(for example, post-fire flooding, landslides, and reburns)?

iv. How might Forest Service land managers build on work with partners to implement adaptation practices on National Forest System lands and in the WUI that can support climate resilience across jurisdictional boundaries, including opportunities to build on and expand Tribal co-stewardship?

v. Eastern forests have not been subject to the dramatic wildfire events and severe droughts occurring in the west, but eastern forests are also experiencing extreme weather events and chronic stress, including from insects and disease, while continuing to rebound from historic management and land use changes. Are there changes or additions to policy and management specific to conservation and climate resilience for forests in the east that the Forest Service should consider?

3. Mature and Old Growth Forests. The inventory required by E.O. 14072 demonstrated that the Forest Service manages an extensive, ecologically diverse mature and old-growth forest estate. Older forests often exhibit structures and functions that contribute ecosystem resilience to climate change. Along with unique ecological values, these older forests reflect diverse Tribal, spiritual, cultural, and social values, many of which also translate into local economic benefits.

Per direction in E.O. 14072, this section builds on the RFI to seek public input on policy options to help the Forest Service manage for future resilience of old and mature forest characteristics. Today there are concerns about the durability, distribution, and redundancy of these systems, given changing climate, as well as past and current management practices, including ecologically inappropriate vegetation management and fire suppression practices. Recent science shows severe and increasing rates of ecosystem degradation and tree mortality from climate-amplified stressors. Older tree mortality due to wildfire, insects and disease is occurring in all management categories.

The Forest Service is analyzing threats to mature and old-growth forests to support policy development to reduce those threats and foster climate resilience. Today's challenge for the Forest Service is how to maintain and grow older forest conditions while improving and expanding their distribution and protecting them from the increasing threats posed by climate change and other stressors, in the context of its multiple-use mandate.

a. How might the Forest Service use the mature and old-growth forest inventory (directed by E.O. 14072) together with analyzing threats and risks to determine and prioritize when, where, and how different types of management will best enable retention and expansion of mature and old-growth forests over time?

b. Given our current understanding of the threats to the amount and distribution of mature and old-growth forest conditions, what policy, management, or practices would enhance ecosystem resilience and distribution of these conditions under a changing climate?

4. Fostering Social and Economic Climate Resilience.

a. How might the Forest Service better identify and consider how the effects of climate change on National Forest System lands impact Tribes, communities, and rural economies?

b. How can the Forest Service better support adaptive capacity for underserved communities and ensure equitable investments in climate resilience, consistent with the Forest Service's Climate Adaptation Plan, Equity Action Plan and Tribal Action Plan?

c. How might the Forest Service better connect or leverage the contribution of State, Private and Tribal programs to conservation and climate resilience across multiple jurisdictions, including in urban areas and with Tribes, state, local and private landowners?

d. How might the Forest Service improve coordination with Tribes, communities, and other agencies to support complementary efforts across jurisdictional boundaries?

e. How might the Forest Service better support diversified forest economies to help make forest dependent communities more resilient to changing economic and ecological conditions?

Christopher French,

Deputy Chief, National Forest System, Forest Service.

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BILLING CODE 3411–15–P

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO–P–2020–0022]

RIN 0651–AD47

Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board

AGENCY: United States Patent and Trademark Office, Department of Commerce.

ACTION: Advance notice of proposed rulemaking.

SUMMARY: The United States Patent and Trademark Office (USPTO or Office) is considering modifications to the rules of practice for inter partes review (IPR) and post-grant review (PGR) proceedings before the Patent Trial and Appeal Board (PTAB or Board) to better align the practices with the USPTO's mission to promote and protect innovation and investment in the same, and with the congressional intent behind the American Invents Act (AIA) to provide a less-expensive alternative to district court litigation to resolve certain patentability issues while also protecting against patentee harassment. The USPTO is considering promulgating rules the Director, and by delegation the Board, will use to exercise the Director's discretion to institute IPRs and PGRs; to provide a procedure for separate briefing on discretionary denial that will allow parties to address relevant issues for discretionary denial without encroaching on the pages they are afforded to address the merits of a case; to provide petitioners the ability to pay additional fees for a higher word-count limit; and to clarify that all settlement agreements, including pre-institution settlement agreements, are required to be filed with the Board.

DATES: Comments must be received by June 20, 2023 to ensure consideration.

ADDRESSES: For reasons of Government efficiency, comments must be submitted through the Federal eRulemaking Portal at *www.regulations.gov.* To submit comments via the portal, one should enter docket number PTO–P–2020–0022 on the homepage and click ''search.'' The site will provide search results listing all documents associated with this docket. Commenters can find a reference to this document and click on the ''Comment'' icon, complete the required fields, and enter or attach their

comments. Attachments to electronic comments will be accepted in Adobe® portable document format (PDF) or Microsoft Word® format. Because comments will be made available for public inspection, information that the submitter does not desire to make public, such as an address or phone number, should not be included in the comments.

Visit the Federal eRulemaking Portal for additional instructions on providing comments via the portal. If electronic submission of, or access to, comments is not feasible due to a lack of access to a computer and/or the internet, please contact the USPTO using the contact information below for special instructions.

FOR FURTHER INFORMATION CONTACT: Michael Tierney, Vice Chief Administrative Patent Judge, and Amber Hagy, Lead Administrative Patent Judge, at 571–272–9797.

SUPPLEMENTARY INFORMATION:

Executive Summary

Purpose

The United States Patent and Trademark Office (USPTO or Office) is charged with promoting innovation through patent protection. U.S. Const., art. I, section 8. The patent system fosters technological innovation not only by encouraging the public disclosure of ideas, but also by providing limited time, exclusive rights to the patented innovation and incentivizing research and development and investment in the same, as well as the investment necessary to bring that research and development to market. The patent system is a catalyst for jobs, economic prosperity, and world problem-solving. It works most efficiently and effectively when the USPTO issues and maintains robust and reliable patents. Patents help protect the funds invested in research and development and bring ideas to market. Optimal benefits of the patent system are achieved when inventors and assignees granted patent rights can efficiently engage in technology transfer and licensing (including cross-licensing), obtain funding to bring ideas to market, and/or enforce their rights. The patent system works best when any disputes as to the validity or infringement of patents are addressed efficiently and effectively, and when appropriate steps are taken to curb abusive actions that contravene the Office's mission to promote innovation. Congress recognized those dynamics when it designed the Leahy-Smith America Invents Act (AIA) post-grant proceedings ''to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.'' H.R. Rep. No. 112–98, part 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69; *see* S. Rep. No. 110–259, at 20 (2008).

In designing the AIA, Congress empowered the Director of the USPTO to prescribe regulations related to the implementation of the AIA. Under 35 U.S.C. 316(a) and 326(a), the Director shall prescribe regulations for certain enumerated aspects of AIA proceedings, and under 35 U.S.C. 2(b)(2)(A), the Director may establish regulations that ''shall govern the conduct of proceedings in the Office.'' 35 U.S.C. 316 and 326. The Director's discretion is informed by 35 U.S.C. 316(b) and 326(b), which require that ''the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under'' 35 U.S.C. 316 and 326. Sections 314(a) and 324(a) of 35 U.S.C. provide the Director with discretion to deny a petition, even when meritorious. *See, e.g.,* 35 U.S.C. 314(a) (stating ''[t]he Director may not authorize an *inter partes* review to be instituted unless . . .''); *Cuozzo Speed Techs., LLC* v. *Lee,* 579 U.S. 261, 273 (2016) (''[T]he agency's decision to deny a petition is a matter committed to the Patent Office's discretion.''). Congress also provided that in ''determining whether to institute [an AIA post-grant proceeding], the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.'' 35 U.S.C. 325(d).

The changes under consideration would amend the rules of practice for IPR and PGR proceedings under the AIA. In proposing these changes, the Director has considered the comments received from stakeholders and the public, including in response to the Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board (85 FR 66502 (Oct. 20, 2020)) (RFC), as well as ''the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under'' 35 U.S.C. 316 and 326.

