

Practice Update

Navigating IPRs and other AIA Reviews as Power Shifts to the USPTO Director

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America Invents Act Reviews, or “AIA Reviews” are administrative proceedings which can be used to seek the invalidity of a U.S. Patent. After their creation in 2011, AIA reviews have become an important component of patent litigation. With the Supreme Court’s finding in *Thryv* that many decisions of the Patent Trial and Appeal Board (“PTAB”) cannot be reviewed on appeal by the Federal Circuit Court of Appeals, and the Federal Circuit’s finding in *Arthrex* that the Director (or the Secretary of Commerce) of the USPTO has broad power to remove the Administrative Patent Judges (“APJs”), the Director stands to shape patent policy significantly, as well as having tremendous discretion over individual reviews. Practitioners should be astutely aware of indicators of that policy, such as decisions of the USPTO’s Precedential Opinion Panel.

First, in October 2019, the Federal Circuit found that APJs could be removed without cause from the Patent Trial and Appeal Board. In *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1335 (Fed. Cir. 2019), the Federal Circuit held that the structure of the Patent Trial and Appeal Board violated the Appointments Clause of the U.S. Constitution. APJs are USPTO employees and constitute the Patent Trial and Appeal Board panels in America Invents Act (“AIA”) reviews to invalidate issued patents like Inter

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Partes Reviews, Post Grant Reviews, and Covered Business Method Reviews (“IPRs,” “PGRs,” and “CBMs,” respectively). APJs are not appointed by the President and confirmed by the Senate, but rather are appointed by the Secretary of Commerce “in consultation” with the Director. Yet the Federal Circuit, in *Arthrex*, found that the power afforded to APJs means that they act as “principal officers” who “exercise significant authority” and therefore should have been so appointed and confirmed. The panel deciding *Arthrex* determined the appropriate remedy to the unconstitutional structure of the PTAB was to remove the statutory impediment to the Director’s ability to remove APJs. See 5 U.S.C. § 7513(a), permitting agency action against those officers and employees “only for such cause as will promote the efficiency of the service.” *Arthrex, Inc.* at 1338. The panel reasoned that this new power of removal without cause would provide an increased ability “to guide the outcomes of [AIA],” which, “coupled with the power of removal without cause provides significant constraint on issued decisions.”

More recently, in April 2020, the Supreme Court held that many PTAB decisions regarding institution of AIA reviews could not be reviewed by higher courts. *Thryv, Inc v. Click-To-Call Techs., LP*, No. 18-916, 2020 WL 1906544, at *2 (U.S. Apr. 20, 2020). *Thryv* held that decisions of the PTAB to institute IPRs cannot be reviewed on appeal to determine whether the PTAB properly applied the AIA’s time bar provisions, which prohibit institution of an IPR on a petition filed more than one year after the defendant or one in privity with the defendant was served with a complaint asserting a claim of infringement. 35 U.S.C. §315(b). *Thryv* involved a patent which had been asserted in a lawsuit in 2001 and later dismissed without prejudice.^[i] Both the plaintiff and the defendant to that case were predecessors in interest to *Thryv*, the defendant in case filed by the patent owner in 2012.^[ii] In 2013, *Thryv* took advantage of the relatively new IPR procedures. The PTAB instituted review despite the 2001 assertion—reasoning that a complaint that is

dismissed without prejudice is a nullity—and ultimately found the patent invalid.^[iii]

The patent owner in *Thryv* succeeded in convincing the Federal Circuit to overturn the PTAB and overturn the final determination of invalidity on the rationale that the IPR should never have been instituted, given the 2001 allegation of infringement.

