

# Developments at the PTAB: What Practitioners Can Learn From Vidal's 2023 Sua Sponte Director Reviews

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In 2023, Director Kathi Vidal exercised her authority to conduct sua sponte director reviews of Patent Trial and Appeal Board (PTAB) decisions and addressed a wide range of issues that will impact PTAB practitioners. Many of these sua sponte director reviews related to inter partes review (IPR) institution decisions, which are generally not reviewed at the PTAB and, in nearly all circumstances, are not appealable. These sua sponte director reviews provide important guidance to practitioners on many issues of PTAB practice, including the application of *Fintiv*, the use of applicant-admitted prior art, and the *Advanced Bionics* standard.

Director review is a proceeding in which the director of the U.S. Patent and Trademark Office (USPTO) reviews an aspect of a PTAB decision before any appeal to the Federal Circuit. The U.S. Supreme Court held that the Director must have the discretion to review all administrative patent judge decisions in *United States v. Arthrex*, 141 S. Ct. 1970 (2021), and the USPTO's director review process is the practical implementation of that holding. The director may review any PTAB decision at the request of a party or sua sponte.

The USPTO recently revised its director review procedures, issuing the Revised Interim Director Review Process, which now allows parties to seek review of the PTAB's (1) decision to institute a trial, (2) final



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written decision, or (3) decision granting a request for rehearing. The director then determines whether to grant the request for director review or delegate the request to a delegated rehearing panel for further consideration.

Similarly, and without a party request, the director can initiate a director review on any issue. Historically, these sua sponte director reviews have been relatively rare. Last year, however, Vidal initiated 10 sua sponte director reviews. Vidal's decisions and reasoning in sua sponte director review decisions demonstrated a

focus on clear procedural rules, efficiency, and maintaining the integrity of PTAB.

This article reviews some of Vidal's notable 2023 *sua sponte* director reviews and provides practice tips for PTAB practitioners based on those decisions.

**Conclusory Expert Declarations: 'Xerox Corp. et al. v. Bytemark', IPR2022-00624, Paper 12 (Feb. 10, 2023)**

This director review addressed the appropriate weight to be given to conclusory expert testimony. The PTAB denied institution because the petitioner relied on an expert declaration that the PTAB determined was a complete echo of "the conclusory assertion for which it is offered to support." The PTAB therefore concluded the expert declaration was entitled to little weight and denied institution.

On director review, Vidal affirmed the PTAB's conclusion, explaining that the declaration was merely a "word-for-word" copy of "[p]etitioner's conclusory assertions." The director confirmed that a declaration that sets forth only "conclusory assertions as though they are facts, rather than setting forth facts" is entitled to little or no weight under 37 C.F.R. §42.65. This decision confirms the principle that practitioners and PTAB judges have espoused for years—the expert declaration must be more than a verbatim copy of the petition itself.

**'Fintiv' and the 'Compelling, Meritorious Challenge' Standard: 'CommScope Technologies v. Dali Wireless', IPR2022-01242, Paper 23 (Feb. 27, 2023)**

In this director review, Vidal addressed the standard for a "compelling, meritorious challenge" and its interplay with other *Fintiv* factors. The PTAB instituted the petition despite a *Fintiv* challenge, concluding it presented a compelling, meritorious challenge, but did not analyze the other *Fintiv* factors.

Vidal clarified that under the Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (June 21, 2022) (Guidance Memo), the PTAB must first assess *Fintiv* factors 1-5 and determine that they support a discretionary denial, before assessing whether the petition presents a "compelling merits question." In other words, the PTAB cannot simply take a shortcut to the merits question.

Further, the director explained the standard for whether a petition presents a "compelling, meritorious challenge" such that it should not be discretionarily denied under 35 U.S.C. §314. The director noted that the Guidance Memo states that a compelling challenge is one "in which the evidence, if unrebutted in trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence." Thus, "the compelling merits standard is a higher standard than the standard for institution set by statute."

The decision explains that this higher standard attempts to balance numerous "competing concerns" such as "potentially conflicting outcomes, avoiding wasteful parallel proceedings, protecting against patent owner harassment" and more.