The changes under consideration build on and codify existing precedent and guidance on Director's discretion to determine whether to institute an IPR or PGR. In considering possible changes, it important to keep in mind that, as the Supreme Court explained in *Cuozzo,* ''the purpose of the proceeding is not quite the same as the purpose of district court litigation.'' *Cuozzo,* 579 U.S. at 279. As the Court stated, ''one important congressional objective'' in establishing IPR review is ''giving the Patent Office significant power to revisit and revise earlier patent grants.'' *Id.* at 272. The ''basic purpose[ ]'' of the review is ''to reexamine an earlier agency decision''; it ''offers a second look at an earlier administrative grant of a patent.'' *Id.* at 279. The Court further noted that, under the AIA, ''any third party can ask the agency to initiate inter partes review of a patent claim''; ''[p]arties that initiate the proceeding need not have a concrete stake in the outcome; indeed, they may lack constitutional standing.'' *Id.* at 268, 279. ''Thus, in addition to helping resolve concrete patent-related disputes among parties, inter partes review helps protect the public's 'paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.' '' *Id.* at 279–280 (quoting *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.,* 324 U.S. 806, 816 (1945)).

The changes under consideration provide that, in certain circumstances in which specific elements are met (and applicable exceptions do not apply), the Director, and by delegation the Board,[1] will exercise the Director's discretion and will deny institution of an IPR or PGR. The USPTO is also considering broadening the types of relationships between petitioners and other entities the Office will consider when evaluating discretionary denial in order to ensure that entities related to a party in an AIA proceeding are fully evaluated with regard to conflicts, estoppel provisions, and other aspects of the proceedings. The Office is also considering whether, in certain circumstances, challenges presenting ''compelling merits'' will be allowed to proceed at the Board even where the petition would otherwise be a candidate for discretionary denial (as is the current practice under the Director's Memorandum Regarding Interim Procedure for Discretionary Denials in AIA Post-grant Proceedings with Parallel District Court Litigation of June 21, 2022 (discussed below)). In addition, the Office is considering whether to promulgate discretionary denial rules to ensure that certain for-profit entities do not use the IPR and PGR processes in ways that do not advance the mission and vision of the Office to promote

[1] Any reference to the ''Board'' refers to actions the Board takes by delegation from the Director. Such actions are reviewable by the Director.

innovation or the intent behind the AIA to improve patent quality and limit unnecessary and counterproductive litigation costs.

Recognizing the important role the USPTO plays in encouraging and protecting innovation by individual inventors, startups, and under-resourced innovators who are working to bring their ideas to market, the Office is considering limiting the impact of AIA post-grant proceedings on such entities by denying institution when certain conditions are met. The Office is seeking input on how it can protect those working to bring their ideas to market either directly or indirectly, while not emboldening or supporting economic business models that do not advance innovation. For example, the Office seeks input on to whether to require identification of anyone having an ownership interest in the patent owner or petitioner. The USPTO welcomes thoughts on any additional disclosure requirements needed and how the Board should consider that information when exercising Director discretion.

The Office is also considering additional measures to address the concerns raised by repeated validity challenges to patent claims (potentially resulting in conflicting outcomes and overburdening patent owners). The USPTO is considering further modifying and clarifying circumstances in which the Board will deny review of serial and parallel petitions. As to parallel petitions, the Office is also considering changes to provide that, as an alternative to filing multiple petitions, a petitioner may pay additional fees for a higher word-count limit.

Furthermore, the Office is considering rules related to the framework the Board will use to conduct an analysis under 35 U.S.C. 325(d), which provides that in ''determining whether to institute [an AIA post-grant proceeding], the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.''

In addition, the USPTO is considering a rule clarifying that if institution of an IPR is not discretionarily denied in view of any other criteria, the Board shall consider whether to deny institution if there is a pending district court action involving claims challenged in the IPR. In the case of a parallel district court action in which a trial adjudicating the patentability of challenged claims has not already concluded at the time of an IPR institution decision, the USPTO is proposing rules to install *Apple* v. *Fintiv* and related guidance, with additional proposed reforms. *See Apple Inc.* v. *Fintiv, Inc.,* IPR2020–00019, Paper 11, 2020 WL 2126495 (PTAB Mar. 20, 2020) (designated precedential May 5, 2020); Director's Memorandum Regarding Interim Procedure for Discretionary Denials in AIA Post-grant Proceedings with Parallel District Court Litigation (June 21, 2022) (Guidance Memorandum).[2] The USPTO is considering separate rules for instances in which a trial adjudicating the validity of challenged claims—in district court or during post-grant proceedings—has already concluded at the time of an IPR institution decision.

The USPTO is also considering a separate briefing process for addressing discretionary denial considerations under 35 U.S.C. 314(a), 324(a), and 325(d) so that briefing on discretionary denial does not encroach on the parties' word-count limits for briefing on the merits.

Lastly, the USPTO is considering aligning the requirements for terminating proceedings pre- and post-institution by requiring that pre-institution settlement agreements be filed with the Board to support the termination of a proceeding pre-institution.

Background

Development of the Changes Under Consideration

On September 16, 2011, the AIA was enacted into law (Pub. L. 112–29, 125 Stat. 284 (2011)), and in 2012, the USPTO implemented rules to govern Office trial practice for AIA trials, including IPR, PGR, covered business method (CBM), and derivation proceedings pursuant to 35 U.S.C. 135, 316, and 326 and AIA 18(d)(2). *See* Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR 48612 (Aug. 14, 2012); Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 FR 48680 (Aug. 14, 2012); Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 FR 48734 (Aug. 14, 2012). Additionally, the USPTO published a Patent Trial Practice Guide for the rules to advise the public on the general framework of the regulations, including the structure and times for taking action in each of the new proceedings. *See* Office Patent Trial Practice Guide, 77 FR 48756 (Aug. 14, 2012). Since then, the USPTO has designated numerous decisions in such proceedings as precedential or informative, has issued several updates to the Trial Practice Guide, and has issued guidance including the June 2022 Guidance Memorandum.

Prior Request for Comments Regarding Discretionary Institution

On October 20, 2020, the USPTO published an RFC to obtain feedback from stakeholders on case-specific approaches by the PTAB for exercising discretion on whether to institute an AIA proceeding and whether the USPTO should promulgate rules based on these approaches. *See* Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 FR 66502 (Oct. 20, 2020). The USPTO published an Executive Summary in January 2021, encapsulating stakeholder feedback received from the RFC.[3] The USPTO received 822 comments from a wide range of stakeholders, including individuals, associations, law firms, companies, and three United States Senators. In view of the comments in response to the RFC and the USPTO's further experience with AIA proceedings, the USPTO intends to make policy changes through notice-and-comment rulemaking. Such rulemaking is consistent with comments received from stakeholders, made in response to the RFC as well as in other contexts, expressing a preference that key policy changes be made and formalized through rulemaking.

Director's Discretionary Institution Authority in General

By way of background, the Board institutes an AIA trial on behalf of the Director. 37 CFR 42.4(a). In deciding whether to institute an AIA trial, the Board considers, at a minimum, whether a petitioner has satisfied the relevant statutory institution standard. Sections 314(a) and 324(a) of 35 U.S.C. provide the Director with discretion to deny a petition, even when meritorious. *See, e.g.,* 35 U.S.C. 314(a) (stating ''[t]he Director may not authorize an *inter partes* review to be instituted unless . . .''); *Cuozzo,* 579 U.S. at 273 (''[T]he agency's decision to deny a petition is a matter committed to the Patent Office's discretion.''). In addition, 35

[2] *https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.*

[3] USPTO, Executive Summary: Public Views on Discretionary Institution of AIA Proceedings (Jan. 2021). Available at *www.uspto.gov/sites/default/files/documents/USPTOExecutiveSummaryofPublicViewsonDiscretionaryInstitutiononAIAProceedingsJanuary2021.pdf.*

U.S.C. 325(d) provides that ''[i]n determining whether to institute or order a proceeding . . . , the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.''

Under 35 U.S.C. 316(a) and 326(a), the Director shall prescribe regulations for certain enumerated aspects of AIA proceedings, and under 35 U.S.C. 2(b)(2)(A), the Director may establish regulations that ''shall govern the conduct of proceedings in the Office.'' The Director's discretion to institute review of a patent is informed by 35 U.S.C. 316(b) and 326(b), which require the Director to ''consider the effect of any such regulation [under this section] on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.''