^[iv] *Thryv* sought certiorari to the Supreme Court arguing that the time bar is indeed triggered by complaint (even if it is dismissed for any reason) and that the Federal Circuit had no authority to second-guess the USPTO's call.^[v] The USPTO subsequently acknowledged that its original finding with respect to the time bar as applied to the patent in the *Thryv* case was wrongly decided and the IPR should never have been instituted. Still, the USPTO argued that its (admittedly wrong) decision nonetheless should not have been reviewed. This acknowledgement first came in the USPTO's opposition to the certiorari petition in *Thryv* in May, 2019,^[vi] and has since been reiterated in the decision of the Precedential Opinion Panel.^[vii]

The majority opinion in *Thryv* held that the Patent Office's institutions decisions are precluded from appellate review—as are any other “questions that are closely tied to the application and interpretation of statutes related to institution.”^[viii] The specific statutory provision in *Thryv* is language codified in section 315(b) of title 35, which states that “[a]n inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” Section 314(d) states, “The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”

The question confronted by *Thryv* included whether “this section” in §314(d) includes the USPTO's

interpretation of institution limitations found in other sections (e.g., section 315(b)'s time bar). With a great deal of statutory-parsing by both the majority and dissent, the Court ruled that “this section” includes the entirety of the USPTO’s exercise in discretion to institute the review.

The result of *Thryv* is that when the PTAB decides a patent to be invalid in an IPR the determination as to timeliness cannot be revisited by any court through the normal appeals process. This immunity extends even if the USPTO changes its mind from time to time as to the appropriate measure of timeliness. In fact, *Thryv* implicitly contemplates this outcome since the USPTO did so with respect to the time bar issue during the pendency of *Thryv*. The only immediate source consistency and precedent to the USPTO’s determinations, then, comes from within the USPTO itself. It is also clear that the immunity from review afforded by *Thryv* extends well beyond the facts of that case—in a summary determination in *Emerson Elec. Co. v. SIPCO, LLC*, 19-966, 590 U.S. __ (June 15, 2020) the Supreme Court summarily overruled a Federal Circuit decision regarding whether a challenged patent was proper technological subject matter for a CBM. CBM subject matter, joinder, real party in interest, like time bar issues, are thus almost entirely left to the USPTO’s discretion

Internal USPTO Policies for Expanded Panels

Arthrex makes clear that the Director can use his or her position of authority over the PTAB to shape its policies and outcomes. The USPTO has adopted several mechanisms to guide internal decisions through its own precedent. PTAB decisions may be labelled “precedential” and “informative” by the PTAB’s regular and expanded panels as well as all decisions of the Precedential Opinion Panel (“POP”). The Director also has discretion to assign any APJ—or his or herself—to any review or reconsideration panel according to the USPTO’s own internal procedures.

These internal procedures and constructs at the PTAB appear now to be the primary, perhaps only, mechanism which can guide a consistent application of institution guidance for not only questions of the time bar, but also joinder determinations, real party in interest identification, or any other non-merits rationale for non-institution. Thus, practitioners must pay even more careful attention to the decisions of the PTAB's "precedential," "informative," decisions and any other "expanded panels" POP decisions to begin to see how these questions will be addressed.

The PTAB has utilized "expanded panels" since at least 2015.^[ix] Information about when and whether such panels would be convened was at first scarce and cryptic, though was gradually clarified in a series of issued "Standard Operating Procedures" issued by the USPTO. Familiarity with these SOPs is important for practitioners dissatisfied with initial panel decisions from the PTAB in AIA reviews. The current fifteenth revision to PTAB SOP1 reflects that expanded panels may be used "to secure and maintain uniformity of the Board's decisions" and may be requested by either party or a PTAB board member.^[x]

More recently, the USPTO has established the "Precedential Opinion Panel," or "POP," comprising the Director of the USPTO, the Commissioner of Patents, and the Chief Administrative Patent Judge. As explained in tenth revision to PTAB SOP2, the POP is intended to "creat[e] binding norms for fair and efficient Board proceedings, and [establish] consistency across decision makers under the Leahy-Smith America Invents Act."^[xi]

