

Expert Q&A on 2024 Proposed PTAB Trial Rules on Discretionary Denials and Settlement

by Practical Law Intellectual Property & Technology

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An Expert Q&A with Baldassare (“Baldo”) Vinti of law firm Proskauer on the US Patent and Trademark Office’s (USPTO) Notice of Proposed Rules on Patent Trial and Appeal Board (PTAB) regarding the rules of practice for briefing discretionary denial issues, and the rules for Section 325(d) considerations, termination due to settlement agreement. This Q&A discusses the proposed rules’ substance and practical considerations for both petitioners and patent owners navigating *inter partes* review (IPR) and post-grant review (PGR) proceedings.

On April 19, 2024, the US Patent and Trademark Office (USPTO) issued a notice of proposed rulemaking proposing to modify the existing rules of practice for *inter partes* review (IPR) and post-grant review (PGR) proceedings before the Patent Trial and Appeal Board (PTAB or Board) (89 Fed. Reg. 28693 (Apr. 19, 2024)).

The proposed rules include provisions:

- Governing exercise of the USPTO Director’s discretion under the America Invents Act (AIA) to determine whether to institute IPR or PGR proceedings concerning:
 - serial petitions;
 - parallel petitions; and
 - petitions implicating the same or substantially the same art or arguments in previous IPR or PGR petitions.
- Creating a separate briefing process allowing the parties to address discretionary institution arguments without encroaching on their word-count limits for merits briefing.
- Aligning the requirements for pre- and post-institution terminations due to settlement by requiring parties to timely file pre-institution settlement agreements with the PTAB to support termination of proceedings pre-institution.

Practical Law asked Baldo, who chairs Proskauer’s Intellectual Property Litigation Group, for his insights. Baldo’s practice focuses on litigating patent, trade secret,

class action and technology-related cases before federal and state courts, the PTAB, the International Trade Commission and arbitral tribunals. He also regularly handles transactional work, including intellectual property due diligence, licensing, intellectual property structural transactions, patentability studies, infringement/non-infringement opinions, and client strategic counseling in intellectual property matters.

For a collection of resources and model documents to use in IPR and PGR proceedings, see Practical Law’s [PTAB Proceedings Toolkit](#).

The proposed rules concern a few areas of PTAB trial practice; at a high level, what are the proposed rules’ key takeaways?

Generally speaking, the proposed rules address three areas of PTAB trial practice and seek to improve both the efficiency and fairness of the proceedings. First, they change to the Board’s handling of parallel and serial petitions, which have become a more common occurrence in recent years. Under the proposed rules, parallel petitions would require the petitioner to show good cause as to why multiple petitions are needed. This helps prevent the “one claim per petition” or “death by a thousand papercuts” strategies that parties sometimes employ. Regarding serial petitions, the proposed rules codify the factors the Board will consider, especially

in regard to “follow-on” petitions, by largely adopting the *General Plastic* factors (see *Gen. Plastic Indus. Co. v. Kaisha* (2017 WL 3917706 (P.T.A.B. Sept. 6, 2017))). These proposed rules will also apply to parties seeking to join an existing proceeding through the existing joinder process.

Second, the proposed rules create a separate briefing process to address discretionary denial issues. Under the proposed rules, patent owners have the opportunity to file a 10-page request for discretionary denial and a 5-page reply to a petitioner’s 10-page opposition. The objective of the change is to help ensure that both parties can present their arguments without having to sacrifice precious, merit-based real estate in their preliminary briefing.

Third, the proposed rules codify procedures for terminating PTAB proceedings due to settlement, both pre- and post-institution. Under the proposed rules, both instances will require the parties to file settlement agreements with the USPTO, aligning pre-institution procedures with existing post-institution procedures to ensure consistency and transparency.

The USPTO notes that the proposed rules “build upon existing PTAB precedent and guidance.” Are there any key differences between the proposed rules and existing PTAB trial practice?

The proposed rules introduce several significant changes to existing PTAB precedent and guidance. Currently, the Board exercises discretionary denial based on factors developed strictly through precedential decisions like *General Plastics* and *Advanced Bionics* (2020 WL 740292 (P.T.A.B. Feb. 13, 2020)). In contrast, the rules would codify the factors and require a showing of good cause for parallel petitions. They also codify considerations for serial petitions as discussed in the answer to the next question.

As mentioned above, another key difference is the introduction of a separate briefing process for discretionary denial issues. The current practice of including discretionary denial arguments within the broader preliminary response may lead to an inefficient use of the word count and dilute the focus on key issues. By allowing separate briefings on discretionary denial issues, the proposed rules aim to prove a cleaner and more targeted approach to addressing these arguments, streamlining the process, enhancing efficiency, and ensuring that all arguments are given proper

consideration. Under the proposed rules, the patent owner’s preliminary response is limited to rebutting institution and cannot address discuss discretionary denial issues unless specifically authorized by the Board.

