Counsel predict Leahy’s PTAB bill will pass, but with changes

In-house and private practice lawyers say Leahy’s attempt to strengthen the PTAB will probably succeed, but it is unclear whether all of his reforms will pass

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Senator Patrick Leahy

A new Patent Trial and Appeal Board bill will probably pass Congress in some form, but some provisions may be more difficult to get through than others, say in-house and private practice lawyers.

Democratic senator Patrick Leahy announced his intentions to introduce the bill last week. On Wednesday, September 29, he and Republican senator John Cornyn released the full text of the proposed legislation.

Among other provisions, the bill eliminates discretionary denials under the NHK-Fintiv rule, institutes uniform standards for staying district court proceedings and codifies *US v Arthrex*.

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The NHK-Fintiv rule sets out that administrative patent judges (APJs) can deny institutions on the basis that parallel proceedings in the district courts will finish first.

Attorneys speaking to Managing IP are unsure whether the final version of the law will actually keep the part of the bill that eliminates this rule.

Fintiv frustrations

The head of litigation at a generic pharmaceutical business says large innovator pharma companies are probably very opposed to this portion of the bill and may lobby against it. "That's a big deal, and the companies are very effective [at lobbying]."

Some counsel are fairly optimistic, however, that this part of the bill will get through Congress.

Joseph Matal, partner at Haynes and Boone in Washington DC and who served as USPTO acting director in 2017, says stakeholders submitted public comments in 2020 in response to the USPTO's discretionary denials and that they were heavily critical of the patent office's practices.

He noted that these comments came from companies in a range of industries including automotive, medical devices and generic drugs. Matal was one of the principal drafters of the America Invents Act, which introduced the PTAB.

Sources add that the provision that precludes discretionary denials under Fintivis one of the most important parts of the bill for companies.

The head of litigation at the generic pharma company points out that PTAB petitions are expensive to put together.

"We take them very seriously; and when we put them in, we expect the USPTO to look at them substantively. It has a very chilling effect not to know whether the patent office is even going to institute them."

The litigation head adds that the USPTO has denied one of his company's petitions simply because a third party was also contesting that patent in district court litigation.

"It was very frustrating for us not to have our petition substantively reviewed, and we're very pleased to see Congress looking at that and trying to avoid that situation."

Attorneys add that they won't have to be as worried about their resources going to waste if this part of the bill goes into effect.

David Simon, senior vice president for intellectual property at Salesforce in San Francisco, says that under the current regime lawyers like him might think they have good inter partes review (IPR) cases but be hesitant to waste money knowing that the cases are highly likely to be denied on discretionary grounds.

Other sources say the USPTO's current policy requires companies to file too early, and the change in law could help with this issue.

Matal at Haynes and Boone says some companies have found that they have to file within four months of being sued in district courts to avoid Fintiv denials. But the PTAB would be required to allow parties one year to file after they are sued in district court under this bill.

"This one-year period would give petitioners adequate time to conduct a prior art search and learn how the patent owner is construing its claims and which claims it intends to assert, as the America Invents Act Congress intended," says Matal.

Stay with me

Sources say another significant – and possibly controversial – aspect of this bill is one that addresses whether district court judges should stay litigation when parallel PTAB proceedings will resolve the same validity issues. The bill is intended to encourage district court judges to stay these matters.

Many district court judges already stay litigation in these circumstances. But others, such as Alan Albright at the District Court for the Western District of Texas, don't typically stay district proceedings because of parallel PTAB matters.

The bill says judges should consider four main criteria when they decide whether to stay or deny civil proceedings.

These factors include whether the outcome in the IPR will simplify the issues in the district court dispute and whether discovery in the litigation is complete when the stay is requested.

They also look at whether the stay would present a clear tactical advantage for the moving party or unduly prejudice the non-moving party, as well as whether it would reduce the burden of litigation on the parties and the court.

The bill also allows for immediate interlocutory appeal from the US Court of Appeals for the Federal Circuit of decisions to deny or grant requests to stay.

David Holt, principal at Fish & Richardson in Washington DC, says this portion of the bill is notable because it sets a single, consistent set of criteria across districts and gives the Federal Circuit the immediate ability to ensure these criteria are consistently applied.

"Depending on how involved the Federal Circuit chooses to become, this could certainly have a substantial impact on some of the stay practices we are currently seeing in various district courts," he says.

Counsel add that they are frustrated by denials of requests to stay when there are parallel PTAB proceedings.

Simon at Salesforce says it's quite wasteful to proceed with district court litigation when an IPR will finish first and the cases are unlikely to go to trial anytime soon.

Plaintiffs in patent disputes, however, typically want judges to decline to stay proceedings and will likely be opposed to this provision.

And the rest

Other portions of the bill may also be tricky to get through Congress.

The bill, for example, expands IPR and post grant review jurisdiction to encompass obviousness-type double patenting.

This occurs when patent owners attempt to extend their rights by obtaining claims in a second patent that are not "patentably distinct" from claims in their first.

Scott McKeown, partner at Ropes & Gray in Washington DC, says this provision could receive pushback from innovator pharma companies. They may be more likely to dig their heels in than others because they will worry about their patents being attacked on these grounds.

As a result, this may be less likely to end up in the final bill than other provisions, says McKeown.

The bill is also notable because it addresses the issue of director review – which the USPTO put into effect because of *US v Arthrex*. The bill also requires any decision by the director to be issued in a separate written opinion.

Trenton Ward, partner at Finnegan in Georgia and former lead APJ at the PTAB, says the director review provision will likely stay in the final bill because it essentially codifies what SCOTUS has already said.

But he says this could be influential because it could reduce the number of challenges to the ways in which the USPTO implements director review.

Other provisions may not be particularly controversial because they won't significantly affect IP stakeholders, such as the bill's focus on motions to amend – where a patent owner that has its patent challenged can file a motion to amend the patent.

The bill sets out that patent owners that file motions to amend must prove prove patentability, and the PTO must examine the substitute claims.

McKeown at Ropes & Gray points out that the amendment process is very uncommon. To the extent that there is pushback on this part of the bill, it will come from smaller, independent inventors.

"If you're amending your claims at the PTAB, you're arguing the patentability anyway, so which side has the burden really isn't all that important," he adds.

Leahy's bill will likely get through Congress in some form, but it will also be the subject of controversy in the months ahead. IP stakeholders will have to fight hard for and against the provisions that will affect them the most if they want to have the final say.