

# Shaping the PTAB's Rulemaking and Rule Enforcement Authority

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A trio of cases this past year illustrate a trend of increasing importance of the Patent Office's rulemaking and enforcement.

## ***Parus Holdings, Inc. v. Google LLC*, 70 F.4th 1365 (Fed. Cir. 2023)**

The Federal Circuit's decision in *Parus* addressed 37 C.F.R. § 42.6(a)(3), a PTO rule that prohibits incorporating by reference arguments from another document. The court affirmed the Board's decision to not consider the patent owner's attempt to antedate a prior-art reference because the relevant arguments and evidence were incorporated by reference from multiple declarations and were not presented in the briefs themselves. The patent owner's failure to antedate the reference resulted in the challenged patent being held invalid over the cited art.

The challenged patent in *Parus* claimed priority to an application filed February 4, 2000, but the patentee argued that it could antedate an earlier cited reference (Kovatch). *Parus* included with its briefing nearly 40 exhibits (totaling 1,300 pages), as well as claim charts attached to declarations purporting to establish prior conception, diligence, and reduction to practice as of 1999. But "*Parus* only minimally cited small portions of that material in its briefs without meaningful explanation." The Board declined to consider *Parus*'s arguments and evidence seeking to antedate Kovatch, explaining that *Parus* did not present these arguments in its patent owner response or sur-reply but instead did so "in several declarations and improperly incorporate[d] those arguments by reference into its Response and Sur-reply, in violation of Rule 42.6(a)(3)."

On appeal, *Parus* argued that the Board erred in applying Rule 42.6(a)(3) because the IPR statute and PTO rules require "specific and persuasive attorney argument" only from the petitioner—not the patent owner, who is not even required to file a response at all. The Federal Circuit rejected this argument, explaining

Each of these cases explores a different aspect of the Patent Office's authority to make, interpret, and apply rules as part of Congress's delegation of power under the America Invents Act.

that, although a patent owner is not required to file a response, any response it chooses to file must comply with all applicable rules.

*Parus* further argued that the Board had improperly placed the burden of persuasion on it by refusing to consider arguments and evidence not adequately raised in its briefing. The Federal Circuit again disagreed, explaining that a patent owner attempting to antedate a reference assumes a temporary burden of production. That burden "cannot be met simply by throwing mountains of evidence at the Board without explanation or identification of the relevant portions of that evidence," and "[o]ne cannot reasonably expect the Board to sift through hundreds of documents, thousands of pages, to find the relevant facts." Rather, the patent owner must cite specific evidence and explain its relevance and applicability.

In its final argument, *Parus* suggested that the Administrative Procedure Act required the Board to consider *Parus*'s evidence, regardless of the form in which it was presented, because the Board must review "the entirety of the record." The Court rejected this argument too, stating that the APA does not require the Board to review evidence and issues that violate the rules. The Court likened this violation of Rule 42.6(a)(3) to district-court filings that exceed page limits or are untimely: there is no procedural bar to strict enforcement of these rules.

## Shaping the PTAB's Rulemaking and Rule Enforcement Authority Continued

### ***Rembrandt Diagnostics, LP v. Alere, Inc.*, 76 F.4th 1376 (Fed. Cir. 2023)**

The Federal Circuit struck a similar tone as in *Parus*, albeit with a very different outcome, in *Rembrandt Diagnostics v. Alere*. Here, the court endorsed the Board's decision to provide leeway in the rules that apply to petitioners. Ordinarily, an IPR petitioner must stick to the arguments and reasoning that it sets forth in the original petition. Deviations or additional arguments are permitted, however, if they are directly responsive to new arguments presented by the patent owner.

The patent owner Rembrandt accused petitioner Alere of presenting new theories in its reply brief, including new arguments about cost and time savings as a motivation to modify the prior art. The Federal Circuit agreed with the Board that these arguments were responsive to Rembrandt's contention that there was no motivation to modify the cited reference. The court also construed Alere's discussion of cost and time savings as properly expanding on the motivation to combine presented in the petition, which was phrased in terms of "efficiency."

