

New regulations from the USPTO on PTAB proceedings

Are the scales balancing between patent owners and petitioners in the US?

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The US Patent and Trademark Office (USPTO) has promulgated two new regulation packages relating to proceedings before the Patent Trial and Appeal Board (PTAB or Board). The first package primarily affects pre-institution practice and applies to petitions filed on or after 8 January 2021.¹ The second package affects motions to amend and applies to proceedings instituted on or after 20 January 2021.²

This article summarizes the rule changes, discusses the background leading up to them, and notes some strategic considerations for petitioners and patent owners. While most of the changes formally adopt existing practices, the article highlights their effect and discusses the ongoing debate about the balance between patent owners and petitioners faced with patent challenges before the Board.

Instituting on all claims and all grounds (effective 8 January 2021)

The first rules package specifies that the Board may deny all grounds raised in a petition, but when instituting, ‘the Board will authorize the review to proceed on all of the challenged claims and on all of the grounds of unpatentability asserted for each claim.’³ This ‘all-or-nothing approach’ codifies the Board’s existing practice, consistent with the US Supreme Court’s holding in *SAS v Iancu*, which held that the Board’s previous practice of partial institution (instituting some claims or grounds but denying others) was not permitted under the statutory scheme.⁴ While the Supreme Court primarily addressed the Board’s practice of instituting review of some but not all claims, the Federal Circuit later held the same rationale applies to grounds, i.e., if a review is instituted, the Board must go forward with all asserted grounds (as well as all asserted claims).⁵ Therefore, the Board either institutes on all challenged claims and all asserted

grounds or denies the petition outright. While the Board has implemented this practice since *SAS*, it has done so through informal guidance and now formally amends its regulations, which still reflected the Board’s partial institution practice.⁶

The USPTO’s responses to comments published with the final rule offer some takeaways for practitioners. First, the decision to institute is solely within the Board’s discretion.⁷ And a petitioner need only show ‘there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable.’⁸ Thus, the Board can institute all grounds against all claims even if it finds the petition meets the necessary threshold for only one ground against one claim. However, the Board ‘may also consider the number of claims and grounds that meet the reasonable likelihood standard when deciding whether to institute a review’ and can deny a petition that raises some grounds that warrant review, as well as some grounds that do not.⁹ For example, in *Chevron Oronite v Infineum USA* (designated informative), the Board denied institution because it determined that meeting the reasonable likelihood threshold on only ‘two dependent claims out of a total of 20 challenged claims’ would not lead to efficient use of the Board’s time and resources.¹⁰ Similarly, in *Deeper, UAB v Vexilar* (designated informative), the Board denied institution because it determined that meeting the reasonable likelihood threshold on ‘only two claims and one ground’ out of 23 claims and four grounds would not lead to efficient use of the Board’s time and resources.¹¹

Eliminating the presumption in favor of petitioner regarding pre-institution testimonial evidence (effective 8 January 2021)

The first rules package also eliminates the presumption in favor of petitioners on factual issues raised by divergent testimonial evidence for purposes of institution.¹² This change implements

a new practice and again amends the rules governing pre-institution evidence.¹³ The USPTO states the change will eliminate confusion with other types of evidence (e.g., declarations alleging prior art or printed publication status) at the institution stage of the proceeding.¹⁴ The Board will now consider all pre-institution evidence without any presumption being applied while making institution decisions. The USPTO aims to remove any disincentive to patent owners submitting pre-institution testimonial evidence.¹⁵ Thus, the USPTO believes the change ‘removes any bias or appearance of bias in favor of petitioner.’¹⁶

Before this rule went into effect, the Board considered pre-institution testimonial evidence under a different standard than other pre-institution evidence. Under the previous rule, the Board began accepting new pre-institution testimonial evidence with patent owners’ preliminary responses.¹⁷ The Board would view any genuine issues of material facts in favor of the petitioner.¹⁸

This approach caused confusion. Some practitioners felt the rule created ‘a presumption in favor of the petitioner for questions relating to whether a document is a printed publication.’¹⁹ This question was specifically addressed in *Hulu v Sound View Innovations*, when the Precedential Opinion Panel (‘POP’) clarified that there is no presumption in favor of institution or in favor of finding an asserted reference is a printed publication, and those issues remained petitioner’s burden.²⁰

