

## A Proposed Rule For En Banc PTAB Review

*Law360, New York (February 24, 2017, 11:59 AM EST)* -- The nonreviewability of Patent Trial and Appeal Board institution decisions creates problems for the PTAB, the parties and the public. The authors' proposed en banc review procedure would go a long way toward solving those problems.

By statute, the PTAB's decisions regarding whether or not to institute an America Invents Act trial are "final and nonappealable."<sup>[1]</sup> The U.S. Supreme Court's *Cuozzo* decision emphasized that the statute "does bar judicial review of ... mine-run claim[s] ... involving the Patent Office's decision to institute" trials.<sup>[2]</sup> And although *Cuozzo* may have created some narrow exceptions for challenges to institution decisions that "implicate constitutional questions," raise "due process" concerns, or go beyond the board's statutory limits,<sup>[3]</sup> broad judicial review of institution decisions remains unlikely.<sup>[4]</sup>

Thus, a dissatisfied party's only recourse (whether seeking institution or denial) is a request to the original panel to reconsider.<sup>[5]</sup> The original panel rarely grants such requests, however, frustrating both patent owners and petitioners. This frustration may be leading to a perception that panel rehearing is not meaningful, especially because judicial review is absent. Lack of judicial review might be less of an issue if the PTAB designated more opinions precedential or informative to help ensure consistent results. But few opinions are designated this way. And only a small subset of the designated decisions address institution issues.<sup>[6]</sup>

To address these concerns, the authors propose creating an "en banc" rehearing procedure. The key features of this procedure are:

- Requesting parties, after paying a fee, obtain a review of an institution decision as a matter of right by an expanded panel of judges.
- Briefing for the en banc rehearing is completed in a month, and the en banc panel provides a written opinion within three months of the institution decision.



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- Opinions from en banc panels are designated informative and have an inside track for precedential designation.

Everyone with a stake in the PTAB's success would benefit from such a procedure. Unhappy parties — and there is at least one in each institution decision — would benefit from an effective and expeditious review that includes judges not involved in the original decision. The PTAB itself would be given the procedural tools and additional resources necessary to exercise an authoritative, high-quality, and confidence-inspiring internal agency “appellate” role over its own institution decisions. This would help the PTAB reconcile inconsistencies, internal differences of opinion regarding the law, procedure, etc., and develop a more uniform jurisprudence. And the patent bar would be better able to guide clients with confidence in the PTAB's ability, despite no judicial oversight, to consistently and correctly evaluate whether or not an AIA trial should be instituted.

### **Proposed Rule for Review "En Banc" to Supplement the Existing Rehearing Procedure**

Our proposed draft review program[7] is as follows (underlining indicates changes to current regulations):

42.71 (c) Petition Decision. A decision by the Board on whether to institute a trial is final and nonappealable. A party may request rehearing on a decision by the Board on whether to institute a trial pursuant to (d) of this section. When rehearing a decision on petition, a panel will review the decision for an abuse of discretion. A party may request rehearing en banc on a decision by the Board on whether to institute a trial pursuant to (e) of this section. When rehearing en banc is requested, the en banc panel will review the decision on petition de novo.

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42.71(e) Request for Rehearing En Banc. A party may request rehearing en banc from any institution decision.

(1) The En Banc Panel. Upon receiving a request for en banc rehearing and payment of the fee, the Chief Judge shall select an en banc panel. The en banc panel shall be composed of the original panel and at least four additional judges selected by the Chief Judge.[8] The Chief Judge shall select the additional judges based on a variety of qualifications, including experience, seniority, technical or legal expertise, and other factors the Chief Judge deems appropriate.

(2) Briefing and Decision Schedule; Briefing Requirements; Fees.

(i) A party (or parties collectively) dissatisfied with an institution decision may file a single request for rehearing en banc without prior authorization from the Board within 14 days of the entry of the institution decision. The party requesting the rehearing en banc shall have the burden of showing an institution decision should be modified. The request may be no longer than 3,900 words and shall not include new evidence or arguments. The request for rehearing en banc shall not toll times for taking action. A [\$10,000][9] fee shall be paid at the time the request is filed.

