

Vidal's Director Reviews Show Hands-On Approach With PTAB

By Ryan Davis

Law360 (September 28, 2022, 9:27 PM EDT) -- U.S. Patent and Trademark Office Director Kathi Vidal is closely monitoring the Patent Trial and Appeal Board, invoking her authority to review its holdings multiple times in an indication that she aims to be proactive in clearing up ambiguity, attorneys say.

Vidal, who took office in April, has intervened nine times on PTAB rulings, beginning four months ago. She has issued decisions in some cases to weigh in on issues like the board's discretion to deny review of patents, and taken up other cases she hasn't yet ruled on, such as a dispute over alleged gamesmanship by patent challengers.

The U.S. Supreme Court created director reviews last year in *U.S. v. Arthrex*, after ruling the board needed greater oversight from the head of the patent office. Vidal is the first person confirmed to the post by the Senate to wield that power, and her early decisions suggest she will be using it to take a more hands-on approach to the board than some observers expected.

After the high court's ruling, there were many attorneys who assumed that while "Arthrex created this director review process, we're really not going to see it play out in very many cases whatsoever," said Christopher Ricciuti of Oblon McClelland Maier & Neustadt LLP.

The cases to date present only a small sample size, but "it's certainly clear now that Director Vidal takes this charge under *Arthrex* seriously," he said.

When there are "gray, murky areas" in PTAB practice, and "she can make a clear pronouncement of the way things should shake out, she's absolutely doing that," he added.

The decisions to date have not made major changes in how the board handles America Invents Act reviews, and some involve technical issues, like applicant admitted prior art and the estoppel effect of patent interferences, which may not come up often. But attorneys said they welcomed the close attention the patent office leader is giving the board's actions.

"I think it's good that the director is looking for, and quickly acting on, issues that might require clarification, because generally, clarity is better than lack of clarity," said Justin Oliver of Venable LLP. "Whether you agree with the decision or not, it's nice to know what the right answer is."

Recent Holdings

Vidal told Law360 last week that her director review decisions often come from group discussions, with drafts put together by her team on which she has the final say and often rewrites.

"Sometimes what you're writing is actually changing the decision, and sometimes it's more the approach to it and trying to make it more clear why we're doing what we're doing," she said.

Many of her director review decisions have come on her own initiative, without a request from the parties, sometimes only days after the board's decision. Several have involved the board's power to use its discretion to refuse to review patents, a closely watched issue that the director has fleshed out with her views.

In August, she faulted a PTAB panel for exercising its discretion to deny review of patents when the same petitioner had previously filed petitions making similar arguments, but the earlier petitions were denied based on the timing of related district court litigation.

Vidal held that barring petitioners from seeking a decision on the merits in a new petition when the previous petition was not evaluated on the merits "would undercut the congressional grant" to the PTAB of the power to revisit and revise patents, and added that "I respectfully disagree" with the panel's contrary holding.

In her most recent decision, in early September, she reviewed and upheld the board's determination that a patent challenger whose petition was denied based on the timing of a related infringement case could not seek rehearing by stipulating that it wouldn't raise the same invalidity issues in district court.

Such stipulations are intended to avoid conflicting decisions and duplicative efforts, Vidal wrote, so letting petitioners file them after the board denies review "frustrates these goals and would open the door to gamesmanship."

Attorneys said that decision likely has limited impact on its own since most petitioners already file such stipulations before the board's ruling. But to the extent there was any confusion about whether waiting for the board to rule before filing was a viable option, the director had definitively stated that it isn't.

Vidal has made clear that those stipulations are "a quid pro quo to avoiding a discretionary denial that must be affirmatively invoked prior to the board's institution decision," said Nicholas Restauri of Morgan Lewis & Bockius LLP.

By taking up the issue on her own initiative, Vidal has shown that she "is willing to step in as needed to ensure the integrity of PTAB's procedures and policies relating to streamlining invalidity challenges in cases involving parallel district court proceedings," he added.

It's also notable that the director's decision simply upheld what the board did, something she also did in the interference estoppel case in August, said Jeff Totten of Finnegan Henderson Farabow Garrett & Dunner LLP.

Had she not intervened, the board's decision would have stood and could not be appealed because it involved whether to institute review, so "we see her taking review of a decision not to change an outcome, but to comment on the issues at play in the decision," he said.

Nick Stephens of Fish & Richardson PC said, "I think Director Vidal sees director review as a tool to offer

further clarity and predictability to practitioners and to the board regarding the conduct of AIA trials."

Looking Ahead

Vidal has said she will review some cases without immediately issuing a decision, and occasionally without saying why it caught her attention.

Sometimes the reason is obvious, as in a pending high-profile dispute where companies that challenged the patents at issue in a \$2.18 billion verdict against Intel have been accused by patent owner VLSI of offering to tank their own case in exchange for payment.

In others, the director's eventual decision on review will shed light on the reason she took it up. And while it's difficult to draw many conclusions from a handful of decisions over a few months, Vidal's willingness to wade into PTAB cases has been a notable development in patent law, attorneys say.

Prior to director review, parties could request rehearing from PTAB panels, which were rarely granted, Ricciuti noted. While it's not clear whether director review will be any more frequent, litigants have taken notice that it is a possibility, he said.

"If you do believe that your panel applied the law wrong, and it's clear that they did so, I think the sua sponte decisions give practitioners some comfort that there may actually be a fruitful path to getting that changed, short of going on appeal to the Federal Circuit, by getting the director's attention and having her address it through the review process," Ricciuti said.

Before the director had the power to review PTAB decisions, exactly what the head of the patent office thought about many of the nuances of practice at the board was often unknowable, so the influx of director reviews will be helpful in advising clients on how to approach their filings, Totten said.

"It seems they will continue to be an important tool for parties before the PTAB, as they will inform the way that the board and parties approach particular issues," he said. "At this point, we're just waiting for it all to develop."

--Editing by Robert Rudinger.