

UNITED STATES
PATENT AND TRADEMARK OFFICE



Proposals in Advance Notice of Proposed Rulemaking (ANPRM)

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PATENT AND TRADEMARK OFFICE ®

Advance notice of proposed rulemaking

- On April 21, 2023, the USPTO issued an advance notice of proposed rulemaking (“ANPRM”).
- The ANPRM seeks comment on a range of possible proposals for AIA proceedings.
- The goal of the ANPRM is to ensure AIA practices align with the USPTO’s mission to promote and protect innovation and investment, and with the congressional intent behind the AIA.
- The ANPRM is a precursor to an NPRM, which will propose specific rules and will have an additional comment period.

Advance notice of proposed rulemaking

- We use an advance notice of proposed rulemaking when we need more information or data to determine whether a rule is needed, what regulation to develop, or when we want ideas or alternative suggestions for dealing with a specific issue or topic.
- NPRM or Proposed Rule: A proposed rule lays out how we plan to address a specific problem and requests comment on our plan. It consists of proposed regulatory text and a preamble ... After a proposed rule is published in the *Federal Register* and after public hearings, if the Agency holds them, we can proceed to a final rule or, if the comments warrant, we can develop a different rule and re-propose it.*

* This language is used across the government and this language came from the U.S. Department of Labor, Mine Safety and Health Administration.



Advance notice of proposed rulemaking

- Stakeholders may submit comments in response to the ANPRM until **June 20, 2023**.
 - All comments must be submitted in writing through the Federal eRulemaking Portal at <https://www.regulations.gov/document/PTO-P-2020-0022-0001>.

Disclaimer

- These slides provide only a high-level overview of portions of the ANPRM and are not intended to provide a comprehensive recitation of the proposals for which the Office is seeking feedback.
- These slides also are not intended to amend or revise anything in the ANPRM. The ANPRM is the rulemaking document USPTO has issued, and on which USPTO seeks public comment.
- Stakeholders, especially those interested in providing comments, are encouraged to review the full text of the ANRPM as published in the Federal Register, 88 Fed. Reg. 24503; available at: www.govinfo.gov/content/pkg/FR-2023-04-21/pdf/2023-08239.pdf.



Topics

- Definitions
- Discretionary Denials
- Restriction on Future District Court and AIA proceedings
- Briefing and Page/Word Limitations
- Settlement Agreements
- Feedback

ANPRM Proposal

Definitions

Proposal for feedback: Substantial relationship

- The Office is seeking feedback on what constitutes a “substantial relationship” between entities sufficient to trigger or avoid discretionary denial.

Proposal for feedback: Substantial overlap

- The Office is considering a “substantial overlap” test where claim sets are deemed to “substantially overlap” the challenged claims when at least one challenged claim is “substantially the same” as a claim in a set to which the claim is being compared.
- For purposes of this comparison, claims will be deemed to be “substantially the same” when any differences between the claims are not material to patentability.
- Alternatively, the Office is open to considering a more subjective test in which substantial overlap between claim sets is determined on a case-by-case basis.

Proposal for feedback: For-profit entities

- The Office is considering defining “for-profit” entities as:
 - Entities that do not qualify for tax-exempt status with the Internal Revenue Service including any entity that is a real party in interest with, or in privy with, a for-profit entity.
- The Office is also considering including any parties with a substantial relationship with a for-profit entity.

Proposal for feedback: Compelling merits

- The Office is considering defining “**compelling merits**” as:
 - Evidence of record before the Board at the institution stage is highly likely to lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence.
 - *See OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021–01064, Paper 102 at 49 (PTAB Oct. 4, 2022) (Director decision, precedential) (describing compelling merits as those that “plainly lead to a conclusion that one or more claims are unpatentable,” and noting that such standard can be met only “if it is highly likely that the petitioner would prevail with respect to at least one challenged claim”).
- Under this potential test, the petitioner has the burden of presenting evidence at the institution stage that leaves the Board with a firm belief or conviction that it is highly likely that the petitioner would prevail with respect to at least one challenged claim.
- The Office seeks input on when the standard should be used and whether it could benefit from further definition.



