



Problem solving: a rehearing proposal

The review of instituted decisions at AIA trials is in desperate need of reform, say **Dion M Bregman, Jonathan Stroud** and **Karon Fowler**

For decades, all three branches of the US government have tried their hand at implementing various laws, rules, and procedures to curb both the necessity and the expense of US patent litigation, much of which was initiated by non-practising entities. One such Congressionally-created mechanism – the America Invents Act (AIA) of 2011 allows a limited means to seek review of a patent issued by the US Patent and Trademark Office (USPTO). AIA trials promised to be significantly less expensive and more efficient than district court post-grant validity determinations.

In 2014, the first year of the streamlined proceedings, 75% of petitions for AIA trials were instituted on at least some of the challenged claims;¹ and by one year later, over 80% of final written decisions for instituted AIA trials resulted in a finding of unpatentability.

While AIA trials have helped reduce the overall cost of US patent litigation, for patent owners, they have also significantly reduced the value of patent portfolios. For six years, the courts and the Patent Trial and Appeal Board (PTAB) have tweaked and twisted the AIA trial process, most recently with the Supreme Court of the US' *SAS Institute v Iancu* decision.² At the same time, institution, settlement, and unpatentability rates have steadily decreased. Some argue that these changes have resulted in a more equitable AIA trial process.³ Others believe that certain changes will only benefit the patent bar by increasing expenses without meaningfully changing outcomes.

At least one significant mechanism of AIA trials, however, remains in desperate need of reform: reviews of institution decisions. While final written decisions are appealable to the Court of Appeals for the Federal Circuit, institution decisions are final and non-appealable, except for a handful of narrow exceptions.⁴ This provides the PTAB with broad discretion on decisions on institution, with little oversight.

Current position

In AIA trials, a party dissatisfied with the PTAB panel's institution decision may request a rehearing⁵ where the challenging party has the burden

of showing that a decision should be modified.⁶ The party's "request must specifically identify all matters the party believes the board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply."⁷ At the institution stage, the challenging party must also demonstrate that the board abused its discretion. Without an institution decision, neither party can appeal the board's denial.

Currently, a request for rehearing is assigned to the same three-member panel that issued the institution decision. This practice results in the original panel reviewing its own decision for an abuse of discretion.⁸ In other words, the original panel is asked whether it abusively "misapprehended or overlooked" evidence or misapplied the law in reaching its own decision on institution – the one that the panel spent time and effort to recently author.

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As such, it is not surprising that administrative patent judges (APJs) rarely grant requests for rehearing of their own institution decisions. Parties have filed approximately 338 requests for rehearing of institution decisions. The board has granted only 13, and eight of the 13 were granted in part (around 4%), see figure 1. Stated differently, the board has granted roughly 4% of requests for rehearing of institution decisions since the AIA's inception.

Given these staggering statistics, requests for rehearing are perceived by the patent bar as futile gestures that lack any meaningful

Figure 1: Success rate of requests for rehearing of decisions on institution at the PTAB

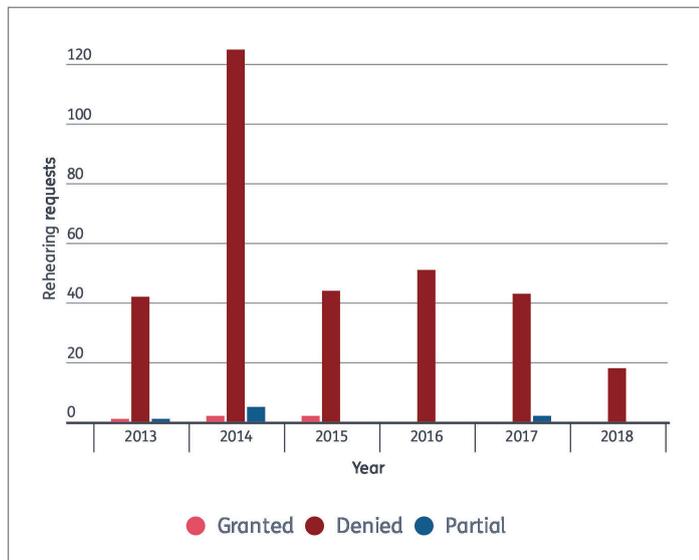


Figure 2: PTAB institution rates



procedural or substantive due process. Indeed, for a denial of institution, the board does not have any timeline or regulations controlling when a decision (one that usually denies the request) should issue. In fact, some practitioners report having waited more than 10 months for a decision, which was ultimately a denial.