Lastly, the proposed rules align pre-institution settlement procedures with those required post-institution. The current rules regarding settlement agreements in AIA proceedings require that any settlement agreement made in connection with, or in contemplation of, the termination of an AIA proceeding that has been instituted must be in writing, and the parties must file a true copy of the settlement agreement with the PTAB before the proceeding’s termination. The proposed rules would formally change current practice by clarifying that pre-institution settlement agreements must also be filed with the USPTO, similar to post-institution settlement agreements. Obviously, this change alters the confidentiality ramifications and could raise concerns for parties given that most parties generally prefer to keep the terms of their settlement confidential. Although the proposed rules do not explicitly address the confidentiality ramifications, it is presumed that the same practices parties can employ to protect the confidentiality of post-institution settlements are available for pre-institution settlements, including:

- Filing a redacted version of the settlement agreement with the PTAB with confidential terms or sensitive business information omitted.
- Seeking a protective order from the PTAB to limit access to certain individuals.
- Requesting non-publication from the PTAB.
- Bifurcating confidential terms into a separate agreement.
- Filing documents with the designation “Board and Parties Only.”

The proposed rules focus on the PTAB’s evaluation of parallel and serial petitions. How do they define these types of petitions?

Under the proposed rules, a serial petition is one that:

- Challenges overlapping claims of the same patent that have already been challenged by the petitioner, the petitioner’s real party in interest or a privy of the petitioner.
- is the petitioner filed after:

- the filing of a patent owner preliminary response to the first petition; or
- the expiration of the period for filing such a response.

The Board uses standard common-law interpretations of real party in interest and privity as established by Supreme Court precedent to prevent what the rules call abusive litigation tactics by related parties. These tactics include the use of “follow on” petitions which stage their prior art arguments based on the Board’s decisions, using it as a ‘road map’ to eventual institution of review.

Under the proposed rules, parallel petitions are two or more petitions that both:

- Challenge the same patent.
- Are filed by the same petitioner on or before the date the patent owner files a preliminary response or, if no response is filed, the date one was due.

This “same patent” rule is aimed at preventing abuse by filing multiple petitions challenging one claim per petition.

Under the proposed rules, what factors will the Board consider when evaluating parallel and serial petitions?

Parallel petitions

Under the proposed rules, the Board will consider several factors when determining whether good cause exists for filing a parallel petition, including:

- The petitioner’s ranking of their parallel petitions in the order in which the petitioner wishes the Board to consider the merits.
- The petitioner’s explanation of the differences between parallel petitions.
- The number of claims challenged by the petitioner and asserted by the patent owner in district court litigation.
- Any dispute concerning the priority date of the challenged patent.
- Whether there are alternative claim constructions requiring different prior art.
- Whether the petitioner lacked certain information at the time of filing the first petition.
- The complexity of the technology in the case, as well as any other information believed to be pertinent to the good cause determination.

Serial petitions

Under the proposed rules, the Board will likewise consider several factors when determining whether to deny institution of a serial petition, including:

- Whether, at the time of first petition’s filing, the petitioner knew or should have known of the prior art asserted in the second petition.
- Whether, at the time of the second petition’s filing, the petitioner had already received the patent owner preliminary response to the first petition or had received the Board’s institution decision for the earlier petition.
- 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.
- Whether the petitioner provided an adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent.”

The proposed rules’ new definition of serial petition along with the four factors in determining whether to deny institution are the first five factors in *General Plastic*.

However, *General Plastic* factors (6) and (7), which considered the Board’s finite resources and the requirement to issue a final determination within one year of institution, are not included in the proposed rules.

Under the proposed rules, how will the Board address petitions that raise previously presented prior art or arguments in view of 35 U.S.C. § 325(d)?

Under the proposed rules, the Board may deny an IPR petition under 35 U.S.C. § 325(d) if the same or substantially the same prior art or arguments were previously meaningfully addressed by the USPTO. The Board’s intent here is to prevent redundant or repetitive challenges, even if by different parties, to streamline the review process. This requires more than just cursory examination of the art considered. Instead, the Board must thoroughly review the arguments made concerning that art and articulate their considerations of that art. This rule extends to related applications and patents, which the proposed rules define as any patent or application from which the challenged patent claims priority.