Proposal for feedback: Parallel petitions

- The Office is considering defining “parallel petitions” as:
 - Two or more petitions that:
 - (1) challenge the same patent by the petitioner or by a petitioner who has a substantial relationship with another petitioner challenging the same patent; and
 - (2) are filed on or before
 - (a) the filing date of a preliminary response to the first of two or more petitions, or
 - (b) the due date set forth in 42.107(b) for filing a preliminary response to the first petition, if no preliminary response to the first petition is filed.



ANPRM Proposal

Discretionary denials

Proposal for feedback: For-profit entities

- The Office is considering **discretionarily denying** any petition filed by an entity that:
 - (1) is a for-profit entity;
 - (2) has not been sued on or has not been threatened with infringement of the challenged patent in a manner sufficient to give rise to declaratory judgment standing;
 - (3) is not otherwise an entity that is practicing, or could be alleged to practice, in the field of the challenged patent with a product or service on the market or with a product or service in which the party has invested to bring to market; and
 - (4) does not have a substantial relationship with an entity that falls outside the scope of elements (1)–(3).



Proposal for feedback: Under-resourced patent owners

- When compelling merits are absent, the Office is considering the status of the patent owner leading to a **denial of institution** when:
 - (1) the **patent owner** had claimed **micro entity or small entity status** at issuance of the challenged patent and timely requested discretionary denial when presented with the opportunity;
 - (2) during the calendar year preceding the filing of the petition, the patent owner did not exceed eight times the micro entity gross income level under 37 CFR 1.29(a)(3); and
 - (3) at the time the petition was filed, the **patent owner** (or a licensee of the patent that started practicing the patent after becoming a licensee) was **commercializing the subject matter of a challenged claim**.



Proposal for feedback: Prior final adjudication

- The Office is considering **discretionary denying** when **prior final adjudications** by a district court or by the Office in AIA post-grant proceedings upholding the validity of claims that substantially overlap the challenged claims,
 - **except** in cases in which the petitioner has:
 - **standing** to challenge the validity of the claims in district court **or intends to pursue commercialization** of a product or service in the field of the invention of a challenged claim,
 - was **not a real party in interest or privy to the party previously challenging** one or more of the challenged claims (**unless** any earlier challenge was resolved for reasons not materially related to the merits of the petition, *e.g.*, a post-grant proceeding that was **discretionarily denied or otherwise was not evaluated on the merits**); and
 - meets a heightened burden of **compelling merits**.



Proposal for feedback: Serial petitions

- The Office is considering **discretionarily denying**—subject to two exceptions—any serial IPR or PGR petition (with at least one challenged claim that is the same as a challenged claim in a previously filed IPR, PGR, or CBM petition) that is filed by one of the following:
 - the same petitioner, a real party in interest or privy to that petitioner, a party with a significant relationship to that petitioner (as discussed in *Valve I*), or
 - a party who previously joined an instituted IPR or PGR filed by that petitioner (as discussed in *Valve I*).
- The **two exceptions** being considered are that the Board will not discretionarily deny such a petition when:
 - (1) the earlier petition was resolved for reasons not materially related to the merits of the petition (*e.g.*, was discretionarily denied or otherwise was not evaluated on the merits); or
 - (2) exceptional circumstances are shown. Exceptional circumstances may include, for example, situations in which a patentee broadens the scope of the claims through a proposed claim construction.



Proposal for feedback: Previously addressed prior art or arguments (325(d))

- The Office is considering limiting the application of 35 U.S.C. 325(d) to situations in which the Office **previously addressed** the prior art or arguments.
 - Art or arguments would be deemed to have been previously addressed where the Office evaluated the art or arguments and articulated its consideration of the art or arguments in the record.
 - The mere citation of a reference on an Information Disclosure Statement (whether or not checked off by an examiner), in a Notice of References Cited (PTO–892) during prosecution of the challenged patent, or in search results would not be considered sufficient to be deemed “previously addressed” for purposes of 35 U.S.C. 325(d).
- For example, for the art to be deemed “previously addressed,” the claims must have been distinguished over the art in the record where the art
 - was the basis of a rejection where the rejection was withdrawn or overcome by an amendment,
 - was distinguished in a notice of allowance, or
 - was discussed during an examiner interview.