Even after *Hulu*, the USPTO noted that further confusion between the presumption and statutory burdens on petitioners pre-institution may exist. And it also noted that the presumption in favor of the petitioner for pre-institution testimonial evidence could ‘lead to results that are inconsistent with this statutory scheme.’²¹ For example, the USPTO stated the presumption ‘may discourage patent owners from filing testimonial evidence with their preliminary responses to avoid creating a presumption against the patent owner where none would otherwise exist.’²²

With the new rule in effect, the totality of the pre-institution evidence will be considered without applying any presumptions.²³ And it remains to be seen if more patent owners will submit testimonial evidence to support preliminary responses and raise factual issues pre-institution. Additionally, pre-institution cross-examination of testimonial evidence is rare, and patent owners can submit testimonial evidence for their case in chief both before and after institution (while petitioners are arguably more limited post-institution). Thus, the overall effect of this rule change remains to be seen.

Sur-replies (effective 8 January 2021)

The first package also formally allows sur-replies to principal briefs.²⁴ This change codifies portions of the 2018 Trial Practice Guide Update and the existing Board practice of generally granting sur-replies if requested.²⁵ Thus, this practice generally provides an opposing party the opportunity to file two briefs instead of just a single opposition. For example, patent owners

may file a response to a petition (and institution decision), as well as a sur-reply to a petitioner reply brief. And petitioners may file an opposition to a patent owner’s motion to amend and a sur-reply to a patent owner reply brief. The rule changes do not expressly provide sur-replies as a matter of right, but state that ‘no prior authorization is required to file a sur-reply’ to a principal brief.²⁶

While sur-replies are permitted, there are some limitations. Petitioner sur-replies in response to a patent owner preliminary response still require prior Board authorization.²⁷ Sur-replies may not introduce new evidence except for cross-examination transcripts of reply witnesses.²⁸ Thus, the last declaratory evidence (e.g., from an expert witness) that a party can file on a particular issue is with its reply brief. And sur-replies may only ‘respond to arguments made in reply briefs, comment on reply declaration testimony,’ ‘point to cross-examination testimony,’ or ‘address the institution decision if necessary to respond to the petitioner’s reply.’²⁹ Thus, like reply briefs, sur-replies cannot raise entirely new arguments.³⁰ In practice, sur-replies essentially replace the previous practice of filing observations on cross-examination testimony of reply declarants³¹ (short paragraphs identifying pertinent cross-examination testimony), which some practitioners found cumbersome and limited in effectiveness.

Addressing the institution decision (effective 8 January 2021)

The first rules package also allows patent owner responses and petitioner replies to address issues discussed in the institution decision.³² This change also codifies portions of the 2018 Trial Practice Guide Update and provides an express basis to make these types of arguments.³³ Patent owner responses generally respond to the petition, but may also address the Board’s institution decision.³⁴ Similarly, petitioner replies generally respond to patent owner responses, but may also address the Board’s institution decision.³⁵ Thus, petitioners can raise arguments that respond to positions or views set forth in the Board’s institution decision even if a patent owner does not raise them in a patent owner response. Patent owner sur-replies generally only respond to petitioner replies, but, if necessary to respond to a petitioner reply, may also address the Board’s institution decision.³⁶

Instead of re-litigating the institution decision, this change lets the Board ‘solicit responsive evidence and arguments on certain issues’ as the trial progresses.³⁷ And practitioners should view the practice as an opportunity to develop a more complete written record and clarify issues leading up to the Board’s final decision on patentability.³⁸

Allocation of burdens for motions to amend in PTAB proceedings (effective 20 January 2021)

The second rules package outlines the allocation of burdens on the parties when a patent owner files a motion to amend during