Thus far, the POP has issued four decisions: *GoPro, Inc. v. 360Heros, Inc.*, IPR2018-01754, decided in August, 2019, ruled that *any* complaint alleging infringement of a subject patent triggers the time bar of §315(b), even if the party alleging infringement lacked standing to do so. The August 2019 GoPro

decision mirrors a concession made by the government in May 2019 *certiorari* briefing which is the subject of the reference in the Thryv dissent's frustrated observation that "the government now concedes that the patent owner is right and this entire exercise in property-taking-by-bureaucracy was forbidden by law."^[xii] *Hulu, LLC, v. Sound View Innovations, LLC*, IPR2018-01039, decided in December 2019, addressed the showing necessary at institution to show a "printed publication" qualifies as such. *Proppant Express Investments, LLC v. Oren Techs LLC*, IPR2018-00914, decided in March, 2019, found that a party may join its own prior petitions under §315(c) to avoid the time bar of §315(b) in instances "where fairness requires it and to avoid undue prejudice to a party" such as considering "actions taken by a patent owner in a co-pending litigation such as the late addition of newly asserted claims."^[xiii] *Hunting Titan, Inc. v. Dynaenergetics Europe GmbH*, IPR2018-00600, decided July 6, 2020 addressed when and whether the Board may raise grounds of unpatentability against claims proposed as substitute claims. There, the POP found that the Board may "in rare circumstances" raise its own grounds of patentability, but those "rare circumstances" were not present in the case at hand.

Mechanisms to Seek Rehearing from the PTAB

After Thryv, it appears unlikely that any reviewing body but the USPTO itself can or will review determinations as to institution that a dissatisfied litigant feels is erroneous. At present, the primary procedural avenue to raise an erroneous or inconsistent application of the law *by* the PTAB *to* the PTAB is by way of a petition for rehearing. Generally, such petitions for rehearing must show an abuse of discretion and (unless review by an expanded panel or the POP is granted) go before the same panel which denied institution in the first instance.^[xiv] While the SOPs for expanded panels and the POP would hypothetically allow a non-institution to be entertained by an expanded panel or

the POP, such instances will likely be rare. SOP1 for expanded panels notes that their use is “not favored and ordinarily will not be used.” Similarly, SOP2 states that the POP is intended for issues having “exceptional importance in the limited situations where it is appropriate to create such binding agency authority through adjudication before the Board.” Thus, re-visitation by the PTAB to an issue decided will likely be the exception, not the norm. A practitioner who wishes to obtain such review will be well advised to carefully construct an argument that explains how the issue from the panel from which review is sought meets the exacting criteria set forth in the USPTO’s regulations and SOPs.

Importance of Familiarity with Precedential, Informative, and POP Decisions

While the POP and precedential decisions do offer some “norms” and “consistency” for now, it is unclear whether that consistency will last from administration to administration. After all, as noted repeatedly in the *Thryv* dissent, the Director is a political appointee.^[xv] What one appointed official can do, another can revisit, as may well be the case in the future.

Even so, as before *Thryv*, a thorough practitioner before the PTAB must be familiar with the PTAB’s “precedential,” “informative,” and expanded panel and POP guidance and decisions. With the enormously expanded authority *Thryv* grants to the PTAB to determine the law for itself, familiarity with the PTAB’s own efforts to provide consistency and guidance are critical for any PTAB practitioner.

[i] *Thryv Slip Op.* at 4.

[ii] *Slip Op.* at 3, *Dissent* at 3.

[iii] *Slip Op.* at 5.

[iv] *Id.*

[v] Slip Op. at 6.

[vi] *Dex Media, Inc. v. Click-to-Call Technologies, LP*, 2019 WL 1972722 (U.S.), 10 (“the USPTO Director has concluded that the court’s resolution of the underlying merits issue - i.e., the second question presented in the petition - is correct.”)

[vii] *Gopro Inc. v. 360 Heros, Inc.* IPR2018-01754; August 23, 2019

[viii] Slip Op. at note 6.

[ix] *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Matal*, 868 F.3d 1013, 1015 (Fed. Cir. 2017).

[x]
<https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf>, at 15.

[xi]
<https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>, at 2.

[xii] Thryv dissent at 1.

[xiii] *Id.* at 4.

[xiv] 37 CFR §42.71(c), (d).

[xv] Thryv dissent at 1, 20, 22.

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