Congress designed the AIA to improve and ensure patent quality by providing ''quick and cost-effective alternatives to litigation'' for challenging issued patents. H.R. Rep. No. 112–98, part 1, at 48 (2011), 2011 U.S.C.C.A.N. 67, 69; *see* S. Rep. No. 110–259, at 20 (2008) (explaining that the ''post-grant review system . . . will give third parties a quick, inexpensive, and reliable alternative to district court litigation to resolve questions of patent validity''). In so doing, Congress granted the USPTO ''significant power to revisit and revise earlier patent grants'' as a mechanism ''to improve patent quality and restore confidence in the presumption of validity that comes with issued patents.'' *Cuozzo,* 579 U.S. at 272 (quoting H.R. Rep. No. 112–98, part 1, at 45, 48). At the same time, Congress instructed that ''the changes made by [the AIA] are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent,'' and ''[d]oing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation.'' H.R. Rep. No. 112–98, at 48 (2011).

To take into account the 35 U.S.C. 316(b) and 326(b) considerations of the economy, the integrity of the patent system, and the ability of the USPTO to provide timely and cost-effective PGRs, as outlined in the AIA, the USPTO has developed factors to consider when determining whether to institute an AIA review under several different circumstances, including when: (1) additional petitions are filed by the same petitioner or sufficiently related parties challenging the same patent claims as a first petition after the patent owner has filed a preliminary response to the first petition (''serial'' or ''follow-on'' petitions); (2) a petition relies on substantially the same prior art, and/or invokes the same or substantially the same arguments, previously addressed by the USPTO in connection with the challenged patent (implicating considerations under 35 U.S.C. 325(d)); (3) more than one petition is filed by the same petitioner (or privy or real party in interest with a petitioner) at the same time as the first filed petition or up until the filing of the preliminary response in the first filed proceeding (''parallel petitions''); and (4) a petition is filed in parallel with an ongoing district court proceeding (''parallel proceedings'').

As noted above, in late 2020, the USPTO received 822 comments in response to an RFC on certain discretionary institution considerations set forth in precedential Board decisions. Comments from stakeholders generally supported discretionary institution rulemaking, although the comments differed as to the specifics. The substance of the public comments is discussed below in connection with the proposed changes.

Discussion of Changes Under Consideration

The following is a discussion of the amendments under consideration for 37 CFR part 42.

Overview

In order to create clear, predictable rules where possible, as opposed to balancing tests that decrease certainty, the USPTO is considering changes that would provide for discretionary denials of petitions in the following categories, subject to certain conditions and circumstances (and exceptions) as discussed further below:

1. Petitions filed by certain for-profit entities;

2. Petitions challenging under-resourced patent owner patents where the patentee has or is attempting to bring products to market;

3. Petitions challenging patent claims previously subject to a final adjudication upholding the patent claims against patentability challenges in district court or in post-grant proceedings before the USPTO;

4. Serial petitions;

5. Petitions raising previously addressed prior art or arguments (subject to the 35 U.S.C. 325(d) framework);

6. Parallel petitions; and

7. Petitions challenging patents subject to ongoing parallel litigation in district court.

The changes under consideration also provide for several threshold definitions that apply to one or more of these categories of petitions subject to discretionary denials. Those definitions set forth the criteria used to determine: (1) what constitutes a ''substantial relationship'' between entities sufficient to trigger or avoid discretionary denial, (2) when claim sets are deemed to have ''substantial overlap'' with challenged claims, and (3) what constitutes ''compelling merits'' sufficient to trigger an exception to discretionary denial.

Finally, five additional changes are being considered: (1) absent exceptional circumstances, requiring petitioners to file a stipulation that neither they nor their privy or real parties have filed prior post-grant proceedings (PGRs, IPRs, CBMs or ex parte reexaminations) on the challenged claims; and that if their post-grant proceeding is instituted, neither they nor their privy or real parties in interest, will challenge any of the challenged claims in a subsequent post-grant proceeding (including PGRs, IPRs and ex parte reexamination); (2) requiring petitioners to file a separate paper justifying multiple parallel petitions; (3) allowing a potential payment of a fee to enhance the word-count limits for a petition to avoid multiple parallel petitions; (4) providing for separate briefing on discretionary denial issues; and (5) requiring filing of all settlement papers when the dismissal of AIA proceedings is sought, whether pre- or post-institution.

The USPTO welcomes public comments and feedback on all changes under consideration, which are discussed in detail below. The USPTO further welcomes any responses that address the effect any of the proposals herein would have on ''the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under'' 35 U.S.C. 316 and 326. Some of the changes under consideration are set forth as alternative proposals. The USPTO appreciates feedback on the relative benefits and drawbacks, if any, of the alternatives proposed. The USPTO also invites suggestions on what, if any, additional disclosures the USPTO should require and any other considerations the USPTO should take into account that would weigh in favor of or against discretionary denial.

Threshold Definitions

''Substantial Relationship'' of Entities

The USPTO currently applies the common law formulations of ''real party in interest'' and ''privy'' to ensure that entities related to a party in an AIA proceeding are considered when evaluating conflicts and the effect of estoppel provisions. *See* Consolidated Trial Practice Guide, 12–18 (Nov. 2019). For example, relationships based on corporate structure, contract, or financial interest are often considered in identifying real parties in interest or those in privity with a party to the proceedings.

The USPTO has adopted similar considerations in the discretionary denial context. For example, in *Valve Corp.* v. *Electronic Scripting Products, Inc.,* IPR2019–00062, –00063, –00084, 2019 WL 1490575 (PTAB Apr. 2, 2019) (precedential) (*Valve I*), the Board denied institution when a party, Valve, filed multiple petitions for IPR after the denial of an IPR request of the same claims filed by the party's co-defendant in district court, whose accused products incorporated technology licensed from Valve. *Valve I,* 2019 WL 1490575, at *4–5. The Board held that when different petitioners challenge the same patent, the Board considers the relationship, if any, between those petitioners in weighing the factors in *General Plastic Co.* v. *Canon Kabushiki Kaisha,* IPR2016–01357, Paper 19 (PTAB Sept. 6, 2017) (precedential) (*General Plastic*). *Id.* The USPTO also explained, in *Valve Corp.* v. *Electronic Scripting Products, Inc.,* IPR2019–00064, –00065, –00085, 2019 WL 1965688 (PTAB May 1, 2019) (*Valve II*), that the first *General Plastic* factor applies to a later petitioner when that petitioner previously joined an instituted IPR proceeding and, therefore, was considered to have previously filed a petition directed to the same claims of the same patent. *Valve II,* 2019 WL 1965688, at *4–5.

However, the current party relationship concepts applied in the discretionary denial context are arguably too limited in certain circumstances. Accordingly, the USPTO is considering adopting a ''substantial relationship'' test to evaluate whether certain entities are sufficiently related to a party in an AIA proceeding such that discretionary denial is warranted under the criteria set forth in the changes under consideration. The substantial relationship test would be broadly construed and would encompass, but not be limited to, real parties in interest or privies of the party to the AIA proceeding, and would also include others that are significantly related to that party, including at least those entities as discussed in *Valve I* and *Valve II.*

The USPTO is also considering other proposals for deeming entities to be substantially related for purposes of discretionary denials. For example, one proposal is to consider those involved in a membership organization, where the organization files IPRs or PGRs, as having a substantial relationship with the organization. There may be instances in which entities may pool their resources to challenge a patent. For example, where multiple entities are defending infringement claims in district court litigation, or have related interests in challenging the patentability of patent claims, they may join together to file a single challenge to the subject patent claims before the PTAB. Such activities may advance the Office's mission and vision and the congressional intent behind the AIA where the entities are in privity with a party or are, themselves, real parties in interest, and where their involvement in the proceeding is consistent with the statutory provisions or the Office's rules, including those related to estoppel or multiple challenges to a patent. In the interests of transparency, the Office would require disclosure of any such relationships by a party upon filing its first paper in an IPR or PGR and would require parties to promptly file a supplemental statement if the information changes.

Another proposal under consideration is requiring a patent owner and petitioner to disclose anyone with an ownership interest in the patent owner or petitioner, any government funding related to the patent, any third-party litigation funding support (including funding for some or all of the patent owner's or petitioner's attorney fees or expenses before the PTAB or district court), and any stake any party has in the outcome of the AIA proceeding or any parallel proceedings on the challenged claims. For example, the Office could require parties to disclose beneficial ownership interests similar to what the Securities and Exchange Commission requires.