Notes and references

1. PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence, 85 Fed. Reg. 79,120 (9 December 2020), available at www.federalregister.gov/documents/2020/12/09/2020-27048/ptab-rules-of-practice-for-instituting-on-all-challenged-patent-claims-and-all-grounds-and.
2. Rules of Practice to Allocate the Burden of Persuasion on Motions to Amend in Trial Proceedings Before the Patent Trial and Appeal Board, 85 Fed. Reg. 82,923 (21 December 2020), available at www.federalregister.gov/documents/2020/12/21/2020-28159/rules-of-practice-to-allocate-the-burden-of-persuasion-on-motions-to-amend-in-trial-proceedings.
3. 37 C.F.R. §§ 42.108(a), 42.208(a); 85 Fed. Reg. 79,121.
4. See *SAS Inst., Inc. v Iancu*, 138 S. Ct. 1348, 1353 (2018).
5. See *PGS Geophysical AS v Iancu*, 891 F.3d 1354, 1360 (Fed. Cir. 2018); *AC Techs. S.A. v Amazon.com, Inc.*, 912 F.3d 1358, 1364 (Fed. Cir. 2019).
6. 37 C.F.R. §§ 42.108(c), 42.208(c) (2020); 85 Fed. Reg. 79,121 (USPTO response to comment 1).
7. *SAS*, 138 S. Ct. at 1356 (explaining that 35 U.S.C. § 314(a) ‘invests the Director with discretion on the question *whether* to institute review’).
8. See 37 C.F.R. §§ 42.108(c), 42.208(c).
9. *Id.* (citing *SAS Q&As*, Part D, Effect of *SAS* on Future Challenges that Could Be Denied for Statutory Reasons (June 5, 2018), available at https://www.uspto.gov/sites/default/files/documents/sas_qas_20180605.pdf).
10. *Chevron Oronite Co. LLC v Infineum USA L.P.*, Case IPR2018-00923, Paper 9 at 11 (Nov. 7, 2018) (Informative).
11. *Deeper, UAB v Vexilar, Inc.*, Case IPR2018-01310, Paper 7 at 43 (24 January 2019) (Informative).
12. 85 Fed. Reg. 79,122; 37 C.F.R. §§ 42.108(c), 42.208(c).
13. Originally, patent owners could not submit testimonial evidence pre-institution unless it was in the interests of justice, a relatively high bar. In 2016, the USPTO amended its regulations to allow patent owners to submit testimonial evidence pre-institution but viewed genuine issues of material facts in a light most favorable to petitioners. 81 Fed. Reg. 18,750, 18,755. Some practitioners believed this approach disincentivized patent owners from submitting testimonial evidence with patent owner preliminary responses.
14. 85 Fed. Reg. 79,122.
15. *Id.*
16. 85 Fed. Reg. 79,125 (USPTO response to comment 14).
17. 85 Fed. Reg. 79,121.
18. *Id.*
19. *Id.*
20. *Hulu, LLC v Sound View Innovations, LLC*, Case IPR2018-01039, Paper 29 at 16 (PTAB 3 April 2019) (precedential).
21. 85 Fed. Reg. 79,122.
22. 85 Fed. Reg. 79,121.
23. *Id.*
24. 85 Fed. Reg. 79,121; 37 C.F.R. §§ 42.23, 42.24, 42.120, and 42.220.
25. See 85 Fed. Reg. 79,121.
26. 85 Fed. Reg. 79,124 (USPTO response to comment 8).
27. 37 C.F.R. §§ 42.108(c)(42.208(c); see Consolidated Trial Practice Guide, 52; see also *Xactware Sols., Inc. v Pictometry Int’l Corp.*, IPR2016-00593, Paper 11, 3 (PTAB Jul. 1, 2016).
28. *Id.* (USPTO response to comment 9).
29. 85 Fed. Reg. 79,121.
30. See Office Patent Trial Practice Guide, August 2018 Update, PTO–P–2018–0050 at 15 (August 2018), available at www.uspto.gov/sites/default/files/documents/2018_Revised_Trial_Practice_Guide.pdf.
31. 85 Fed. Reg. 79,121.
32. *Id.*
33. *Id.*
34. See *id.*
35. See *id.*
36. See *id.*
37. 85 Fed. Reg. 79,124 (USPTO response to comment 6).
38. *Id.*
39. 85 Fed. Reg. 82,923.
40. See 35 U.S.C. §§ 316(d), 326(d).
41. 85 Fed. Reg. 82,925.
42. *Id.*
43. *Aqua Prods., Inc. v Matal*, 872 F.3d 1290, 1327 (Fed. Cir. 2017) (*en banc*) (addressing *Idle Free Sys., Inc. v Bergstrom, Inc.*, Case IPR2012-00027, Paper 26 (PTAB 11 June 2013) and *MasterImage 3D, Inc. v RealD Inc.*, Case IPR2015-00040, Paper 42 (PTAB 15 July 2015)).
44. *E.g., Hunting Titan, Inc. v DynaEnergetics Europe GmbH*, IPR2018-00600, Paper 67 (PTAB 6 July 2020) (precedential); Notice Regarding a New Pilot Program Concerning Motion To Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 84 Fed. Reg. 9,497 (15 March 2019), available at www.federalregister.gov/documents/2019/03/15/2019-04897/notice-regarding-a-new-pilot-program-concerning-motion-to-amend-practice-and-procedures-in-trial.
45. 85 Fed. Reg. 82,923–36.
46. 85 Fed. Reg. 82,927; 37 C.F.R. §§ 42.121, 42.221.
47. 85 Fed. Reg. 82,927.
48. *Lectrosanics, Inc. v Zaxcom, Inc.*, IPR2018-01129, Paper 15 at 4 (PTAB 25 February 2019) (precedential).
49. See 37 C.F.R. § 42.20(c).
50. *Aqua Prod.*, 872 F.3d at 1327 (Fed. Cir. 2017).
51. 85 Fed. Reg. 82,925.
52. *Id.*
53. *Western Digital Corp. v SPEX Techs., Inc.*, IPR2018-00082, -00084, Paper 13 at 4 (PTAB 25 April 2018).
54. 85 Fed. Reg. 82,925.
55. *Lectrosanics*, IPR2018-01129, Paper 15 at 4 (precedential).
56. 85 Fed. Reg. 82,925.
57. 85 Fed. Reg. 82,927 (citing 35 U.S.C. §§ 316(d), 326(d); 37 C.F.R. §§ 42.121(a)(2), (a)(3), (b)(1), and (b)(2), or 42.221(a)(2), (a)(3), (b)(1), and (b)(2)).
58. 85 Fed. Reg. 82,928–29 (USPTO response to comment 1).

