

PTAB Is Split On Its Discretionary Authority

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Through the America Invents Act, the Patent Trial and Appeal Board was granted discretionary powers to determine the patentability challenges under 35 U.S.C. §§102 and 103 based on patents or printed publications. With this grant of discretionary power, the PTAB has interpreted its statutory and rule-based powers to their broadest extent, often resulting in seemingly inconsistent decisions on institution of review and joinder, and in consternation from practitioners representing petitioners and patent owners alike.

Under 35 U.S.C. § 314(a), “[t]he Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” Furthermore, the U.S. Patent and Trademark Office promulgated that, “[i]f the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.” 35 U.S.C. § 315(c)



Anita Lam

Armed with these two guidelines, the PTAB recently issued a decision that implicates its discretionary power to both institute inter partes review and grant joinder. On Feb. 12, 2015, the PTAB issued a nonprecedential decision from a 4-3 split panel granting joinder of petitioner Target Corp.’s two petitions requesting IPR of the same patent. IPR2014-00508, Paper 28, at 17 (Feb. 12, 2015), and Paper 31, at 5 (Feb. 12, 2015).

First, the PTAB held that it had the authority to expand the panel of judges, under the majority’s interpretation of 35 U.S.C. § 6(c), to review “[t]he inconsistencies in the interpretation of the statute presented by the Decision Denying Joinder in the instant proceeding.” Paper 28, at 6. Then, the majority panel applied a broad statutory interpretation to 35 U.S.C. § 315(c) in allowing a petitioner to join separate petitions to the same patent. In a more narrow reading of the statute, the three dissenting judges concluded that only petitions by separate petitioners could be joined. Paper 28, at Dissent 20.

Tellingly, the dissent, penned by Judge Fitzpatrick, notes that “[t]he divergence in the two interpretations of § 315(c) stems from fundamentally different approaches to reading the statute. The majority reads § 315(c) as if it grants discretion for the Board to act in any way not expressly prohibited by the statute. By contrast, we interpret § 315(c) to grant discretion for the Board to act only in ways that are stated expressly in the statute.” Paper 28, at Dissent 2. In its desire to solidify its broad discretionary power, some judges may have been reluctant to side with a decision that would only “grant discretion for the Board to act only in ways that are expressly stated in the statute.” To avoid limiting the PTAB’s power, some judges may have chosen the argument that allowed for “grant[ing] discretion for the Board to act in any way not expressly prohibited by the statute,” which eventually concluded in the majority granting joinder in this case.

The decision has been met with great interest by the patent community, as it may be read to allow an accused infringer to file an IPR petition within the statutory 12-month period after the complaint is served, and then have an opportunity to join an additional petition against the same patent filed outside of that term. Petitioners can use this as a defensive tactic if the patentee amends the complaint after the IPR has been instituted. In addition, a petitioner may have the chance to raise new arguments should the PTAB choose not to institute review on certain claims.

However, as previously discussed, the decision is not precedential; therefore, it is not binding on any future decision. Additionally, it is likely that the three dissenters, Judges Fitzpatrick, Bisk and Weatherly, will continue to deny motions for joinder based on their statutory reading. The patent community awaits a follow-up decision to gauge the PTAB’s direction. Practitioners may also want keep an eye out for more decisions that will either expand the scope of the PTAB’s discretion or defend its already immense power.

Perhaps the PTAB’s decision was foretold by a response from the USPTO to a writ of mandamus in the Federal Circuit filed by IBM Corp. (In re Int’l Bus. Machs. Corp., No. 15-119, Dkt. 2-1 (Fed. Cir. Jan. 22, 2015)[1].

In its response, the director of the USPTO justified its statutory right to institute inter partes review (or not) to test the patentability of a patent. In re Int’l Bus. Machs. Corp., No. 15-119, Dkt. 26, at 8 (Fed. Cir. Feb. 3, 2015). To fulfill its duty, the director delegates the authority to the PTAB to make the decision whether to institute an inter partes review on behalf of the director pursuant to 37 C.F.R. §§ 42.4 & 42.108. *Id.* at 2, fn. 1. Each PTAB is different and may, in its discretion, treat similarly cited and similarly situated evidence in separate petitions differently. See *id.* at 10. As such, the resulting discrepancies between similarly cited and similarly situated evidence in separate petitions is “discretionary action [] expressly contemplated by the Board’s rule.” See *id.* (citing 37 C.F.R. § 42.104(b)(5)). Throughout its response, the director cited the board’s discretionary power numerous times, relying on 35 U.S.C. § 314 and 37 C.F.R. § 42.104:

- “Foremost, the decision whether to institute an inter partes review at all is left to the USPTO’s discretion.”
- “Thus, the USPTO never has a ‘clear nondiscretionary duty’ to institute an inter partes review.” *Id.* at 9.

- “Regardless, even assuming *arguendo* that the Board considered evidence in some petitions and refused to consider similarly cited and similarly situated evidence in other petitions, this discretionary action is expressly contemplated by the Board’s rule, which allows (but does not require) the Board to exclude evidence where the party “has failed to state its relevance.” See 37 C.F.R. § 42.104(b)(5) (“The Board may exclude or give no weight to the evidence.”). The allegedly inconsistent results cited by IBM simply reflect the Board’s exercise of discretion consistent with 37 C.F.R. § 42.104(b)(5). Because the Board has discretion to accept or exclude improperly presented evidence, IBM has no ‘clear and indisputable’ right to relief.” *Id.* at 10
- “It is the explicitly discretionary nature of the rule that allows for different outcomes even for what IBM claims are ‘similarly situated’ petitioners.” *Id.* at 11.
- “Even if Dominion Dealer did not settle the issue, the decision challenged by IBM is completely discretionary, and therefore outside of the scope of mandamus review.” *Id.* at 17.

In the wake of proposed changes to the AIA rules and decisions from appeals to the Federal Circuit, practitioners may see some guidelines put in place to define the limits of the PTAB’s discretionary power. In the meantime, however, practitioners may see additional PTAB decisions supported at least in part by the PTAB’s broad discretion.

—By Anita Y. Lam and Amanda K. Streff, Mayer Brown LLP

Anita Lam, PhD., is an associate in Mayer Brown's Washington, D.C., office. Amanda Streff is an associate in the firm's Chicago office.

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[1] IBM’s petition complained of “no consistency across merits panels — and sometimes even within a merits panel — as to how and when they may consider expert declarations filed in support of a petition,” and “[a]s a result, not all petitioners are being treated equally when a PTAB merits panel decides whether or not to institute an inter partes review trial. *Id.* at 1.