Although this opinion trod relatively little new ground beyond prior director reviews, Vidal's decision provided important clarification on previous director reviews and the Guidance Memo. Parties cannot simply ignore the first five *Fintiv* factors and jump to the compelling merits question when addressing *Fintiv*. Petitioners similarly must be mindful that the "compelling, meritorious challenge" standard is higher than the statutory burden for institution, and should explain, if necessary, why their petition meets that heightened standard.

**'Fintiv's Application to Appealed Validity Determinations: 'Volvo Penta of the Americas v. Brunswick', IPR2022-01366, Paper 15 (May 2, 2023)**

A few months later, Vidal provided further clarification in another *Fintiv*-related director review. In this case, the PTAB denied institution under *Fintiv* because one of the claims at issue had been adjudicated to be invalid at the district court but was on appeal to the Federal Circuit. First, Vidal explained that the PTAB still retained statutory authority to institute the proceeding because the district court decision was not final. Second, the director determined that the PTAB erred by failing to analyze the *Fintiv* factors in this scenario.

This director review demonstrates that *Fintiv* applies and should be considered at any point prior to the final adjudication of the claims in the district court.

**‘Advanced Bionics’ Standard: ‘Keysight Technologies v. Centripetal Networks’, IPR2022-01421, Paper 14 (Aug. 24, 2023)**

This director review clarified that merely submitting a reference in an information disclosure statement (IDS) likely satisfies the first part of the *Advanced Bionics* framework, regardless of whether the examiner provided a discussion of the reference. The director explained that prior PTAB decisions suggesting that a reference was not previously considered when there was not a substantive discussion in the record “pre-date the precedential decision in *Advanced Bionics* and thus do not apply its two-step framework.”

The decision further clarifies that arguments related to how the examiner considered a reference are more appropriately addressed in the second part of the *Advanced Bionics* framework. This highlights the interplay between early PTAB decisions and *Advanced Bionics*.

**Good Cause For Reply Briefs: ‘Google v. Valtrus Innovations’, IPR2022-Courtesy photos 01197, Paper 12 (March 29, 2023)**

After the PTAB denied the petitioner’s request for a reply brief to address certain §325 issues raised in the preliminary response, Vidal initiated a sua sponte review. She explained that a petitioner cannot be expected to anticipate every argument that may be raised by a patent owner, and where the issue was not “reasonably foreseeable” the request for a reply should be granted.

This decision is consistent with PTAB’s recent trend of granting replies and sur-replies when new issues arise and provides guidance on the “reasonably foreseeable” standard for establishing good cause. Practitioners should consider requesting additional briefing when new, unanticipated issues arise.

**Applicant Admitted Prior Art: ‘SolarEdge Technologies v. SMA Solar Technology’, IPR2020-00021, Paper 43 (June 8, 2023)**

This director review addressed the interplay between Vidal’s 2022 Updated AAPA Guidance Memo and the Federal Circuit’s *Qualcomm* decision (22 F.4th 1367), which held that applicant-admitted prior art (AAPA)

cannot, without a prior art patent or printed publication, be the basis for an IPR ground.

In this case, the patent owner had alleged that the AAPA statements in the patent reflected only what was known to the patentee, not what was known in the art. However, the opinion clarifies that AAPA reflects an admission by the patentee, and that whether or not “the substance of the admission was ‘known’ in the art...does not impact the use of th[e] admission as AAPA.”

Although patentees can challenge whether alleged AAPA constitutes an admission of the state of the art, this decision makes clear that it may be an uphill battle in many cases. The decision also demonstrates that AAPA still has a place in IPR petitions, even if it is not used as a ground for the petition.

**Sua Sponte Director Reviews To Watch in 2024**

There are multiple pending sua sponte director reviews that practitioners should watch for in 2024. These include:

*Spectrum Solutions v. Longhorn Vaccines & Diagnostics*, IPR2021-00847, Paper 126 (June 12, 2023), which will likely address a first-of-its-kind sanction against a patent owner.

*General Motors and Nissan North America v. Neo Wireless*, IPR2023-00962, Paper 12 (Dec. 21, 2023), which will likely address the application of *General Plastic* factors and discretionary denials under §314(a) based on a prior IPR petition.

**Conclusion**

In 2023, Vidal granted several sua sponte director reviews that provided important clarification on IPR proceedings and PTAB practice. She will likely continue to use the director review process to address additional procedural and substantive issues impacting PTAB practice in the coming year. PTAB practitioners should take note of new director reviews as they are issued.

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