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COMMENTARY

New Director Reviews: The Latest IPR Guidance From the Patent Office

The new Patent Office director has invoked her director review power to reconsider the Board's decisions 10 times, issuing six decisions to date spanning a range of issues, says Armond Wilson's Josepher Li and Michelle Armond.

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Intellectual Property

By Josepher Li and Michelle E. Armond | October 18, 2022 at 06:25 PM

Over the last decade, the Patent Trial and Appeal Board has emerged as the nation's busiest patent court, litigating a large number of patent validity disputes through inter partes review (IPR) proceedings. Patent Office Director Kathi Vidal has been very active since she was sworn in six months ago. The new director has invoked her director review power to reconsider the board's decisions 10 times, issuing six decisions to date spanning a broad range of issues. Below is a snapshot of her director review decisions so far, and a preview of what is on the horizon.

Sanctions

In the first director review to be decided after briefing, *OpenSky Industries v. VLSI Technology*, this recent decision is brimming with allegations of misconduct. The director summarized the unusual circumstances in this IPR in a 52-page opinion. She determined that petitioner OpenSky abused the IPR process by filing its petition for the improper purpose of extracting payment from both VLSI and accused infringer Intel, and further engaged in discovery misconduct by failing to comply with director-ordered discovery. The director imposed sanctions, appointing Intel as lead petitioner and ordering OpenSky to show cause why it should not be ordered to pay compensatory expenses for its abuse of process. On Monday, after VLSI objected, the director issued another director review to consider whether the IPR proceeding should be allowed to proceed. Events in this review are still unfolding and there is certainly more to come in the next month or two.

Discretionary Denials Under 'Fintiv'

Discretionary denials are a hot topic in IPRs. Under the previous director, the board was permitted to turn away IPR petitions due to co-pending litigation or other considerations under the *Fintiv* decision. In June, the new director shook things up by issuing guidance clarifying that an IPR petition will not be denied under *Fintiv* if accompanied by a Sotera stipulation agreeing that a petitioner will not raise in a district court proceeding the same challenge, or any challenge it reasonably could have raised, in the IPR. In the follow-on *NXP Inc. v. Impinj* decision, the director clarified that a belated Sotera stipulation, "offered by a petitioner for the first time after a decision denying institution, is not a proper basis for granting rehearing of the decision on institution." Recognizing the potential for gamesmanship, she held that "the only appropriate time for a petitioner to offer a stipulation ... is prior to the board's decision of whether to institute review."

'General Plastic' Discretionary Denial

In a pair of discretionary denial decisions, *Code200 v. Bright Data*, the director vacated the board's discretionary denials of IPR petitions under the precedential *General Plastic* decision because of an earlier petition. The director found denial of later petitions unwarranted where the earlier petition was discretionarily denied and not evaluated on the merits, and there was no evidence of "road-mapping" in the later petition. This decision cited the PTAB's "mission to improve patent quality and restore confidence in the presumption of validity that comes with issued patents outweighs the impact on the board resources needed to evaluate the merits of a petition."

Applicant Admitted Prior Art

IPR petitioners sometimes rely on statements in the specification of the challenged patent, which are commonly referred to as "applicant admitted prior art" (AAPA). The director recently issued updated guidance clarifying the treatment of AAPA in IPRs under 35 U.S.C. Section 311(b), requiring that IPR grounds be based on "prior art consisting of patents or printed publications." In *MED-EL*

Elektromedizinische v. Advanced Bionics, she applied that updated guidance and held that AAPA does not form the basis of a ground when used in combination with at least one prior art patent or printed publication, and thus must be considered by the board.

Interference Estoppel

Interference estoppel was the subject of director review in *Zynga v. IGT*. Under Patent Regulation 41.127(a)(1), a party is estopped from raising any issues that were, or could have properly been, raised and decided in a prior Patent Office interference proceeding. In *Zynga*, the director decided that interference estoppel does not apply to PTAB trial and preliminary proceedings.

What's Next?

The director has granted review in four other cases and these decisions are expected in the near future. Further allegations of abuse of the IPR process will again be reviewed in *Patent Quality Assurance v. VLSI Technology*, where the director authorized briefing and discovery. Director Vidal has also ordered review and briefing on multiple-dependent patent claiming strategies in *Nested Bean v. Big Beings USA*. Director review is also underway in *AviaGames v. Skillz Platform* and *Boehringer Ingelheim v. Kansas State University*.

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