Proposal for feedback:

Parallel district court litigation (*Fintiv*)

- The Board's current practice is not to deny institution of an IPR under *Fintiv*:
 - (1) when a petition presents compelling merits of unpatentability;
 - (2) when a request for denial under *Fintiv* is based on a parallel International Trade Commission (ITC) proceeding; or
 - (3) when a petitioner stipulates not to pursue in a parallel district court proceeding the same grounds as those in the petition or any grounds that could have reasonably been raised in the petition.
- Additionally, when the Board applies *Fintiv* factor 2, concerning the proximity of the district court trial date, the Board currently weighs this factor against exercising discretion to deny institution if the projected district court trial date, based on median time-to-trial data, is around the same time as or after the projected statutory deadline for the Board's final written decision.



Proposal for feedback:

Parallel district court litigation (*Fintiv*) (*cont.*)

- A new proposal in the ANPRM is **unless a safe harbor exception is met**, the Board would apply a clear, predictable rule and **deny institution** of an IPR in view of pending parallel district court litigation involving at least one of the challenged claims if the Board determines a trial in the district court action is likely to occur before the projected statutory deadline for a final written decision.
- Some safe harbors under consideration—the Board would not deny institution in view of parallel litigation if:
 - (1) the petitioner files a ***Sotera* stipulation** agreeing not to pursue potentially overlapping grounds in district court;
 - (2) the district court litigation is **stayed**; or
 - (3) the petition presents **compelling merits**.



Proposal for feedback:

Parallel district court litigation (*Fintiv*) (*cont.*)

- Another safe harbor under consideration—instead of focusing on trial dates (which may change), focus on the **relative timing of filing the petition**.
- Under this safe harbor proposal, the Board would not deny institution in view of parallel litigation if the IPR petition is **filed within 6 months** after the date on which the petitioner, a real party in interest, or a privy thereof is served with a complaint alleging infringement of the patent, **provided that no declaratory judgment action was first filed** by any such entity before the date of the complaint alleging infringement was filed.



Proposal for feedback: Limitations on concurrent (parallel) petitions

- The Office is considering an option in determining whether to institute an IPR or PGR:
 - the Board will not institute parallel petitions unless the petitioner has made a showing of **good cause** as to why parallel petitions are necessary.

Proposal for feedback:

Disclosure of ownership interests and funding

- A proposal under consideration is requiring a patent owner and petitioner to disclose:
 - anyone with an **ownership interest** in the patent owner or petitioner,
 - any **government funding** related to the patent, any third-party litigation funding support (including funding for some or all of the patent owner's or petitioner's attorney fees or expenses before the PTAB or district court), and
 - **any stake any party has in the outcome** of the AIA proceeding or any parallel proceedings on the challenged claims.

Proposal for feedback:

Disclosure of ownership interests and funding (*cont.*)

- For example, the Office could require parties to disclose beneficial ownership interests similar to what the Securities and Exchange Commission requires.
- Disclosure of such information by patent owner would be a pre-condition for the Board considering discretionary denial.

ANPRM Proposal

Stipulations regarding future district court and AIA proceedings

Proposal for feedback: Required stipulations

- The Office is considering making a *Sotera* stipulation a **necessary** but not sufficient basis for institution.
 - In other words, to survive a challenge under *Fintiv*, the Petitioner would necessarily need to file a *Sotera* stipulation.
- The Petitioner would still need to meet the other criteria for institution in view of a parallel litigation.

Proposal for feedback: Required stipulations (*cont.*)

- The Office is also considering, as a condition to not discretionarily deny institution under 35 U.S.C. 314(a), requiring
 - Petitioners to file a stipulation that neither they nor their privy or real parties have filed prior post-grant proceedings (PGRs, IPRs, CBMs or *ex parte* reexaminations requested by third parties, not by patent owner) as to any of the challenged claims; and
 - If their post-grant proceeding is instituted, neither they nor their privy or real parties in interest, will challenge any of the challenged claims in a subsequent post-grant proceeding (including PGRs, IPRs and *ex parte* reexaminations requested by third parties, not by patent owner).
- The Office is considering an exception to this rule where a petitioner can establish exceptional circumstances.
 - Exceptional circumstances may include, for example, situations in which a patentee broadens the scope of the claims through a proposed claim construction.