''Substantial Overlap'' Between Claim Sets

As discussed further below, for certain discretionary denial decisions the USPTO would consider whether there is ''substantial overlap'' between claim sets (for example, those previously adjudicated to not be invalid) and the challenged claims. Under the proposed changes, the Office is considering a clear, predictable definition in which claim sets are deemed to ''substantially overlap'' the challenged claims when at least one challenged claim is ''substantially the same'' as a claim in a set to which the claim is being compared. For purposes of this comparison, claims will be deemed to be ''substantially the same'' when any differences between the claims are not material to patentability. Alternatively, the Office is open to considering a more subjective test in which substantial overlap between claim sets is determined on a case-by-case basis.

The Office requests comments on other possible tests for determining when claim sets will be considered to ''substantially overlap'' the challenged claims including what degree of overlap (*i.e.,* number of claims) would amount to ''substantial overlap'' and whether one overlapping claim should be sufficient.

Effect of ''Compelling Merits'' on Discretionary Denials

The changes under consideration would provide that, in certain circumstances, when a challenge presents compelling merits the proceeding will be allowed to proceed at the Board even where the petition would otherwise potentially be a candidate for discretionary denial. A challenge presents ''compelling merits'' when the evidence of record before the Board at the institution stage is highly likely to lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence. *See OpenSky Indus., LLC* v. *VLSI Tech. LLC,* IPR2021–01064, Paper 102 at 49 (PTAB Oct. 4, 2022) (Director decision, precedential) (describing compelling merits as those that ''plainly lead to a conclusion that one or more claims are unpatentable,'' and noting that such standard can be met only ''if it is highly likely that the petitioner would prevail with respect to at least one challenged claim''). Under this test, the petitioner has the burden of presenting evidence at the institution stage that leaves the Board with a firm belief or conviction that it is highly likely that the petitioner would prevail with respect to at least one challenged claim. Consistent with the intent of the AIA and our mission, it is only this high certainty that would compel the Board to review claims for the public benefit when other considerations favor discretionary denial.

A compelling merits standard is a higher standard than the reasonable likelihood required for the institution of an IPR under 35 U.S.C. 314(a), and higher than more likely than not

required for institution of a PGR under 35 U.S.C. 324(a). The compelling merits standard is also higher than the preponderance of the evidence standard (more likely than not) that applies to final determinations of patentability at the close of trial. But because all relevant evidence likely will not have been adduced at the point of institution, a determination of ''compelling merits'' at the institution stage should not be taken as a signal to the ultimate conclusion after trial. *See OpenSky Indus.,* IPR2021–01064, Paper 102 at 49. The Board would provide its reasoning in determining whether the merits of a petition are compelling. Further, the Board would not reach any issue regarding ''compelling merits'' until all other discretionary denial issues have been evaluated and the petition is a candidate for discretionary denial.

The compelling merits test seeks to strike a balance among the competing concerns of avoiding potentially conflicting outcomes, avoiding wasteful parallel proceedings, protecting against patent owner harassment, and strengthening the patent system by allowing the review of patents challenged with a sufficiently strong initial merits showing of unpatentability. The patent system and the public could benefit from instituting challenges with a showing of unpatentability by compelling merits. The USPTO is also considering whether the compelling merits standard is the most appropriate standard for the Board to apply at the institution stage when determining if the merits of a petition are sufficiently strong to avoid discretionary denial.

The Office also requests comments on how the compelling merits standard would apply if the patent owner raises a factual question that cannot be resolved at institution (*e.g.,* presenting evidence of secondary considerations of nonobviousness). In particular, the Office seeks feedback on what presumptions should apply and whether pre-institution discovery would be appropriate. The Office is considering whether, in assessing compelling merits, the Office should adopt a test whereby (1) the record will be viewed in the light most favorable to the patent owner and (2) the Board will draw all reasonable inferences in favor of patent owner.

Lastly, the Office is considering whether the compelling merits standard should apply as an exception to all of the bases for discretionary denial discussed below and, if not, which ones it should and should not apply to. Under current USPTO guidance, the compelling merits test does not apply when certain entities are attempting to challenge a patent after a final adjudication of patentability in post-grant proceedings or in district court or when serial challenges are being made by the same party or a real party in interest or privy.

Discretionary Denials Under 35 U.S.C. 314(a), 324(a), and 325(d)

In the AIA, Congress established post-grant proceedings, including IPR, PGR, and CBM proceedings,[4] to improve and ensure patent quality by providing ''quick and cost-effective alternatives to litigation'' for challenging issued patents. H.R. Rep. No. 112–98, part 1, at 48; *see also* S. Rep. No. 110–259, at 20 (explaining that the ''post-grant review system . . . will give third parties a quick, inexpensive, and reliable alternative to district court litigation to resolve questions of patent validity''). Congress granted the Office ''significant power to revisit and revise earlier patent grants'' as a mechanism ''to improve patent quality and restore confidence in the presumption of validity that comes with issued patents.'' *Cuozzo,* 579 U.S. at 272 (quoting H.R. Rep. No. 112–98, part 1, at 45, 48). Given those objectives, the changes under consideration, in addition to providing clear rules for when the Board would exercise its discretion to deny institution, would also clarify that the Office always retains discretion to deny institution as a sanction or in response to improper conduct or gamesmanship.

Limitations on Nonmarket Competitors—Petitions Filed by Certain For-Profit Entities

The Office received feedback in the comments responsive to the RFC expressing concerns that some petitions are filed by for-profit entities who had not been sued for infringement and may not have an apparent reason for challenging validity of patent claims. The USPTO is likewise concerned that certain for-profit entities may use the IPR and PGR processes not to advance the mission and vision of the Office to promote innovation or the intent behind the AIA to provide a less-expensive alternative to district court litigation, but instead to advance other interests. To curb the potential for abusive filings, the USPTO is considering changes that would limit institution on filings by for-profit, non-competitive entities that in essence seek to shield the actual real parties in interest and privies from statutory estoppel provisions. The changes under consideration would make clear that the Board would discretionarily deny any petition for IPR or PGR filed by an entity that: (1) is a for-profit entity; (2) has not been sued on the challenged patent or has not been threatened with infringement of the challenged patent in a manner sufficient to give rise to declaratory judgment standing; (3) is not otherwise an entity that is practicing, or could be alleged to practice, in the field of the challenged patent with a product or service on the market or with a product or service in which the party has invested to bring to market; and (4) does not have a substantial relationship with an entity that falls outside the scope of elements (1)–(3). The Office contemplates defining ''for-profit entities'' as entities that do not qualify for tax-exempt status with the Internal Revenue Service.

The USPTO is considering defining ''for-profit'' entities to include any entity that is a real party in interest with, or in privy with, a for-profit entity. The Office is alternatively considering ''for-profit'' entities to additionally include any parties with a substantial relationship with a for-profit entity.

The USPTO is seeking feedback on whether it should discretionarily deny an IPR or PGR if the patent owner provides a covenant not to sue to a for-profit petitioner and its customers prior to initiating litigation against those entities. In addition, the USPTO requests comments on whether it should consider any other covenant or stipulation in determining whether to exercise discretion to deny institution.

As to the second element, ''has not been sued on the challenged patent,'' the Office is considering whether the element should be further defined such that the Board will not discretionarily deny petitions filed by entities that have been threatened with infringement of the challenged patent in a manner sufficient to give rise to declaratory judgment standing. Alternatively, the Office is open to considering whether a petition should be denied where a petitioner lacks declaratory judgment standing, but the petitioner has a reasonable apprehension of suit based on the prior litigation conduct of the patentee asserting the patent or related patents against similarly situated companies.

Regarding the third element, under this proposal the Board is considering the metes and bounds of prior attempts to commercialize and how to define the term so that it encompasses efforts to bring products to market. The Office requests comments on whether and

[4] The transitional covered business method patent review program expired on September 16, 2020, in accordance with AIA 18(a)(3). Although the program has sunset, existing CBM proceedings based on petitions filed before September 16, 2020, are still pending.

when activity by another should inure to the benefit of a petitioner. The Office is proposing the language ''field of the challenged patent'' to avoid a dispute about whether the petitioner practices the challenged claims or patent.

