appeal. That two bites right is against public policy, unfairly biasing the legal rights against the patentee.

Because the Bill's 319(a) provision implicates contractual rights of the petitioner with third parties, it allows petitioners and the third parties to collude to manipulate rights to improperly manufacture statutory standing.

Because the Bill's 319(a) provision does not require disclosure of the identity and relationship of the person that might assert 315(e) estoppel against the petitioner, it is bad policy because it facilitates the collusion to manufacture standing to appeal in the petitioner, mentioned above, without identifying whether facts indicating whether petitioner was barred from filing the IPR petition, or the person would be barred under 315(e). That is, disclosure of facts indicating whether the person was a Real Party in Interest (RPI) or privy of the petitioner.

Because the Bill's 319(a) provision promotes unnecessary litigation, by giving additional rights to entities whose business model is designed around filing IPR petitions to kill patents, instead of providing non-legal products and services, it is contrary to public policy.

Because the Bill's 319(a) provision provides an infringer, by hiring or retaining an entity whose business model is designed around filing IPR petitions to kill patents, two bites at the apple (by filing its own petition and hoping its patent killing retained entity does likewise), with no present requirement to disclose to the PTAB in either petition their underlying business relationship, it is against public policy.

8E. Suggested Changes to Bill's New Section 319(a), If it Goes Forward

Assuming some version of 319(a) goes forward, then there should be additional changes to the Bill, to minimize improper collusion-manufacturing of standing to appeal.

First, 319(a) should be limited to providing statutory standing to the petitioner, only when it is an RPI or privy that the petitioner reasonably expects will assert estoppel against them. This limitation to proposed 319(a) accounts for the fact that 315(e) estoppel will apply against the RPI and privy of the petitioner who, if they had petitioned in their own right, would have had a right of appeal.

Second, the Bill should be modified to require the petitioner to identify in the petition both RPIs and privies. And 319(a) should be modified to require the petitioner to show why it "reasonably expects" one of those named RPIs privies to assert 315(e) against the petitioner.

Third, 319(a) should be modified to preclude a contractual connived de minimis liability of the petitioner in connection with the assertion of estoppel under 315(e) against the petitioner to provide statutory standing. That is, 319(a) should be modified for example to require the petitioner to show that it would be liable to the third party in connection with assertion of 315(e) estoppel by the third party against the petitioner for an amount that is substantial compared to either compensation received by the petitioner from the third party in relation to the petition or the financial impact on the third party of validity versus invalidity of the patent.

9. New Section 320, Financial Support for Small and Micro Entities in Certain PTAB

Proceedings

New section 320 contains subsection 320(b)(1) which states in relevant part :“(b) EXPENSES COVERED.— (1) IN GENERAL.—The Office shall pay to the owner of a covered patent all of the reasonable expenses of the proceeding actually incurred by the patent owner (and not expenses incurred by a third party funding the proceeding), including reasonable expert witness fees and reasonable attorney fees, for defending the inter partes review or post-grant review.”

New section 320 contains subsection 320(a)(4) which defines a “covered patent” and reads as follows "(a) Covered Patent Defined —In this section, the term ‘covered patent’ means a patent ... (4) whose owner has not asserted the patent in litigation."

The limitation to only small and micro entity qualifying patents that not asserted the patent in litigation makes section 320 largely irrelevant. This provision would limit PTAB cost avoidance to that small class of IPRs filed against small or micro entity patents when no patent infringement litigation was pending.

Proposal: Strike section 320(a)(4) so that all small and micro qualifying patents are entitled to cost avoidance.

10. Limitations on Serial PGR Petitions Involving the Same Claims by Related Petitioners

The Bill proposes new subsection 35 USC 325(d)(3) shown below.

14 “(3) LIMIT ON REPEATED PETITIONS.—The Di
15 rector shall not authorize a post-grant review to be
16 instituted if the Director has previously instituted an
17 inter partes review or post-grant review that includes
18 one or more of the same claims based on a petition
19 that was filed on a different day by the same peti
20 tioner, or a real party in interest or privy of the
21 same petitioner.