(ii) The other party (or parties collectively) to the institution decision may file a single response opposing the request within 30 days of the entry of the institution decision and after the request for rehearing en banc is filed. The response may be no longer than 3,900 words and shall not include new evidence or arguments. The response to a request for rehearing en banc shall not toll

times for taking action. No fee is required to respond to the request.

(iii) The en banc panel shall issue a written opinion no later than three months after the entry of the institution decision, and after receipt of a request for rehearing en banc and payment of the fee specified in (i).

(3) Precedential Effect. Opinions of the en banc panel shall initially have the force of informative opinions. The Chief Judge shall decide whether the decision of the en banc panel should be given precedential status within six months of the en banc decision.

### **Advantages of the “En Banc” Review Model**

#### ***The Current Rehearing Procedure Does Not Provide a Meaningful Mechanism for Review Of Institution Decisions***

Cuozzo held that Congress largely meant what it said when it made PTAB institution decisions “final and nonappealable.” The Supreme Court stated “though it may not bar consideration of a constitutional question, for example,” the AIA “does bar judicial review of ... mine-run claim[s] ... involving the Patent Office’s decision to institute” an AIA trial.[10] The Federal Circuit has rebuffed creative efforts to obtain judicial review via an Administrative Procedure Act suit in district court[11] or a writ of mandamus.[12] At the moment, the only exception to this blanket rule is a PTAB decision on whether a patent is eligible for covered business method review.[13] The Federal Circuit’s forthcoming en banc ruling in *Wi-Fi One* may change whether the timeliness requirement of 35 U.S.C. § 315(b) can be appealed and may further expand the scope of review of institution decisions.[14] Nonetheless, the plain language of the statute ensures that broad appellate review of institution decisions will likely remain unavailable to dissatisfied petitioners and patent owners alike.[15]

The PTAB’s rules provide a rehearing procedure, 37 C.F.R. § 42.71(d), but the scope of arguments is narrow. Under the rule, a party dissatisfied with a panel’s institution decision may ask the same panel to reconsider its decision. Because the standard of review is an “abuse of discretion,” persuading the panel to change its original decision has proven to be very difficult.[16] And in some cases, depending on the panel, may not “disagree with the panel’s assessment of the arguments or weighing of the evidence.”[17] The PTAB also has no statutory or regulatory timeline for ruling on rehearing requests, and rulings tend to linger due to the lack of incentives for prompt decisions.

Unsurprisingly, rehearing rarely results in modification or reversal of the original decision. Without additional resources, the PTAB cannot provide an independent review by administrative patent judges uninvolved in the institution decision. In addition, without the threat of judicial review, the highly deferential standard is difficult to overcome.