Regarding the fourth element, the USPTO understands there may be instances in which entities may pool resources to challenge a patent. For example, where multiple entities are defending infringement claims in district court litigation, or have related interests in challenging the patentability of patent claims, they may join together to challenge the subject patent claims before the PTAB. Such activity may advance the Office's mission and vision and the congressional intent behind the AIA so long as the entities are real parties in interest or in privy, such that the activity does not work to avoid the effect of statutory provisions or the Office's rules, including those related to estoppel and/or multiple challenges to a patent.

The USPTO is also considering whether, even if the petitioner is an entity satisfying the four elements discussed above, the Office should institute petitions where the petitioner satisfies a heightened standard of demonstrating compelling merits.

Micro and Small Entities: Protecting Under-Resourced Inventors and Petitioners

The USPTO recognizes that the contributions of startups, small businesses, and independent inventors are vital to the development of a variety of important American industries. They are the engines that, in many cases, drive innovation. The Office also recognizes that such entities may have limited resources that are necessarily devoted to crucial activities such as research, development, and manufacturing.

Such limited resources may impact the perceived fairness of post-grant reviews. For example, some stakeholders in response to the RFC expressed concern that under-resourced inventors are unable to afford the costs involved in defending patents in post-grant review. Some stakeholders advocating for small businesses and individual inventors urged the Office to take into account the financial resources of a patent owner, and to limit reviews of patents owned by under-resourced entities who lack funding to defend challenges to their patents but who have sought to bring their inventions to market either themselves or through a licensee.

Because providing support for startups, small businesses, and independent inventors is one of the major priorities for the USPTO, the Office proposes to limit the impact of AIA post-grant proceedings on these patent owners by discretionarily denying petitions for an IPR or PGR when certain other conditions are met.

Specifically, under one proposal, absent compelling merits, the status of the patent owner would lead to a denial of institution when: (1) the patent owner had claimed micro entity or small entity status at issuance of the challenged patent and timely requested discretionary denial when presented with the opportunity; (2) during the calendar year preceding the filing of the petition, the patent owner did not exceed eight times the micro entity gross income level under 37 CFR 1.29(a)(3); and (3) at the time the petition was filed, the patent owner (or a licensee of the patent that started practicing the patent after becoming a licensee) was commercializing the subject matter of a challenged claim.

Under this proposal, to allow for growth between the time the patent issued and the filing of the petition, the changes under consideration would apply to entities that were micro or small entities at patent issuance but are under-resourced (as defined by a gross income requirement) at the time of filing the petition. The reduction to practice and commercialization requirement is intended to encourage the creation of new businesses and competition in the marketplace.

The USPTO welcomes any other proposals that will provide protections for startups, small businesses, and independent inventors, and recognizes it is not only those with limited resources that benefit our economy. At the same time, the Office wants to address competing concerns about spurious litigation and abusive practices. Due to the large variety of business models, it is difficult to draw widely applicable bright lines. The Office welcomes proposals to protect startups, small businesses, and independent inventors beyond those who are under-resourced to the extent the remainder of these proposed rules do not provide adequate protection. As an example, the Office is considering whether a multiplier of eight times the micro entity gross income level, or some other multiplier, would be appropriate to help the Office to ensure that it is reaching under-resourced individual inventors and start-ups (and not those funded or otherwise supported by an entity who is neither). The Office also is considering other possible approaches, including whether a limited-resource entity should be required at the time of the petition to meet the micro or small entity provisions under 37 CFR 1.27 and 1.29. The Office welcomes comments on how the office should define ''under-resourced'' and whether the Office should include other criteria other than income. For example, the Office could consider a petitioner under-resourced if, at the time of petition filing, the petitioner is a small or micro entity not exceeding a specified gross income level and has been accused of making, using, selling or offering to sell in the United States, or importing into the United States the subject matter of a challenged claim. An accused petitioner is a petitioner having declaratory judgment standing under 28 U.S.C. 2201(a). *See MedImmune, Inc.* v. *Genentech, Inc.,* 549 U.S. 118 (2007).

To protect against government-owned or -funded entities using this section to attempt to insulate their patents, and/or to avoid abuse, for any measure that inures to the benefit of patent owners with limited resources, a consideration could include determining whether the small or micro entity has government funding. The Office could also consider third-party litigation funding support, including funding for some or all of the patent owner's attorney fees or expenses before the PTAB or district court. The Board could also consider the resources of anyone with an ownership interest in the patent owner and anyone with any stake in the outcome of the AIA proceeding or any parallel proceedings on the challenged claims. For example, a small or micro entity requesting denial of institution based on limited resources could be required to disclose the identity of any third-party funders, including U.S. or foreign government funding; provide a brief description of the financial interest of the third-party funder; and state whether the funder's approval is required for settlement or any positions taken before the PTAB. The PTAB could also inquire into all ownership interests to ensure this process is not abused. This information would not be used in any way other than to determine if an entity is truly under-resourced.

Other options the Office is considering include excluding from consideration the activities of licensees in certain circumstances. The Office welcomes comments on whether certain licenses activities should be excluded, keeping in mind that the USPTO wants to encourage bringing ideas to market whether directly or through technology transfer, licensing, or cross-licensing activities.

Additionally, the Office is considering how to proceed with discretionary

denials where a petitioner is under-resourced. The Office welcomes comments on whether the resource status of a petitioner should be a consideration when analyzing discretionary denials.

Prior Adjudications Upholding Validity

Comments by some stakeholders in response to the RFC emphasized that if a district court reaches a decision on patentability of a patent claim before a final decision can be reached in a parallel IPR proceeding, the benefits of the IPR (a cheaper, quicker, more efficient alternative to litigation) are not likely to be realized. According to these stakeholders, this point is even more salient in instances in which a patent claim has already been subject to an adjudication upholding the validity of the claim prior to the filing of a petition challenging that claim.

The changes under consideration would provide that prior final adjudications by a district court or by the Office in AIA post-grant proceedings upholding the validity of claims that substantially overlap the challenged claims will result in discretionary denial, except in cases in which the petitioner has standing to challenge the validity of the claims in district court or intends to pursue commercialization of a product or service in the field of the invention of a challenged claim, was not a real party in interest or privy to the party previously challenging one or more of the challenged claims (unless any earlier challenge was resolved for reasons not materially related to the merits of the petition, *e.g.,* a post-grant proceeding that was discretionarily denied or otherwise was not evaluated on the merits); and meets a heightened burden of compelling merits.

For clarity, the changes under consideration would also add a definition of ''final adjudication'' as a decision on the merits by a district court that is final within the meaning of 28 U.S.C. 1295(a)(1). This means that only prior adjudications of invalidity challenges in district court that are on the merits and are part of a final, appealable judgment would be within the scope of the changes under consideration. Similarly, a final adjudication at the Office would be a final, appealable decision of the Office. The Board should first determine whether a petitioner meets the first three criteria—standing, intent to commercialize and privy/real party in interest—before moving to the compelling merits analysis.

These considerations do not replace other limitations on serial petitions or other mechanisms for discretionary denial, or the *Fintiv* analysis itself if there is, additionally, a parallel proceeding ongoing, but present an additional, independent basis for discretionary denial.

The Office is also considering whether to extend this proposal to including prior adjudications of validity through ex parte reexaminations requested by a third party other than the patent owner or the patent owner's real party in interest or privy.

Serial Petitions

Serial petitioning occurs when additional petitions are filed challenging at least one claim previously challenged in a first petition: (1) after the filing of a preliminary response in a first petition challenging the same claims; or (2) if no preliminary response to the first petition is filed, after the expiration of the period for filing such a response under 37 CFR 42.107(b) or as otherwise ordered.[5] In responding to the RFC, some stakeholders expressed concern that duplicative attacks on the same patent through the IPR process devalue the patent. The Office is considering revising the rules to address serial petitioning.