The Federal Circuit also found an alternative reason to affirm, holding that Rembrandt's objection to Alere's new motivation-to-modify theory before the Board was too generic and therefore insufficient. The court noted that Rembrandt had made a very specific objection regarding another new-theory issue (not on appeal), and the present objection was insufficient by comparison.

Having disposed of this procedural issue, the court went on to affirm the Board's obviousness conclusions as supported by substantial evidence. Importantly, Rembrandt did not provide expert testimony to rebut Alere's expert. The Board was therefore free to credit Alere's un rebutted evidence that the prior art satisfied the claims and that there was a motivation to combine the cited references.

### ***Apple Inc. v. Vidal*, 63 F.4th 1 (Fed. Cir. 2023)**

The Patent Office's authority to make and enforce rules reached the height of scrutiny this past year in *Apple v. Vidal*. Apple led a number of filers in collectively challenging the Office's application of 35 U.S.C. § 314 in the Northern District of California, arguing that discretionary denials under § 314 violate the Administrative Procedure Act (APA).

Specifically, the case addressed the Director's guidelines allowing the Board to deny IPR institution even in situations where the challenger raises strong challenges. These so-called *Fintiv* guidelines (based upon the precedential case of *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019 (P.T.A.B. 2020)) are regularly cited as justification for denying institution of petitions for inter partes and post-grant review.

Apple and its co-plaintiffs identified their common interest as defendants who regularly face patent infringement allegations. As such, they argued that they are harmed by the Patent Office's arbitrary and capricious discretionary denial practice, which deprives petitioners of a regular and predictable mechanism for invalidating claims at the Patent Office. While their challenge has largely been unsuccessful so far, it has spurred new notice-and-comment rulemaking procedures limiting discretionary denials.

Section 314 provides the USPTO Director with complete discretion to deny an IPR petition through the intersection of two provisions. First, the statute does not expressly require institution under any circumstance. Rather, § 314(a) sets the reasonable-likelihood of success as a minimum threshold for granting institution. Second, § 314(d) of the statute indicates that the decision of whether to institute is non-appealable.

The district court dismissed the APA case for lack of subject-matter jurisdiction under 5 U.S.C. § 701(a)(1), which precludes APA suits where "statutes preclude judicial review." The court concluded that, to rule on

Apple's challenges, it "would have to analyze questions that are closely tied to the application and interpretation of statutes governing institution decisions," and therefore that review of these challenges was foreclosed under *Cuzzo Speed Technologies, LLC v. Lee*, 579 U.S. 261 (2016), and *Thryv, Inc. v. Click-To-Call Technologies, LP*, 140 S. Ct. 1367 (2020).

The Federal Circuit largely affirmed that finding on appeal, holding that the substance of the Director's institution instructions were unreviewable. The court did, however, agree with Apple that the district court had jurisdiction to hear its argument "that the Director was required, by 35 U.S.C. § 116 together with 5 U.S.C. § 553, to promulgate the institution instructions through notice-and-comment rulemaking procedures." The court remanded so the district court could consider this argument on the merits.

Apple has filed a petition for writ of certiorari challenging the Federal Circuit's affirmance, which the Supreme Court denied in January 2024. Meanwhile, Director Vidal has drafted an Advance Notice of Proposed Rulemaking (ANPRM) for potential Board reforms that place

limits on discretionary denials. These limits, however, fall short of what Apple has argued are appropriate. Regardless of the ultimate disposition of Apple's lawsuit, the process and outcome of this new notice and comment period will only further highlight the importance of Patent Office rulemaking and enforcement in post-grant practice.

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#### **OTHER CASES:**

- *Apple v. Corephotonics, Ltd.*, 81 F.4th 1353 (Fed. Cir. 2023) (vacating the Board's conclusion that patent was not invalid as obvious because the Board violated the APA by basing its decision on a ground not raised by either party).
- *Purdue Pharma L.P. v. Collegium Pharm., Inc.*, 86 F.4th 1338 (Fed. Cir. 2023) (holding that the Board has authority to issue a Final Written Decision after the statutory deadline).



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