

PTAB: PROPOSED LEGISLATION AND REFORMS

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**Proposals Relating to IPR
Institution or Early Termination**

Proposal: Apply other § 316(b) factors in deciding to institute

- ▶ § 316(b) provides that the PTO should promulgate regulations that consider “the effect of any such regulation on the economy”, “the efficient administration of the Office” or “the integrity of the patent system.” Former Deputy Director Slifer has suggested several additional situations, including denying institution when:

- **Financial hardship of patent owner**, including where the patent owner lacks the financial ability to fairly defend against an IPR/PGR, where the patent owner is a university or not-for-profit organization whose operations would be impaired if required to defend an IPR, where mounting such a defense would impair the patent owner’s ability to develop, manufacture and/or market his/her invention, or where the patent owner is a small business or entity. (effect on the economy)

- **There are extensive discovery issues that cannot fairly be performed in the time frame** allowed under the statute or which would require determination of expert credibility. (efficient administration of the Office)

- **Where institution of an IPR would likely disrupt the nascent or ongoing business of the patent owner**, or the ability of that business to raise needed capital to further development, manufacture or marketing of the claimed invention. (effect on the economy) Slifer, R. “How to improve IPR’s without tossing the baby out with the bathwater,” IP Watchdog, April 11, 2017

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Proposal: Eliminate proceedings that are duplicative and/or abusive

- ▶ The AIA provides that the PTO is to ensure that patent owners are protected from any “improper use of the proceeding” (§§ 316(a)(6) and 326(a)(6)).
- ▶ The PTO should recognize that duplicative proceedings are inherently abusive. If consolidation into a single IPR proceeding is not possible, the later filed petitions should be denied without prejudice.
- ▶ IPR’s were created to be alternatives, not adjuncts, to court proceedings. If there is also a court proceeding, a predicate for IPR institution should be that all petitioner-defendants stipulate that the IPR will be dispositive of its prior art validity defenses.
- ▶ An IPR petition filed to carry through on a “ransom” threat is abusive and should be denied.
- ▶ An IPR petition filed to circumvent or to relitigate an issue that is to be tried in a Hatch-Waxman or BPCIA court proceeding is duplicative and abusive, and should be denied. *See* Statement of Philip S. Johnson to House Judiciary IP Subcommittee, November 7, 2017
- ▶ Stronger Patents Act would limit IPR/PGR to one review per patent claim (Section D) and give priority to district court validity determinations (Section H).

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Proposal: Rescind the delegation of institution to the PTAB & assign it to delegates of the Director acting in an executive, not judicial, capacity

- ▶ The AIA envisions the role of the PTAB in IPR proceedings as one that is limited to that of conducting those IPR's that the Director decides to institute.
- ▶ This intentional separation of the executive function of the Director from the judicial function of the PTAB was intended as an important safeguard for patent owners.
- ▶ In converting inter partes reexams conducted by examiners into IPRs & PGRs featuring trials conducted by the PTAB, a protective layer of internal appellate review was forsaken in the name of expedience. This was replaced by clearly separating those responsible for the institution phase (the Director) from those who would conduct the adjudication phase (the PTAB).
- ▶ The Director, not the PTAB, is in a better position to assess the policy considerations favoring denial of institution due to "the economy, integrity of the patent system, the efficient administration of the Office, and ability of the Office to timely complete proceedings instituted" (AIA § 316(b)) and which type of proceeding, if any, should go forward (AIA § 315(d)).
- ▶ Per ABA-APIA-IPO a further reason to deny should be when "The Director determines that, in view of the temporal and procedural limitations pertaining to the review, the nature of the review sought, and the likely timeliness of the parties' access to the evidence necessary to a just determination of that review by the Office, the institution of the review would not be in the interests of justice or due process. [See 157 Cong. Rec. Secs. 1368, 1376-77]"

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By having separate decision makers for institution and trial, the risk of unconscious bias would be eliminated

- ▶ This kind of intra-agency separation is consistent with the approach of the Administrative Procedure Act, which prohibits any person engaged in the performance of pre-hearing activities (such as investigative or prosecuting functions) from participating or advising on the final merits decision. 5 U.S.C. 554(d).
- ▶ A separation of personnel provides a different form of internal review, ensuring that unbiased PTAB judges will serve as a check on Director's initial determination as to whether the threshold and other requirements for institution have been met.
- ▶ "The PTAB panel deciding the merits of the case cannot be the same decisionmaker that decides to institute review. The decision to institute review must be made by a different decisionmaker. This must be done to prevent the PTAB panel jumping to premature conclusions based on "first impression" bias and incomplete evidence."
- ▶ Supplemental Statement of Judge Paul Michel to the IP Subcommittee of the House Judiciary Committee, Sept. 12, 2017 ; See also Stronger Patents Act, Section 104 (prohibiting overlap between institution & trial panels)

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