ANPRM Proposal

Briefing and page/word limitations

Proposals to Address Need for Additional Briefing

- The Office is considering potential good cause factors to justify additional briefing.
- Under this proposal the “good cause factors” would include:
 - (1) whether the patent owner has asserted a large number of claims in the parallel litigation;
 - (2) whether the petitioner is challenging a large number of claims;
 - (3) whether there is a dispute about a priority date requiring arguments under multiple prior art references;
 - (4) (whether there are alternative claim constructions that require different prior art references or mutually exclusive grounds;
 - (5) whether the petitioner lacks sufficient information at the time of filing the petition, *e.g.*, the patent owner has not construed the claims or provided specific information as to the allegedly infringed claims;
 - (6) whether there are a large number of claimed embodiments challenged, *e.g.*, composition claims, method of making claims, and method of use claims;
 - (7) the complexity of the technology in the case; and
 - (8) the strength of the merits of the petition.



Proposal for feedback: Additional words for additional fee and restricting additional petition

- The Office is considering allowing a petitioner to pay additional fees for a higher word-count limit since multiple petitions are not always allowed.
- Under this proposal, for the petition, the Office could allow:
 - additional fees (*e.g.*, an additional 50% or 100%), and
 - higher word-count limits (*e.g.*, an additional 50% or 100%).

Proposal for feedback: Additional words for additional fee and restricting additional petitions (*cont.*)

- If a petitioner pays the fees for filing a petition with a higher word-count limit (*e.g.*, an additional 50%), the patent owner preliminary response, patent owner response, reply to patent owner response, and sur-reply may be filed with proportionally higher word-count limits (*e.g.*, an additional 50%) at no additional charge to either party.
- Under this proposal, filing more than one petition with a higher word-count limit (*i.e.*, two or more long parallel petitions) challenging the same patent by the same petitioner, however, would not be permitted.

Proposal for feedback: Separate briefing on discretionary denial issues

- The USPTO is considering amending the rules to provide a procedure for separate briefing on discretionary denial.
 - Under this proposal, before the deadline for a preliminary response, Patent Owner may file a separate request for discretionary denial addressing any relevant factors.
 - Under this proposal, this filing would trigger the opportunity for the petitioner to file an opposition and for the Patent Owner to file a reply.

Proposal for feedback: Separate briefing on whether more than one petition is necessary

- To aid the Board in determining whether more than one petition (*i.e.*, a parallel petition) is necessary (*e.g.*, whether a showing of good cause exists), a petitioner that files two or more petitions challenging the same patent would, in a separate five-page paper filed with the petitions, identify:
 - (1) a ranking of the petitions in the order in which it wishes the Board to consider the merits, if the Board uses its discretion to institute any of the petitions; and
 - (2) a succinct explanation of the differences between the petitions, why the issues addressed by the differences in the petitions are material, and why the Board should exercise its discretion to institute additional petitions if it identifies one petition that satisfies the petitioner's burden under 35 U.S.C. 314(a) or 324(a).
- The patent owner may file a response to the ranking in a separate five-page paper filed with each preliminary response.



ANPRM Proposal

Settlement agreements

Proposal for feedback: Require filing of pre-institution settlement agreements

- The USPTO is considering changes to the rules to clarify that parties **must file with the Office true copies of all settlement agreements**, including **pre-institution settlement agreements** (or understandings between the parties, including any collateral agreements referred to in such agreements or understandings), similar to post-institution settlement agreements.
- In addition, although the USPTO may grant a motion to terminate an AIA proceeding prior to or after institution based on a binding term sheet, the Office proposes to clarify that parties are required to **file a true copy of any subsequent settlement agreements** between the parties in connection with, or in contemplation of, the termination.

ANPRM Proposal

Feedback

Feedback

- The USPTO welcomes feedback on:
 - The proposals listed, including any proposed modifications.
 - Additional specific proposals not listed in the ANPRM and input as to why those proposals would:
 - Serve the USPTO's mission to promote and protect innovation and investment, and
 - Align USPTO practices with the congressional intent behind the AIA to provide a less expensive alternative to district court litigation to resolve certain patentability issues while also protecting against patentee harassment.



Feedback

- Stakeholders may submit comments in response to the ANPRM until **June 20, 2023**.
 - All comments must be submitted in writing through the Federal eRulemaking Portal at <https://www.regulations.gov/document/PTO-P-2020-0022-0001>.