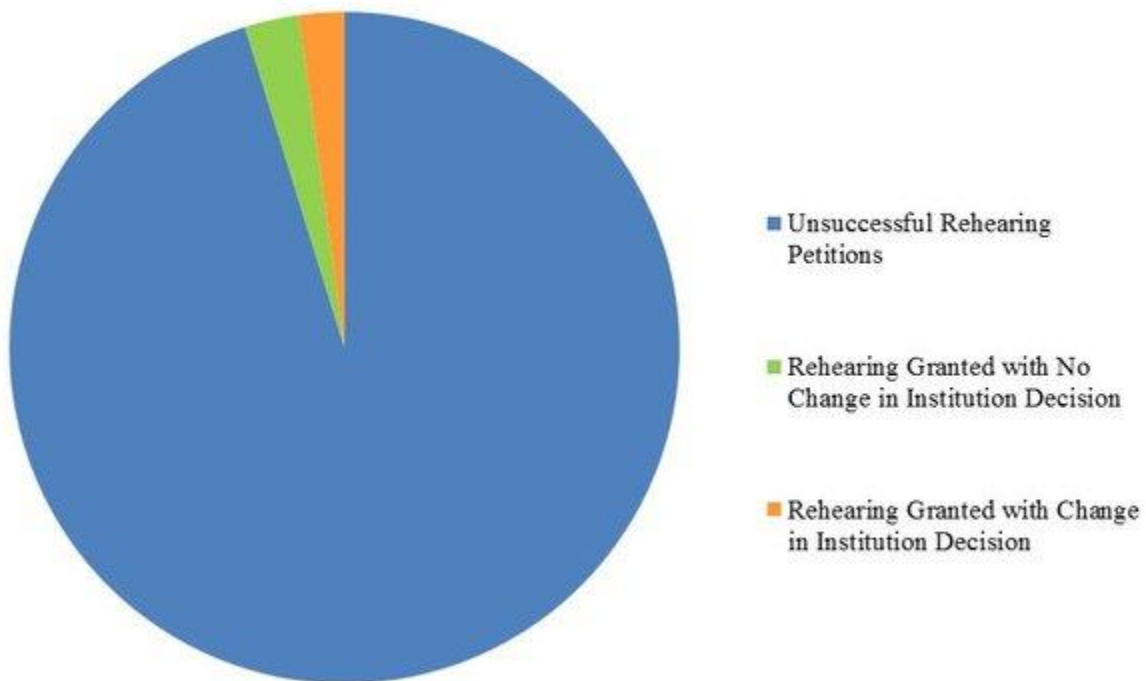
To quantify how rare successful requests are, we reviewed the PTAB’s recent decisions on requests for rehearing of institution decisions. Since January 2016, the PTAB “granted” less than 5 percent of the rehearing requests (only 11 out of 229 rehearing requests: 166 requests filed by petitioners, 63 requests by patent owners). But even these small numbers overstate the success of rehearing requests. None of the granted requests for rehearing by patent owners resulted in material modifications to the institution decisions, such as revocation of institution or of a statutory ground for invalidity. For petitioners, of the seven granted rehearing requests four resulted in a denied petition being instituted, and a fifth resulted in an additional ground of invalidity being added to the petition.[18] Stated differently, only 2.2 percent

of all rehearing requests by petitioners and patent owners last year resulted in material modifications to institution decisions.

**Table 1: Requests for Rehearing From Institution Decisions, January 2016-Present**

	Rehearing Requests Filed	Rehearing Granted	Change In Institution Decision
<b>Total</b>	229	11	5
<b>By Petitioner</b>	166	7	5
<b>By Patent Owner</b>	63	4	0

**Figure 1: Total Requests for Rehearing From Institution Decisions, January 2016-Present**



In the last six months, the statistics are even more drastic: Of 108 rehearing petitions filed, only one was granted (and it was for a patent owner), but it did not result in a material change in the institution decision. Stated differently, none (0 percent) of more than 100 requests for rehearing resulted in material modifications to institution decisions.

**Table 2: Requests for Rehearing From Institution Decisions, August 2016-Present**

	Rehearing Requests Filed	Rehearing Granted	Change In Institution Decision
<b>Total</b>	108	1	0
<b>By Petitioner</b>	81	0	0
<b>By Patent Owner</b>	27	1	0

In addition to rehearings under 37 C.F.R. § 42.71(d), the PTAB’s standard operating procedures allow for the chief judge to authorize rehearing by an “expanded panel” — ostensibly to provide more objectivity — however, such requests are rarely granted and the process for considering the requests is opaque to outsiders.[19] Over the past six months, parties have lodged only seven requests for an expanded panel at the institution stage; none of these requests were granted.

These statistics substantiate the frustration for all parties who may feel that challenging even the most egregious errors of law or fact in an institution decision, albeit without fees, is futile. In contrast, under the proposed en banc system, even if additional, independent judges affirmed the original decision, the disappointed party is more likely to feel that it obtained a full and fair reconsideration.

