

From Fintiv To Arthrex, New USPTO Chief Will Have Full Plate

By **Dani Kass**

Law360 (November 1, 2021, 9:40 PM EDT) -- The U.S. Patent and Trademark Office has held off on making major policy decisions for most of 2021 without a Senate-confirmed leader steering the agency, but now that President Joe Biden has named Winston & Strawn LLP litigator Kathi Vidal as his nominee, attorneys are hopeful she will offer guidance on several contentious issues.

Patent Commissioner Drew Hirshfeld has been serving as the USPTO's temporary head since Jan. 20. With limited powers, Hirshfeld has been overseeing the agency's implementation of a new rehearing procedure for patent reviews and fielding public discourse on patent eligibility criteria and discretionary denials at the Patent Trial and Appeal Board.

Here's a look at the hot-topic issues attorneys want more direction on from a new USPTO director:

Discretionary Denials

Andrei Iancu's most controversial move as director of the USPTO was to give PTAB judges more leeway to deny petitions for inter partes review based on factors other than the merits of the challenge. This was especially encapsulated in the board's *Apple v. Fintiv* decision, which allowed PTAB judges to deny petitions based on the timing of co-pending litigation.

The policy, made by designating a series of PTAB decisions as precedent, has led to at least three district court suits, two pending U.S. Supreme Court petitions and a bill undercutting it in Congress. When the agency asked for feedback on discretion, it received more than 800 comments — at least five times more than it received after asking for comments about the ever-contentious state of patent eligibility months later.

Patent attorneys want to know whether Vidal, if confirmed, will stand behind Iancu's policy choices, overturn them by de-designating *Fintiv* and other key decisions as precedential, or something in between. Her choice there will likely signal her views on how the patent board should function broadly.

"Initially, the [PTAB] favored petitioners, and then with Director Iancu and the precedential decisions that make up the *Fintiv* standard, the pendulum has swung back in favor of patent owners," said Sterne Kessler Goldstein & Fox PLLC director Jon Wright. "It's right at that pressure point where the new director has the ability to set policy."

Wright, however, said he was skeptical that Vidal would come in and just de-designate the precedential

rulings, saying he would expect her to do something more subtle if her goal was to change the policy.

Aziz Burgy of Axinn Veltrop & Harkrider LLP said even if Vidal stands by the factors outlined in *Fintiv*, the agency could be more explicit in the criteria it uses to deny petitions.

"Some practitioners feel that the analysis is still a little bit subjective," Burgy said.

Beyond the precedential PTAB decisions, the director would also have the ability to influence a binding memo on how applicant-admitted prior art — when text in the patent itself undermines the argument that the patent is novel — can be used in inter partes reviews and any other agency practices regarding discretion and parallel petitions.

"None of those are committed to rule," said Lowenstein & Weatherwax LLP partner Bridget Smith. "It'll be interesting to see whether she'll stand by them."

Director Rehearing

In June, the Supreme Court said there needs to be a mechanism for the USPTO's director to individually review PTAB decisions as part of the justices' ruling in the *U.S. v. Arthrex* appointments clause challenge.

In the following days, the agency rolled out its interim procedure for how to request that PTAB decisions be reviewed by the director.

So far, Hirshfeld has rejected each rehearing petition that has crossed his desk, but attorneys say they still don't know who is helping him make these decisions or why he's rejecting them, something a new USPTO director could change.

"Right now, there's a significant amount of nontransparency," Smith said. "We don't know who is analyzing these. We don't know the standard that's being applied. Stakeholders need to have guidance on that because it impacts their decision whether to request panel rehearing or director review, or what an effective request for director review looks like."

By its nature, director reviews are going to be subjective, Burgy said, but that doesn't mean a director can't provide more clarity to parties. Even while he knocked PTAB discretionary denials for not being consistent enough, the Axinn partner said that at least the board laid out specific factors taken into consideration.

Since Hirshfeld started reviewing petitions, parties have asked the Federal Circuit to hold that he's not eligible to do so. The appointments clause issue in *Arthrex* rested on the fact that PTAB judges were making final decisions without being confirmed by Congress, which some say is the exact position Hirshfeld is in.

"For Commissioner Hirshfeld to make decisions that are to be made by a director or acting director would only repeat the constitutional problems confirmed in *Arthrex*," New Vision Gaming & Development Inc. and Mobility Workx said in a July brief.

Attorneys say that if Vidal is confirmed, parties may try to say they didn't get a fair shot to have a properly appointed director review their petition, but Burgy said getting the appeals court to agree on

that would be difficult, and Smith concurred.

"Those will be an issue in early 2022," she said. "Hopefully, those will be put to bed early."

Patent Eligibility

Vidal's career has involved significant litigation over patent eligibility under Section 101 of the Patent Act, to the point where in a 2019 podcast, she said: "I can look at a patent and very quickly assess whether it should survive a 101 motion."

While any changes to the law would have to come from Congress or the Supreme Court, the director can release updated guidance about patent eligibility for examiners to use when deciding to grant or deny patents.

"She can help ensure the newly issued patents meet the criteria," said McKool Smith principal Christina Ondrick. "That means that the number of successful 101 challenges in district court will ultimately diminish and give innovators greater certainty about the strength of the patent protection for their inventions."

While Iancu did issue guidance on patent eligibility, Smith noted that it's now outdated and that the Federal Circuit hasn't been inclined to defer to those guidelines.

Baker Botts LLP partner Sarah Guske said she wouldn't be surprised if patent eligibility comes up in Vidal's confirmation hearings as a "litmus test" for where the nominee stands on the scale of favoring patent owners to patent challengers.

Hirshfeld had also collected comments on how patent eligibility concerns were impacting businesses, which led to just shy of **150 comments** being submitted last month. Attorneys said it was unclear how those comments would play into a new administration.

Improving the USPTO

Ondrick and Guske each said they would expect Vidal to be active in trying to boost diversity at the USPTO, both with inventors and within the patent bar, given her own history and the ever-increasing push for diversity at the agency. Vidal is a board member of ChIPs, a nonprofit centered on boosting women in intellectual property.

"She definitely has a proven track record of driving diversity and inclusion efforts," Ondrick said.

Then in more of a wish list than an expected course of action, Smith of Lowenstein & Weatherwax said she hopes Vidal would fix the way that plant patents are uploaded with incredibly low resolution and that patents are difficult to search on the USPTO's website.

"It's shameful that practitioners need to use third parties like Google Patents to search patents," Smith said. "I'd prefer to use the USPTO search. That I'm limited by the power of its search query is pretty astonishing in 2021. Ask Jeeves would have been an improvement."

Lastly, Guske of Baker Botts said she wishes Vidal would make the IPR process more affordable for small companies, noting that the filing fees are tens of thousands of dollars, and that's not including legal and expert fees. The cost is even more concerning to businesses knowing their meritorious petition may be

overridden by a discretionary denial as well, she said.

"The fees for filing an IPR keep creeping up and can price some of these defendants out of the market," Guske said.

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