That neither a decision on institution nor a rehearing request for that decision is appealable to the Federal Circuit compounds the perceived injustice.⁹ Declining institution rates – from 87% in 2013 to only 62% as of the USPTO’s most recent report for 2018 – further exacerbate concerns,¹⁰ see figure 2.

The Supreme Court of the US’ 5-4 decision in *SAS Institutes v Iancu*,¹¹ plus the board’s subsequent guidance¹² provides some degree of relief. All institution decisions are now binary: the board will either institute as to all claims and grounds or none. If the board institutes on all claims and grounds, a final written decision will result, which is appealable.¹³ If the board declines institution, the decision on institution remains unreviewable. With this backdrop, the issue of requests for rehearing of institution decisions has understandably sparked interest across the industry.¹⁴

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Additional APJ

We propose a solution that the board can implement via an Administrative Procedures Act (APA) rule change, avoiding the need for congressional intervention. Requests for rehearing of decisions on institution should be assigned to, and reviewed by, at least one additional APJ who was not part of the original panel. When a party requests a rehearing of the decision on institution, the additional APJ would conduct a “first review” to evaluate the request’s grounds *de novo*. As part of the “first review” process, the additional APJ would submit a proposed, non-binding public recommendation for the original panel’s consideration. Then, after considering the proposal alongside the rehearing request,

the original panel would issue a written decision on the request.

Though unlikely to offer the impartiality of judicial review by the Federal Circuit or by an entirely different three-member panel, one additional APJ’s “first review” and recommendation would, at a minimum, apply another pair of eyes to the review. This process, in turn, would be one step toward improving public perception of, and confidence in, the meaningful availability of a rehearing process.

For example, where the original panel is unconsciously biased against reversing its own initial decision, the additional APJ affords a degree of objectivity that the current practice circumvents. And, if one APJ on the original panel harbored doubts but was overruled by the other APJs, the one doubting APJ can more easily side with the outside APJ’s recommendation. Thus, public perception of institution decision making and overall institutional legitimacy would likely improve.

The additional APJ’s outside perspective and objectivity may decrease the chance of inconsistencies or mistakes in the original institution decision, – that is, the additional APJ may catch errors that those immersed in the materials missed, thereby providing an important quality check on otherwise unreviewable administrative decision making.

Importantly, this proposal requires no statutory or regulatory overhaul. Title 35 Section 6(a) already provides that “[e]ach appeal, derivation proceeding, post-grant review, and *inter partes* review shall be heard by at least three members of the PTAB, who shall be designated by the director.”¹⁵ Moreover, the regulations for rehearings do not conflict with the proposal’s underpinnings.¹⁶

Naturally, that the panel “shall be designated by the director”¹⁷ may raise concerns about “stacking”. As such, the authors further recommend that the additional APJ be designated at the same time that the initial three-judge panel is constituted.

Then, the additional APJ need only take action if and when a party requests rehearing of the decision on institution. Designating the additional APJ at the proceeding’s outset while reserving involvement unless and until a rehearing is requested. This would not only avoid the “stacking” issue, but also increase efficiency and lessen expense as compared to an entirely separate three-member panel addressing rehearing requests.

Requiring the additional APJ to issue a formal recommendation would resolve any concerns about *ex parte* decision making between the original APJs and the additional APJ. To be clear, this proposal contemplates an order, not necessarily a separate memorandum or opinion.

The order may be as simple as a standard checklist to indicate the basis for its recommendation and a short recitation of the reasons for its recommendation (eg, statement of points believed to have been misapprehended or overlooked by the original panel). This document would thus balance the need for accountability with the value of judicial economy.

The authors further propose requiring establishment of a modest fee (eg, \$1,000-\$2,500) for requesting rehearing of institution decisions, one forgiven or reduced for small or micro-entity status.

The benefits of this fee are at least twofold. First, given the oft-voiced concerns about limited financial resources for the USPTO, the fee would lessen any financial burden imposed by the additional APJ's work. It would also deter parties from frivolously filing rehearing requests as a matter of course after any institution decision regardless of the request's merits. As such, the modest fee would naturally limit the workload imposed on the board.

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Summary

The current approach to requests for rehearing of decisions on institution has become a regular concern for patent owners, petitioners, and practitioners. It should be a concern for the PTAB as well. The results of current procedures, as borne out in the statistics, erode public perception of the opportunity for meaningful review, threaten institutional legitimacy, and raise due process concerns, particularly in an area where the Federal Circuit and the Supreme Court have recently voiced concern.