New subsection 35 USC 325(d)(3) fails to clearly define the limit on serial petitions involving the same claims, leaving open questions analogous to the issues raised in the Supreme Court’s *Oil States* decision. The Bill’s draft language for 35 USC 315(e)(3) conflates "petitions" with "reviews." These new subsection 35 USC 325(d)(3) should instead read:

14 “(3) LIMIT ON REPEATED PETITIONS.—The Di
15 rector shall not authorize a post-grant review, based upon a petition, to be
16 instituted if the Director has previously instituted an
17 inter partes review or post-grant review that challenged ~~includes~~
18 one or more of the same claims challenged in another ~~based on a petition~~
19 that was filed on a different day by the same peti
20 tioner, or a real party in interest or privy of the
21 same petitioner.

The Director has no way to know who the privies of a petitioner are. The statute does not require a petition to identify privies to the petition. It should, so that the Director can make this determination.

The Bill should revise 35 USC 322(a)(2) to require the petition to identify all privies to the PGR petition. Here is 35 USC 322(a)(2) with a proposed revision which parallels language in 315(e):

35 USC 322(a) Requirements of Petition -A petition filed under section 321 may be considered only if—

(2) the petition identifies all real parties in interest and privies of the petitioner;

11. Excluding Consideration of Parallel Proceedings On a PGR Institution Decision

The Bill proposes new subsection 325(g), which reads:

17 “(g) INSTITUTION NOT TO BE DENIED BASED ON
18 PARALLEL PROCEEDINGS.—In deciding whether to insti
19 tute a post-grant review proceeding, the Director shall not
20 in any respect consider an ongoing civil action or a pro
21 ceeding before the International Trade Commission under
22 section 337 of the Tariff Act of 1930 (19 U.S.C. 1337),
23 other than with respect to the determination under section
24 324(a) that there is a reasonable likelihood that the peti
1 tioner would prevail with respect to at least 1 of the claims
2 challenged in the petition.”;

I have the same problem with 325(g) that I had with new section 35 USC 315(f), stated in item 4 herein below in this email chain, which is that this provision is too broad. It prevents discretionary denial when the invalidity issue is likely to be decided by a court before the PTO decides the same issue, and that is contrary to public policy of efficient litigation and fundamental fairness of avoiding parallel attacks on patent validity.

In item 4, I proposed no change to 315(f) and instead proposed implementing the original intent of Congress by expanding the IPR bar in 315(a) to also arise once a defendant filed invalidity contentions based upon patents and printed publications. I propose a similar expansion of the PGR bar, here. The Bill should be revised to amend 35 USC 325(a) by adding new section (a)(4), modeled after 325(a)(1), as shown:

325(a)(4) Treatment of invalidity contentions. - A post-grant review may not be instituted under this chapter if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed an invalidity contention in a civil action challenging the validity of a claim challenged in the petition.

In other words, the defendant gets up to the 35 USC 321(c) PGR filing deadline of 9

months after a patent is granted, but that time limit is cut off if the defendant earlier than that time asserts invalidity contentions in the court. That would carry into effect the election that Congress originally intended. And that would avoid the nebulous discretionary denials based upon parallel proceedings.

To avoid doubt, I have no problem with the new section 325(g) " INSTITUTION NOT TO BE DENIED BASED ON PARALLEL PROCEEDINGS". Instead, my proposal moots that section.

12. The Burdens of Proof and Persuasion for Substitute Claims in PGR Proceedings

Regarding the proposed change to 35 USC 326(e)'s burden of proof for patentability of substitute claims in PGR proceedings, my comments in item 5, above, regarding the burden of proof in IPRs apply.

I propose a revision to the Bill's proposed 35 USC 326(e)(2) on page 25, parallel to my proposal for the Bill's proposed 35 USC 316(e)(2), and this revision is shown below.

18 “(2) CLAIM AMENDMENT.—For any substitute
19 claim proposed under subsection (d), the burden of
20 proving unpatentability is on the petitioner.”; ~~patentability, including under sections 101,~~
21 ~~102, 103, and 112, shall be the same as in examina~~
22 ~~tion under section 131.”;~~

13. Providing Standing to Appeal to An Additional Class of PGR Petitioners

The Bill's new section 329(b) provides statutory standing to appeal in parallel with the Bill's new 319(a), stating:

22 “(b) STANDING TO APPEAL.—For the purposes of an
23 appeal described in subsection (a), the right to appeal
24 shall extend at least to any dissatisfied party that reason
25 ably expects that another person will assert estoppel
1 against the party under section 325(e) as a result of the
2 decision.

My comments herein above why 319(a) is a bad idea apply to 329(a)

My suggestions herein above how to improve 319(a), if it goes forward, apply to 329(a).