If the USPTO previously addressed the same art, the proposed rules allow the petitioner to try to establish

the USPTO has committed material error in its previous evaluation of the art or arguments. Material errors may include the USPTO having misapprehended or overlooked clear, specific evidence in the prior record, including teachings of the relevant prior art, evidence of an inherent feature in that prior art or evidence rebutting a showing of unexpected results. Further, a legal error, such as an erroneous claim construction that impacts the patentability of the challenged claims, could also be grounds for establishing material error by the USPTO. The petitioner has the burden of identifying the previously argued art and showing what the material error was to satisfy this threshold.

How will the proposed rules affect joinder practice?

The primary change to joinder practice under the proposed rules is that the new “good cause” requirement for parallel petitions will also apply to joinder petitions, making them subject to discretionary denials. Generally, the Board strives for consistency with its prior institution decisions. To do so, the Board considers whether the discretionary considerations were available in the already-instituted petition. If they were not available, or the later-filed petition implicates other bases for discretionary denial, the Board may deny motions for joinder. However, if the petition seeks to join multiple IPRs — such as in the case of related patents asserted in the same lawsuit — the justification of multiple IPR trials is already satisfied by the previously instituted petitions, and the new party will only need to address whether it is entitled to join.

The proposed rules also create a separate briefing procedure for patent owners requesting discretionary denial under Section 325(d). What will this entail and how will it affect practice?

The proposed rules introduce a procedure allowing a patent owner to file a separate 10-page paper requesting discretionary denial of a petition under 35 U.S.C. § 325(d). This request is limited to addressing any applicable discretionary institution issues and factors, excluding those involving parallel petitions under 37 C.F.R. § 42.108(d). The patent owner’s request must identify whether the USPTO previously meaningfully addressed the same or substantially the same prior art or the same arguments. A petitioner may file an opposition to this request not to exceed 10 pages, and the patent owner may file a reply to the opposition not to exceed five pages. This new briefing procedure is expected to increase efficiency for the parties and the Board by highlighting

and focusing attention on the key issues concerning discretionary denial.

How do the proposed rules address practice for the termination of proceedings in view of settlement?

Current PTAB practices require parties to file their settlement agreements to seek termination of IPR proceedings only if the Board has granted institution. To promote consistency and transparency, the proposed rules impose the same requirements for pre-institution settlement agreements to maintain consistency and transparency. Some practitioners contend that this will also help curb abusive filings and aligns USPTO procedures with existing government orders regarding anti-competitive practices. Accordingly, even pre-institution settlement agreements will have to be filed with the Board. In addition, as discussed above, this will have implications on the confidentiality of pre-institution settlements. The proposed amendments to the PTAB rules indeed reflect a shift towards greater transparency and consistency in the handling of settlement agreements, ensuring that all such agreements, whether pre- or post-institution, are subject to the same filing requirements with the Board.

Overall, what are some tactical considerations for petitioners and patent owners in view of the proposed rules?

The proposed rules introduce several tactical considerations for both petitioners and patent owners engaged in IPR and PGR proceedings before the PTAB. Petitioners, for instance, must:

- Be meticulous in evaluating the risk of discretionary denials based on serial or parallel petitions, because the rules propose a more structured approach to these filings.
- Be prepared to justify the necessity of filing multiple petitions against the same patent, which could include providing a ranking of their petitions and explaining the differences between them.
- When considering joining an existing proceeding, be aware that the PTAB will not consider arguments on discretionary considerations under parallel petitions or 35 U.S.C. § 325(d) if the petition sought to be joined

was instituted, but may deny the accompanying motion for joinder where the later-filed petition implicates other bases for discretionary denial.

For patent owners, the proposed rules necessitate a strategic assessment of whether their patents could withstand challenges under the new framework for serial or parallel petitions. The requirement to file any settlement agreements with the PTAB introduces a new layer of consideration, particularly as it pertains to the timing and confidentiality of settlements. While there are existing vehicles to protect confidential settlement terms as discussed above, patent owners must weigh the potential impact of the new pre-institution filing requirement on their settlement strategies, including the possibility that some parties may be deterred from settling to avoid disclosure.

Overall, these proposed rules underscore the need for both petitioners and patent owners to approach IPR and

PGR proceedings with a heightened level of strategic planning and consideration of the PTAB's evolving procedural landscape.

What can PTAB practitioners do now to prepare for the new rules?

The proposed rules provide changes to discretionary denial process and Section 325(d) considerations which cover multiple proceedings, considerations for instituting parallel and serial petitions and requirements for termination due to settlement agreements pre-institution decision. Although the comment period ended on June 18th, PTAB practitioners should read the proposed changes and consider how these rules will affect PTAB trial practice and strategize with clients before their implementation.

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