an Inter Partes Review (IPR) or a post-grant review (PGR) proceeding.³⁹ Motion to amend practice, and in particular the respective roles of the parties as well as the Board, has a somewhat tumultuous history. The ability to seek amendment is part of the statutory scheme for IPR or PGR proceedings.⁴⁰ Soon after the America Invents Act, the Board required patent owners to show any substitute claims proposed in a motion to amend met the statutory requirements and were patentable.⁴¹ This was based, in part, on the procedural requirement that patent owners file a motion and the general practice that a moving party bears the burden to show it is entitled to the relief it seeks.⁴² The Board issued early guidance and precedent on motions to amend, which were later challenged and addressed in *Aqua Products v Matal*.⁴³ The burdens and motion to amend practice have been the subject of several Federal Circuit opinions, Board decisions, and separate rule packages.⁴⁴

This most recent rules package follows several recent cases, outlines the Board's approach to motions to amend, and formally changes the rules to specify the respective burdens.⁴⁵ Patent owners bear the burden to show that a motion to amend complies with statutory and regulatory requirements; petitioners bear the burden to show the substitute claims are unpatentable.⁴⁶ But, notwithstanding these burdens, the Board may, in its discretion, grant or deny a motion to amend.⁴⁷ These changes codify the existing practice outlined in *Lectrosonics v Zaxcom*, which the Board designated precedential on 7 March 2019.⁴⁸