While the PTAB created a review procedure for institution decisions, without meaningful checks by the Federal Circuit, or even internal checks by the PTAB, the current rehearing procedure lacks accountability. Additionally, with few precedential or informative opinions to guide them, individual PTAB panels fashion their own jurisprudence without reconciling prior inconsistent board opinions.[20] On issues such as successive petitions, as just one example, panel decisions point in opposite directions for no apparent reason.[21] Without review, reconciling the conflicts that occur from time to time between panel-dependent decisions is difficult, if not impossible, contributing to a perception that the PTAB may not be fairly administering the law.[22]

***An Optional, Fast, Authoritative and Effective “Second Look” at Institution Decisions for All Parties***

The proposed en banc review procedure would supplement the current rehearing regulation for institution decisions, providing at least four additional administrative patent judges in addition to the original panel. In anticipation of issuing a definitive “precedential” opinion, such as in critical cases touching on areas of the law where precedent is absent or where previous panels have not been uniform, the chief judge could further expand the panel beyond the minimum number of additional judges. Charging a reasonable but not insignificant fee, such as \$10,000, will help limit the number of meritless requests and provide the PTAB with the resources necessary for a timely and effective review, including a written opinion issued within three months of the institution decision. The chief judge could staff these expanded panels from a group of respected administrative patent judges whose primary role could become overseeing institution decisions to ensure fairness and uniformity and guide the public and the rest of the PTAB.

Unlike most reform proposals, which often pit petitioners and patent owners against one another, this proposal would improve the PTAB for all aggrieved participants. All disappointed participants, whether patent owner or petitioner, could obtain a second opinion from additional, objective administrative patent judges, albeit for a fee. These fees would provide a good value for the parties and the PTAB. Petitioners would be the most obvious beneficiary of this procedure because an institution denial ends the PTAB proceeding with no recourse except the current rehearing. Patent owners would benefit too.

Currently, once trial is instituted, patent owners can expect to lose patent rights, with 84.4 percent of final decisions from inter partes review and CBM petitions resulting in at least one instituted claim being declared unpatentable.[23] The proposed en banc procedure would allow patent owners an opportunity to cut off an AIA trial before it progresses further. The PTAB benefits from having the ability to provide additional guidance to the public and the administrative patent judges, without having to extend the statutory timeframe of the proceedings.

### **Conclusion — Greater Public Confidence in the PTAB**

At the moment, the nonreviewability of institution decisions, combined with their significance to the parties, is a major concern for the Federal Circuit and the patent bar. The PTAB may be viewed with some degree of skepticism so long as it lacks a system for holding individual panels accountable for their institution decisions. By providing better internal PTAB mechanisms for addressing panel decisions, the Federal Circuit and the public will feel more confident that petitions approved or denied for trial have been thoroughly and properly considered by the board and that the board's standards for making such decisions are correct and consistent. Further, the proposed rule allows the chief judge to further expand the panel beyond the minimum number of additional judges in anticipation of issuing more significant decisions. The proposed en banc procedure thus promotes greater consistency in the legal standards applied at the PTAB, allows the PTAB to sort out problematic areas of the law and procedure within a set time frame, and prevents double standards by facilitating precedent development.

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[1] 35 USC § 314(d) (IPR); 35 U.S.C. § 324(e) (PGR, CBM).

[2] *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2136, 2139-42 (2016).

[3] *Id.* at 2141-42.

[4] See *Cuozzo*, 136 S. Ct. at 2142 (“[W]here a patent holder grounds its claim in a statute closely related to that decision to institute inter partes review, § 314(d) bars judicial review.”). The Federal Circuit will soon address *Cuozzo*’s reach in *Wi-Fi One, LLC v. Broadcom Corp.*, Nos. 2015-1944, -1945, -1946, slip op. at 2 (Fed. Cir. Jan. 4, 2017) (order granting en banc review).

[5] 37 C.F.R. § 42.71(d).