In *General Plastic Co.* v. *Canon Kabushiki Kaisha,* IPR2016–01357, 2017 WL 3917706, at *7 (PTAB Sept. 6, 2017) (precedential), the Board referred to the goals of the AIA but also ''recognize[d] the potential for abuse of the review process by repeated attacks on patents.'' 2017 WL 3917706, at *7 (citing H.R. Rep. No. 112–98, part 1, at 48 (2011)). To aid the Board's assessment of ''the potential impacts on both the efficiency of the *inter partes* review process and the fundamental fairness of the process for all parties,'' *General Plastic* identified a number of non-exclusive factors that the Board will consider in exercising discretion in instituting an IPR, especially as to ''follow-on'' petitions challenging the same patent as challenged previously in an IPR, PGR, or CBM proceeding. *Id.* at *8. The *General Plastic* non-exclusive factors include: (1) whether the same petitioner previously filed a petition directed to the same claims of the same patent; (2) whether, at the time of filing of the first petition, the petitioner knew of the prior art asserted in the second petition or should have known of it; (3) whether, at the time of filing of the second petition, the petitioner had already received a patent owner preliminary response (if filed) to the first petition or received the Board's decision on whether to institute review in the first petition; (4) the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition; and (5) whether the petitioner provides an adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent. *Id.* at *7. Additional factors include (6) the finite resources of the Board; and (7) the requirement to issue a final determination not later than 1 year after the date on which the Director notices institution of review. *Id.*

Since *General Plastic,* the Office has explained that the application of the first *General Plastic* factor is not limited to instances in which multiple petitions are filed by the same petitioner. For example, in *Valve I,* the Board denied institution when a party filed serial petitions for IPR after the denial of an IPR request of the same claims filed by the party's co-defendant. *Valve I,* 2019 WL 1490575, at *4–5. The Board held that when different petitioners challenge the same patent, the Board considers the relationship, if any, between those petitioners when weighing the *General Plastic* factors. *Id.* The Office also explained, in *Valve II,* that the first *General Plastic* factor applies to a later petitioner when that petitioner previously joined an instituted IPR proceeding and, therefore, was considered to have previously filed a petition directed to the same claims of the same patent. *Valve II,* 2019 WL 1965688, at *4–5. The relationships between petitioners in serial petition scenarios depend on the circumstances. Additionally, ''*General Plastic* factor 1 must be read in conjunction with factors 2 and 3.'' *Code 200* v. *Bright Data Ltd.,* IPR2022–00861, Paper 18 at 5 (PTAB Aug. 23, 2022) (Director decision, precedential). ''Where the first-filed petition under factor 1 was discretionarily denied or otherwise was not evaluated on the merits, factors 1–3 only weigh in favor of discretionary denial when there are 'road-mapping' concerns under factor 3 or other concerns under factor 2.'' *Id.*

The USPTO is considering replacing factors 1–7 with the following test, which incorporates the USPTO's case law on factor 1. Under the proposal, the Board will discretionarily deny—subject to two exceptions—any serial IPR or PGR petition[6] (with at least one

[5] *See* Analysis of multiple petitions in AIA Proceedings (December 2020 update), *www.uspto.gov/sites/default/files/documents/multiple_petition__mta_study_.pdf* (noting that in fiscal year (FY) 2020, about 2% of AIA challenges (21 out of 938) were serial petitions, and a fraction of those (7) were successful); *see also id.* at slides 8 and 9 (describing what led to a successful serial petition in FY 2020).

challenged claim that is the same as a challenged claim in a previously filed IPR, PGR, or CBM petition) that is filed by one of the following: the same petitioner, a real party in interest or privy to that petitioner, a party with a significant relationship to that petitioner (as discussed in *Valve I*[7]), or a party who previously joined an instituted IPR or PGR filed by that petitioner (as discussed in *Valve I*[8]). The two exceptions are that the Board will not discretionarily deny such a petition when: (1) the earlier petition was resolved for reasons not materially related to the merits of the petition (*e.g.,* was discretionarily denied or otherwise was not evaluated on the merits); or (2) exceptional circumstances are shown. Exceptional circumstances may, for example, include (a) situations in which a patentee changes the scope of the claims, for example, through amendment or a proposed claim construction; (b) situations where, at the time of filing of the first petition, the petitioner reasonably could not have known of or found the prior art asserted in the serial petition; or (c) situations in which the petitioner raises a new statutory challenge (35 U.S.C. 101, 112, or 102/103) that was not in the prior petition and has a justifiable explanation for why they did not raise the statutory challenge in the earlier petition.

This approach to serial petitions could simplify the process for analyzing such petitions and provide greater clarity and certainty to the parties regarding whether subsequent petitions will be instituted. The Office requests comments on this approach, including how it should define ''exceptional circumstances'' and whether it should use the ''at least one overlapping claim'' test or whether it should use the ''substantial overlap'' of claims test.

The Office is also considering whether to apply the substantial relationship test instead of limiting discretionary denial of serial petitions to those filed by the same petitioner, a real party in interest or privy to that petitioner, a party with a significant relationship to that petitioner, as discussed in *Valve I,* or a party who previously joined an instituted IPR or PGR filed by that petitioner, as discussed in *Valve II.* The Office also welcomes thoughts on whether the Office should discretionarily deny any serial petition, regardless of the relationship to the first petitioner, unless the petition meets the compelling merits test. The Office also welcomes comments on how the Office should define exceptional circumstances.

35 U.S.C. 325(d) Framework

Under 35 U.S.C. 325(d), in ''determining whether to institute [an AIA post-grant proceeding] the Director[6] may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.''

In evaluating the exercise of discretion to deny institution under 35 U.S.C. 325(d), the Board applies the two-part framework set forth in the precedential *Advanced Bionics* decision, which entails: (1) determining whether the same or substantially the same art was previously presented to the Office or whether the same or substantially the same arguments were previously presented to the Office; and (2) if either condition of the first part of the framework is satisfied, determining whether the petitioner has demonstrated that the Office erred in a manner material to the patentability of challenged claims. *Advanced Bionics, LLC* v. *Med-El Elektromedizinische Geräte GmbH,* IPR2019–01469, Paper 6 at 8 (PTAB Feb. 13, 2020) (precedential).

In applying the two-part framework, the Board has also considered several non-exclusive factors set forth in the precedential *Becton, Dickinson* decision, including (a) the similarities and material differences between the asserted art and the prior art involved during examination; (b) the cumulative nature of the asserted art and the prior art evaluated during examination; (c) the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection; (d) the extent of the overlap between the arguments made during examination and the manner in which the petitioner relies on the prior art or the patent owner distinguishes the prior art; (e) whether the petitioner has pointed out sufficiently how the examiner erred in its evaluation of the asserted prior art; and (f) the extent to which additional evidence and facts presented in the petition warrant reconsideration of the prior art or arguments. *Becton, Dickinson & Co.* v. *B. Braun Melsungen AG,* IPR2017–01586, Paper 8 at 17–18 (PTAB Dec. 15, 2017) (precedential as to section III.C.5, first paragraph).

Factors (a), (b), and (d) of *Becton, Dickinson* relate to whether the art or arguments presented in the petition are the same or substantially the same as those previously presented to the Office. *Advanced Bionics,* Paper 6 at 10. Factors (c), (e), and (f) ''relate to whether the petitioner has demonstrated a material error by the Office'' in its prior consideration of that art or arguments. *Id.* Under *Advanced Bionics,* only if the same or substantially the same art or arguments were previously presented to the USPTO does the Office then consider whether the petitioner has demonstrated a material error by the Office. *Id.*

Although 35 U.S.C. 325(d) was not the specific focus of the RFC, in response to a general question about the Board's use of discretion some stakeholders suggested that the Office promulgate rules for evaluating whether to proceed with an AIA review in view of 35 U.S.C. 325(d) based on the framework set forth in *Advanced Bionics* and *Becton, Dickinson.*[7] To promote more consistency, clarity, and efficiency, the USPTO is proposing to promulgate rules directed at how the Board will conduct an analysis under 35 U.S.C. 325(d). While the considered changes reflect many of the underlying principles of *Advanced Bionics* and *Becton, Dickinson,* the Office intends to further clarify the application of 35 U.S.C. 325(d) to supersede the guidance provided in these cases in order to implement the intent of the AIA—to improve patent robustness and reliability—while providing appropriate deference to USPTO decisions on art or arguments previously before the Office.