This practice is somewhat different from earlier Board practice and precedent. Before *Aqua Products*, the Board applied the general rule that a movant bears the burden to show it is entitled to its requested relief – in the context of motions to amend, a patent owner bore the burden to show its substitute claims were patentable.⁴⁹ This practice was challenged in *Aqua Products*,⁵⁰ which led to a series of changes and subsequent cases regarding motions to amend. Soon after *Aqua Products*, the Board issued guidance removing the express burden on a patent owner to show patentability.⁵¹ And the Board de-designated several previously precedential opinions that conflicted with *Aqua Products*.⁵² The Board designated *Western Digital v SPEX Technologies* as informative on 1 June 2018, which found 'the burden of persuasion will ordinarily lie with the petitioner to show that any proposed substitute claims are unpatentable.'⁵³ However, the Board subsequently de-designated *Western Digital* and designated *Lectrosonics* as precedential.⁵⁴ While *Lectrosonics* places the burden on the petitioner to show substitute claims are unpatentable, it distinguishes that burden from the burden placed on a patent owner to show substitute claims comply with statutory and regulatory requirements.⁵⁵

This rule package now formally adopts the precedent set by *Lectrosonics*. In practice, the Board first determines whether the patent owner meets the statutory and regulatory requirements before considering the patentability of the proposed substitute claims.⁵⁶ These requirements include showing that:

1. a reasonable number of substitute claims are proposed;
2. the substitute claims do not enlarge the scope of the original claims or introduce new matter;
3. the original specification (and any priority application relied on) provides sufficient written description to support each substitute claim; and
4. the substitute claims respond to asserted grounds of unpatentability.⁵⁷

It is the Board's view that the patent owner, as drafter of the substitute claims and written description, can best explain why the number of substitute claims is reasonable, why the substitute claims do not enlarge the scope of the claims, and how the written description supports the substitute claims.⁵⁸

The Board then determines whether the petitioner has met its burden to show unpatentability of proposed substitute claims.⁵⁹ This burden now matches the petitioner's burden to show unpatentability of the original claims in the proceeding – by a preponderance of the evidence.⁶⁰ Petitioners may do so by introducing new evidence (e.g., new prior art or new expert declarations) and presenting new arguments specific to the substitute claims.⁶¹ Petitioners can also raise other grounds of unpatentability, including patent ineligibility and indefiniteness.⁶²

Notwithstanding the burdens on the parties, the Board has discretion to grant or deny a motion to amend in the interests of justice.⁶³ This means the Board may

'*sua sponte* raise unpatentability grounds based on the IPR record and not be limited to the unpatentability grounds asserted by the petitioner in its petition or opposition to the motion to amend.'⁶⁴

The change codifies the holding in *Hunting Titan v DynaEnergetics Europe GmbH*, which was recently decided by the POP and designated precedential on 6 July 2020.⁶⁵ Though, the Board notes that it expects to exercise this discretion only in rare circumstances.⁶⁶

Following the rationale in *Hunting Titan*, the Board may exercise its discretion to deny a motion (1) when a petitioner ceases to participate in the proceeding or (2) 'where certain evidence of unpatentability has not been raised by the petitioner, but is readily identifiable and persuasive such that the Board should take it up in the interest of supporting the integrity of the patent system.'⁶⁷ For example, the first situation may occur when the petitioner settles after the patent owner files a motion to amend, the proceeding continues, and the Board addresses the motion to amend. The second situation may occur when the record establishes the substitute claims in the motion to amend 'are unpatentable for the same reasons that corresponding original claims are unpatentable.'⁶⁸

The Board has emphasized that it expects to exercise its discretion in rare circumstances only, when the evidence of

unpatentability is blatantly apparent.⁶⁹ And the Board may also exercise its discretion to grant a motion when it is clear from the record that the motion meets the statutory and regulatory requirement even though a patent owner fails to show one or more of the requirements.⁷⁰

Generally, the evidence considered by the Board in a motion to amend includes only evidence submitted by the parties.⁷¹ However, when exercising its discretion, the Board can supplement the record with ‘readily identifiable and persuasive evidence in a related proceeding before the USPTO or evidence that a district court can judicially notice’ when exercising discretion to grant or deny a motion to amend in the interests of justice.⁷² For example, the Board could consider prior art raised in related proceedings before the Board involving the patentability of related claims.⁷³ Or the Board could also take official notice of any fact allowed to be judicially noticed by a district court. For example, the Board might take official notice of a date on which an internet archive was captured.⁷⁴