[6] *Oracle Corp. v. Click-to-Call Techs. LP*, IPR2013-00312, Paper 26 (PTAB Oct. 30, 2013) (precedential only as to Section II.A) (one-year time bar); *LG Elecs., Inc. v. Mondis Tech. Ltd.*, IPR2015-00937, Paper 8 (PTAB Sept. 17, 2015) (one-year time bar); *Lumentum Holdings, Inc. v. Capella Photonics, Inc.*, IPR2015-00739, Paper 38 (PTAB Mar. 4, 2016) (real parties in interest); *SecureBuy LLC v. CardinalCommerce Corp.*, CBM2014-0035, Paper 12 (PTAB Apr. 25, 2014) (§ 325(a)(1) bar to review after DJ action applies in CBM).

[7] While the program could also be modified to include final decisions, that topic is beyond the scope of this article.

[8] In an alternative approach that would help control costs, the panel could be composed of only the authoring judge from the original panel plus two additional judges.

[9] This number is a placeholder to foster discussion. Determining the actual fee is beyond the scope of this article, but the fee should be high enough to pay for the added expenses the PTAB will incur to include and support the extra judges. The PTAB would analyze these fees further, along with any comments received from the public.

[10] 136 S. Ct. at 2141-42 (“Such ‘shenanigans’ may be properly reviewable in the context of § 319 and under the Administrative Procedure Act, which enables reviewing courts to “set aside agency action” that is ‘contrary to constitutional right,’ ‘in excess of statutory jurisdiction,’ or ‘arbitrary [and] capricious.’”).

[11] *In re Dominion Dealer Solutions*, 749 F.3d 1379 (Fed. Cir. 2014).

[12] *Versata Dev. Grp. v. Lee*, 793 F.3d 1352 (Fed. Cir. 2015).

[13] *Versata Dev. Grp. v. SAP America*, 793 F.3d 1306 (Fed. Cir. 2015).

[14] *Achates Reference Publ’g, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015).

[15] *St. Jude Medical, Cardiology Division v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014).

[16] 37 C.F.R. § 42.71(c).

[17] *Sophos, Inc. v. Finjan, Inc.*, IPR2015-01022, Paper No. 9 (PTAB Jan. 28, 2016).

[18] Based on data from PTAB rehearing decisions addressing the Board’s decision whether or not to institute review published on Docket Navigator as of January 1, 2016.

[19] PTAB Standard Operating Procedure #1, Rev. 14 (2012), states that it may be necessary to expand a

panel to address issues of exceptional importance including the continued viability of an existing precedential decision, conflicting Board decisions, differences of opinion between different Judges, and on request from the Commissioner.

[20] See *Google Inc. v. ContentGuard Holdings, Inc.*, CBM2015-00040, Paper No. 9, at 21 (PTAB June 24, 2015) (“[W]e are not bound by a decision of another Board panel, unless it is designated as precedential . . .”).

[21] For example, in *Medtronic Xomed, Inc. v. Neurovision Med. Prods., Inc.*, the PTAB granted institution on a petition presenting the same prior art presented in a previously denied petition because the arguments were not “the same as those presented in the prior petition.” IPR2016-01406, Paper No. 12, at 9 (P.T.A.B. Dec. 29, 2016). But in *Alarm.com, Inc. v. Vivint, Inc.*, the panel rejected institution because the petitioner was using “prior Board decisions as a roadmap to correct past deficiencies” that were avoidable. IPR2016-01080, Paper No. 11, at 11-12 (P.T.A.B. Nov. 16, 2016).

[22] See, e.g., Gene Quinn, *Misleading PTO Statistics Hide a Hopelessly Broken PTAB*, IPWatchdog, Sept. 6, 2016, <http://www.ipwatchdog.com/2016/09/06/pto-statistics-hide-broken-ptab/id=72513/> (“[I]nstitution of IPR challenges is far more likely when there are multiple petitions filed against the same patent because it makes it easier for PTAB judges to meet their production quota.”).

[23] Derived from Patent Trial and Appeal Board Statistics, Dec. 31, 2016, available at [https://www.uspto.gov/sites/default/files/documents/aia\\_statistics\\_december2016.pdf](https://www.uspto.gov/sites/default/files/documents/aia_statistics_december2016.pdf).