To combat this, the authors propose that an additional APJ be added at the time that the three-APJ panel is constituted, the additional APJ provide a “first review” of any requests for rehearing of the institution decision, and additional APJ provides a recommendation to the original three-APJ panel. Fitting within the current statutory and regulatory framework, this proposal for review with an additional APJ is prime for rulemaking. Critically, it would provide a much-needed shift toward better public perception, efficient yet meaningful review, and greater consistency and accuracy in PTAB decision making.

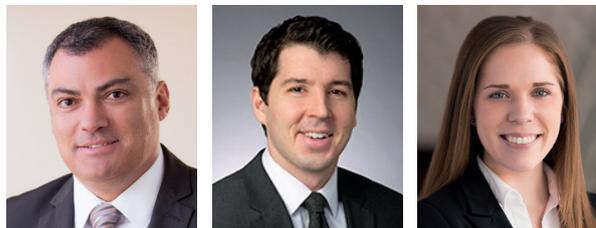
Footnotes

1. These numbers reflect IPR petitions only, although any statistical change including petitions for covered business methods (“CBMs”) and petitions for post-grant review (“PGRs”) would likely have been negligible. See USPTO, AIA progress at 4 (16 July 2015), https://www.uspto.gov/sites/default/files/documents/071615_aia_stat_graph.pdf
2. 138 SCt 1348 (2018).
3. AIA trial processes have grabbed the attention of Congress as well. On 20 March 2018, US Representatives Steve Stivers and Bill Foster introduced HR 5340, titled ‘Support Technology & Research for Our Nation’s Growth and Economic Resilience (STRONGER) Patents Act.’ In late June 2017, US senators Chris Coons, Tom Cotton, Dick Durbin, and Mazie Hirono introduced a version of the bill to the US Senate. The bill proposes a number of changes

to AIA trial practice, including among other things (1) requiring the USPTO to use the district court standard for claim construction; (2) changing the burden of proof to clear and convincing evidence; (3) requiring that the petitioner must have a business or financial reason for standing; and (4) specifying that the panel that decides whether to institute a US states senator for Delaware, The STRONGER Patents Act of 2017: section by section, <https://www.coons.senate.gov/imo/media/doc/STRONGER%20Patents%20Act%20of%202017%20Section-By-Section.pdf> (last visited 21 Mar 2018).

4. For example, in *Wi-Fi One v Broadcom*, 878 F.3d 1364 (Fed Cir 2018), the Federal Circuit sitting *en banc* held that the USPTO director’s time-bar determinations under 35 USC § 315(b) are not exempt from judicial review. *Id.* at 1375.
5. See 37 CFR § 42.71(d).
6. See 37 CFR § 42.71(d).
7. *Id.*
8. 37 CF § 42.71(c). A decision is an abuse of discretion if it is based on an erroneous interpretation of law, a factual finding is not supported by substantial evidence, or an unreasonable judgment is made in weighing relevant factors. *Star Fruits SNC v US*, 393 F.3d 1277, 1281 (Fed Cir 2005); *Arnold P’ship v Dudas*, 362 F.3d 1338, 1340 (Fed Cir 2004); *In re Gartside*, 203 F.3d 1305, 1315–16 (Fed Cir 2000).
9. *Cuozzo Speed Techs, LLC v Lee*, 136 S Ct 2131, 2139–41 (2016)
10. USPTO, trial statistics – Patent Trial and Appeal Board (Feb 2018), https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180228.pdf
11. 138 S Ct 1348 (2018).
12. See PTAB, “Guidance on the impact of SAS on AIA trial proceedings,” USPTO.gov (26 Apr 2018), <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial>
13. 35 USC § 141(c); 37 CFR § 90.3(a).
14. See, eg, Letter from D Suchy & S Partridge to W Ross, ABA-IPL Comments on PTAB Procedural Reform Initiative,” ABA-IPL, available at https://www.americanbar.org/content/dam/aba/administrative/intellectual_property_law/advocacy/advocacy-20170731-comments.authcheckdam.pdf; Letter from M Whitaker to J Matal, Response to the Request for Comments on “PTAB Procedural Reform Initiative,” AIPLA (14 July 2017), <http://www.aipla.org/advocacy/executive/Documents/AIPLA%20letter%20on%20PTAB%20Procedures%207-14-2017.pdf>
15. 35 USC § 6(c). (emphasis added).
16. See 37 CFR § 42.71.
17. 35 USC § 6(c).

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