The USPTO is considering limiting the application of 35 U.S.C. 325(d) to situations in which the Office previously addressed the prior art or arguments. Art or arguments would be deemed to have been previously addressed where the Office evaluated the art or arguments and articulated its consideration of the art or arguments in the record. For example, for the art to be deemed ''previously addressed,'' the claims must have been distinguished over the art in the record where the art was the basis of a rejection where the rejection was withdrawn or overcome by an amendment, was distinguished in a notice of allowance, or was discussed during an examiner interview. The mere citation of a reference on an Information Disclosure Statement (whether or not checked off by an examiner), in a Notice of References Cited (PTO–892) during prosecution of the challenged patent, or in search results would not be considered sufficient to be deemed ''previously addressed'' for purposes of 35 U.S.C. 325(d). Requiring that the art

[6] The Board institutes trial on behalf of the Director. 37 CFR 42.4(a).

[7] Response from the American Intellectual Property Law Association at 10–11; response from the Intellectual Property Owners Association at 6–7.

be previously addressed increases efficiency and lowers the cost of proceedings for parties and the Board by providing a clear test that reduces unnecessary briefing.

The Office seeks to clarify that 35 U.S.C. 325(d) applies to art or arguments that were previously addressed during proceedings pertaining to: (1) the challenged patent; or (2) any parent application or other family member application of a challenged patent, but only if the claims of the parent application or other family member application contain or contained substantially the same limitations as those at issue in the challenged claims. If a patent owner makes an argument under 35 U.S.C. 325(d) based on art or arguments presented in a related application, the patent owner should identify how the claims of the related application and the challenged patent are substantially the same. For example, the patent owner may show that the challenged claims received an obviousness-type double patenting rejection over the claims of the parent and a terminal disclaimer was filed to overcome the rejection.

In the current proposal, 35 U.S.C. 325(d) would apply to art or arguments from related applications (if the claims are substantially the same) but would not apply to art or arguments that were addressed in any non-related applications. However, the Office is soliciting comments on whether there are benefits to limiting the application of 35 U.S.C. 325(d) to art or arguments that were previously addressed during proceedings pertaining only to the challenged patent (and not to any parent or related application, including child applications) or, alternatively, expanding the application of 35 U.S.C. 325(d) to non-related applications that were before the Office prior to the issuance of the challenged patent.

Further, under the proposal, prior art will be considered to be ''substantially the same'' only if the disclosure in the prior art previously addressed contains the same teaching relied upon in the petition and that teaching was addressed by the Office, whether it be a patent or a printed publication in an IPR or another type of prior art available in a PGR. For example, a U.S. national stage filing of a Patent Cooperation Treaty (PCT) application under 35 U.S.C. 371 could be considered to be ''substantially the same'' art as the PCT application if it has the same disclosure that was previously addressed in the PCT application. Similarly, two non-patent references could be considered to be ''substantially the same'' if they both teach the same claim limitation in the same way as the challenged claim.

The Office also seeks to clarify that 35 U.S.C. 325(d) will apply to any proceedings in which the art or arguments were previously addressed, including prosecution, reissue, ex parte reexamination, inter partes reexamination, and AIA post-grant proceedings, and appeals of the same, involving the challenged patent or a related patent or application.

The proposals under consideration provide that if the patent owner meets its burden in showing that the same or substantially the same art or arguments were previously addressed by the Office, then the Board will not institute a trial unless the petitioner establishes material error by the Office. Examples of a material error may include misapprehending or overlooking specific teachings of the relevant prior art where those teachings impact patentability of the challenged claims, including experimental evidence demonstrating an inherent feature of the prior art or rebutting a showing of unexpected results. Another example may include an error of law, such as misconstruing a claim term, where the construction impacts the patentability of the challenged claims. It will not be considered material error if reasonable minds can disagree regarding the purported treatment of the art or arguments.

Parallel Petitions

With regard to parallel petitions filed against the same patent by the same petitioner or by a petitioner who has a substantial relationship with another petitioner challenging the same patent, the changes under consideration would provide that, when determining whether to institute an IPR or PGR, the Board will not institute parallel petitions unless the petitioner has made a showing of good cause as to why parallel petitions are necessary.

Based on the USPTO's experience with administering the AIA, the Office finds it unlikely that circumstances will arise in which three or more petitions filed by a petitioner with respect to a particular patent will be appropriate. For example, the Office observed that for FY 2021 1,087 out of 1,136 patents challenged (96%) were subject to only one or two petitions, and that 49 out of 1,136 patents challenged (4%) were subject to three or more petitions. *See also* Analysis of multiple petitions in AIA Proceedings (December 2020 update), *www.uspto.gov/sites/default/files/documents/multiple_petition_mta_study_.pdf* (noting that in FY 2020, 15% of AIA challenges (145 out of 938) were parallel petitions, and only 30% of those (43) were successful). Further, two or more petitions filed against the same patent at or about the same time may place a substantial and unnecessary burden on the patent owner and could raise fairness, timing, and efficiency concerns. *See* 35 U.S.C. 316(b), 326(b).

Nevertheless, the Office recognizes that there may be circumstances in which more than one petition may be necessary, including, for example, when there is a dispute about a priority date or two different claim constructions, requiring arguments under multiple prior art references or mutually exclusive unpatentability theories. *See* Consolidated Trial Practice Guide, 59 (Nov. 2019). In such circumstances, one potential outcome of separating the alternative theories into different petitions, which would benefit patentees as well as petitioners, is that it would allow the Board to deny petitions with non-meritorious theories, such that the instituted AIA trial and related appeal to the Federal Circuit and the Supreme Court, if any, will be focused only on the meritorious theories, thereby eliminating the cost and burden of an AIA trial and appeal on rejected theories. If all of the theories were presented in only one petition, the Board would be required to either institute on all grounds raised in the petition or deny the petition in its entirety. *SAS Institute Inc.* v. *Iancu,* 138 S. Ct. 1348, 1359–60 (2018); *PGS Geophysical AS* v. *Iancu,* 891 F.3d 1354, 1359–62 (Fed. Cir. 2018); *Adidas AG* v. *Nike, Inc.,* 894 F.3d 1256, 1258 (Fed. Cir. 2018).

In responding to the RFC, many stakeholders supported rulemaking to provide additional clarity and predictability that would set forth specific circumstances in which the Director would consider institution of parallel petitions, including, for example, those considerations set forth in the 2019 Consolidated Trial Practice Guide, alternative claim constructions, a large number of claims asserted in related litigation, the complexity of technology, numerous limitations in claims, a large number of different claimed embodiments, and a large number of grounds per challenged claim(s). Some stakeholders recommended that, given the Office's restrictive word-count limits, additional parallel petitions are needed, and suggested requiring the petitioner to separately justify any second or subsequent parallel petition.

Additionally, some stakeholders encouraged the Office to distinguish parallel-petition situations from serial-petition situations to promote consistent

treatment. Some stakeholders recommended defining parallel petitions as two or more petitions filed before a preliminary response is filed regarding the earlier petition on the same patent.

Further, some stakeholders advocated that, with respect to the restrictive word-count limit, the Office should allow the petitioner to pay additional fees for a higher word-count limit or create a good cause exception to the word-count limit. Some stakeholders also suggested excluding sections of the petition and the preliminary response that address discretionary denial issues from the word-count limit.

The USPTO is considering changes to provide that, instead of filing multiple petitions, a petitioner may pay additional fees for a higher word-count limit. In particular, the Office could allow, for additional fees (*e.g.,* an additional 50% or 100%), higher word-count limits (*e.g.,* an additional 50% or 100%) for the petition. If a petitioner pays the fees for filing a petition with a higher word-count limit (*e.g.,* an additional 50%), the patent owner preliminary response, patent owner response, reply to patent owner response, and sur-reply may be filed with proportionally higher word-count limits (*e.g.,* an additional 50%) at no additional charge to either party. Under this change, a petitioner may file effectively two petitions as one long petition equal in length to two current petitions. Filing more than one petition with a higher word-count limit (*i.e.,* two or more long parallel petitions) challenging the same patent by the same petitioner, however, would not be permitted.