If the Board does raise an issue *sua sponte*, it must provide the parties an opportunity to respond before rendering a final decision.⁷⁵ This requirement follows general due process protections provided to parties subject to US government agency actions and expressly applies to PTAB proceedings, including Board decisions on motions to amend.⁷⁶ *Hunting Titan* (specifically addressing the Board’s discretion to *sua sponte* raise issues when addressing motions to amend) reiterated this requirement.⁷⁷ There are several ways the Board expects to meet these requirements. For example, the Board may request (1) ‘supplemental briefing from the parties

regarding [the Board’s] proposed ground for unpatentability’ or may request (2) the parties discuss the Board’s ground of unpatentability asserted against the substitute claim at an oral hearing.⁷⁸ One express limitation is that the Board cannot adopt a ground of unpatentability against a substitute claim that was asserted against an original claim without providing separate notice to the parties.⁷⁹

Conclusion

Most of the rule changes codify existing practices. However, two rule changes usher in new practices. First, the Board will no longer apply any presumption regarding testimonial evidence when deciding whether to institute review. Second, the Board has formally outlined the burdens regarding motions to amend and, perhaps most notably, explained when the Board may raise its own ground of unpatentability against substitute claims. In addition to these formal rule changes, the Board’s pilot programme regarding motions to amend remains in effect.⁸⁰ This programme allows patent owners to receive non-binding guidance on whether a motion to amend meets the statutory and regulatory requirements, as well as the patentability of the substitute claims.⁸¹ And it allows patent owners an opportunity to submit new substitute claims in view of the Board’s guidance.⁸² Stay tuned as we continue to follow the ever-changing practice before the PTAB. **D**

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Notes and references (continued)

59. 85 Fed. Reg. 82,927.

60. *Compare* 35 U.S.C. §§ 316(d), 326(d) with 37 C.F.R. §§ 42.121(d), 42.221(d).

61. 84 Fed. Reg. 9,498

62. See *Uniloc 2017 LLC v Hulu, LLC*, 966 F.3d 1295, 1303–04 (Fed. Cir. 2020) (determining that the PTAB is not ‘limited in its review of proposed substitute claims to anticipation or obviousness’); e.g., *Amazon.com, Inc. v Uniloc Luxembourg S.A.*, IPR2017-00948, Paper 34 at 10 (PTAB 18 January 2019) (precedential) (patent eligibility); *Intel Corp. v Alacritech, Inc.*, IPR2017-01409, Paper 79 at 22–24 (PTAB 14 November 2018) (indefiniteness).

63. 85 Fed. Reg. 82,927.

64. *Nike, Inc. v Adidas AG*, 955 F.3d 45, 53 (Fed. Cir. 2020).

65. *Hunting Titan*, Paper 67 at 4 (precedential).

66. *Id.* at 25.

67. *Id.* at 12–13.

68. *Id.* at 13.

69. *Hunting Titan*, Paper 67 at 4, 5, 13, 25 (precedential); PTAB Boardside Chat Webinar Series at 18, 21 (28 January 2021), available at www.uspto.gov/sites/default/files/documents/20200128_ptab_boardside_chat.pdf.

Fed. Reg. 82,933 (USPTO response to comment 10).

71. 85 Fed. Reg. 82,927.

72. 85 Fed. Reg. 82,927; 37 CFR §§ 42.121(d)(3), 42.221(d)(3).

73. *Id.*

74. *Id.*

75. *Id.*

76. *Nike v Adidas*, 955 F.3d at 52.

77. *Hunting Titan*, Paper 67 at 14 (PTAB 6 July 2020) (precedential).

78. *Id.* at 15–16.

79. *Id.* at 14–15

80. Notice Regarding a New Pilot Program Concerning Motion to Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 84 Fed. Reg. 9,497 (15 March 2019), available at www.federalregister.gov/documents/2019/03/15/2019-04897/notice-regarding-a-new-pilot-program-concerning-motion-to-amend-practice-and-procedures-in-trial.

81. *Id.*

82. *Id.*

70.

85