The Office also is considering an additional option to provide that, when determining whether to institute an IPR or PGR, the Board will not institute parallel petitions unless the petitioner has made a showing of good cause as to why parallel petitions are necessary. To aid the Board in determining whether more than one petition (*i.e.,* a parallel petition) is necessary (*e.g.,* whether a showing of good cause exists), a petitioner that files two or more petitions challenging the same patent would, in a separate five-page paper filed with the petitions, identify: (1) a ranking of the petitions in the order in which it wishes the Board to consider the merits, if the Board uses its discretion to institute any of the petitions; and (2) a succinct explanation of the differences between the petitions, why the issues addressed by the differences in the petitions are material, and why the Board should exercise its discretion to institute additional petitions if it identifies one petition that satisfies the petitioner's burden under 35 U.S.C. 314(a) or 324(a). The patent owner may file a response to the ranking in a separate five-page paper filed with each preliminary response.

The Office also is considering changes that would allow the Board, when evaluating the petitioner's good cause showing as to why more than one petition is necessary, to consider the following factors: (1) whether the patent owner has asserted a large number of claims in the parallel litigation; (2) whether the petitioner is challenging a large number of claims; (3) whether there is a dispute about a priority date requiring arguments under multiple prior art references; (4) whether there are alternative claim constructions that require different prior art references or mutually exclusive grounds; (5) whether the petitioner lacks sufficient information at the time of filing the petition, *e.g.,* the patent owner has not construed the claims or provided specific information as to the allegedly infringed claims; (6) whether there are a large number of claimed embodiments challenged, *e.g.,* composition claims, method of making claims, and method of use claims; (7) the complexity of the technology in the case; and (8) the strength of the merits of the petition.

Also under consideration are changes to provide that ''parallel petitions'' means two or more petitions that: (1) challenge the same patent by the petitioner or by a petitioner who has a substantial relationship with another petitioner challenging the same patent; and (2) are filed on or before (a) the filing date of a preliminary response to the first of two or more petitions, or (b) the due date set forth in 42.107(b) for filing a preliminary response to the first petition, if no preliminary response to the first petition is filed.

The Office requests feedback as to whether one petition for challenging a patent would be sufficient in most situations, including those suggested by the stakeholders in response to the RFC, if the petitioner is allowed to purchase higher word-count limits and also allowed to submit a separate paper to address discretionary denial issues, as discussed below, preserving word count for the merits. The Office also seeks feedback on whether the same requirements should or should not apply to both IPRs and PGRs. Additionally, the Office requests input on any modifications or alternative definitions for ''parallel petitions'' that would provide further clarity.

Parallel Litigation

In the case of a parallel district court action in which a trial adjudicating the patentability of the challenged claims has not already concluded at the time of an IPR institution decision, the USPTO is proposing rules to install *Apple* v. *Fintiv* and related guidance, with additional proposed reforms.

The AIA contains several provisions that function to minimize overlap between district court litigation and AIA proceedings in the Office. For example, the AIA provides that a petitioner may not file a civil action in district court challenging the validity of a patent claim prior to filing a petition asking the Office to institute an IPR or PGR of the same patent. *See* 35 U.S.C. 315(a)(1), 325(a)(1). Similarly, an IPR may not be instituted on a petition filed more than one year after the date on which the petitioner, a real party in interest, or a privy of the petitioner is served with a complaint alleging infringement of the patent, except under limited circumstances, which the Office is separately reconsidering, where the petition is accompanied by a request for joinder. 35 U.S.C. 315(b). Further, if a petitioner or real party in interest files a civil action challenging the validity of a patent claim after an IPR or PGR is instituted, the civil action will be stayed under most circumstances. *See* 35 U.S.C. 315(a)(2), 325(a)(2). In situations in which the petitioner is not barred by statute from pursuing an AIA proceeding in parallel with district court litigation, district courts have discretion to stay the parallel litigation in order to minimize duplicative efforts.

In contrast, the statutory deadlines governing the issuance of decisions on institution and final written decisions oftentimes make stays of AIA proceedings impractical. *See* 35 U.S.C. 314(b), 316(a)(11), 324(c), 326(a)(11). The Office, however, retains discretion under 35 U.S.C. 314(a) and 324(a) to deny institution of an IPR or PGR in circumstances in which parallel proceedings would result in significant inefficiency or in which there is gamesmanship or harassment. The Office has exercised that discretion to reduce overlap with parallel proceedings, particularly when trial in a parallel court proceeding would precede a final written decision from the Office. *See, e.g., Fintiv,* 2020 WL 2126495, at *2–7 (summarizing the factors the Office has considered when a patent owner argues for discretionary denial due to an earlier court trial date).

As noted, the Office received 822 comments in response to the RFC on the *Fintiv* factors and other aspects of AIA

proceedings. Comments from stakeholders in response to the RFC generally supported rulemaking with respect to discretionary denial, although the comments differed as to the specifics. In general, proponents of the *Fintiv* approach argued that petitioners should be required to choose a venue to avoid the expense for patent owners, especially independent inventors and small businesses, of participating in two proceedings addressing the same issues at the same time. They also argued that allowing multiple challenges destabilizes the patent system and violates the intent of Congress for AIA proceedings to be an alternative to district court litigation. These proponents favored litigation in district courts because district courts use a higher burden of proof, including the presumption of patent validity, and provide access to a jury.

In contrast, those opposed to the *Fintiv* approach argued that *Fintiv* incentivizes district court forum shopping by encouraging the filing of lawsuits in venues in which judges are quicker to schedule trials, even if those trial dates may not hold. They also argued that *Fintiv* is contrary to the explicit statutory one-year time frame permitted for a petitioner to file a petition after being served with a complaint charging infringement. *Fintiv* opponents further argued that the Office should not exercise discretion to deny institution of a timely filed, meritorious petition. They favored resolving patentability disputes before the PTAB, noting that it is a less expensive, more expert forum with legally and technically trained judges, and has a lower burden of proof.

On June 21, 2022, as the Office considered rulemaking on discretionary denials, the Director issued the Guidance Memorandum, which contains ''several clarifications . . . to the PTAB's current application of *Fintiv* to discretionary institution where there is parallel litigation.'' As outlined in the Guidance Memorandum, the Board's current practice is not to deny institution of an IPR under *Fintiv:* (1) when a petition presents compelling merits of unpatentability; (2) when a request for denial under *Fintiv* is based on a parallel International Trade Commission (ITC) proceeding; or (3) when a petitioner stipulates not to pursue in a parallel district court proceeding the same grounds as those in the petition or any grounds that could have reasonably been raised in the petition. Additionally, when the Board applies *Fintiv* factor 2, concerning the proximity of the district court trial date, the Board currently weighs this factor against exercising discretion to deny institution if the projected district court trial date, based on median time-to-trial data, is around the same time as or after the projected statutory deadline for the Board's final written decision.

Even if the Board does not deny institution under *Fintiv,* it retains discretion to deny institution for other reasons under 35 U.S.C. 314(a), 324(a), and 325(d). For example, the Guidance Memorandum makes clear that the Board may deny institution if other pertinent circumstances are present, such as abuse of process by a petitioner. The Office contemplates that the Board would retain the authority to deny institution in such circumstances.

Parallel Proceedings—Denial Unavailable

(1) Parallel PGR and District Court Proceedings

Congress expressed a premium on the value of PGRs, given the ability of those proceedings to explore more patentability issues early in patent life. More specifically, PGRs, unlike IPRs, may only be filed within nine months from the grant of the patent. 35 U.S.C. 321(c). This short-term window for filing a PGR reflects Congress's desire to create ''a new, early-stage process for challenging patent validity.'' H.R. Rep. No. 112–98, part 1, at 48. By setting forth a strict time limit with respect to the filing of PGRs, Congress sought to ensure review of patents ''early in their life, before they disrupt an entire industry or result in expensive litigation.'' 157 Cong. Rec. S1326 (daily ed. Mar. 7, 2011) (statement of Sen. Sessions). Congress also sought to incentivize the filing of PGRs by allowing petitioners to raise any ground related to invalidity under section 282(b) of the Patent Act, in contrast to IPRs, in which petitioners are permitted only to raise challenges on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications. 35 U.S.C. 311(b), 321(b). As a result, the statutory estoppel ensuing from a PGR proceeding is broader than the statutory estoppel from an IPR proceeding, lessening the risks of conflicting decisions arising between the PTAB and district courts. *See* 35 U.S.C. 315(e)(2), 325(e)(2). Additionally, the threshold standard for institution of a PGR is higher than that for an IPR, as it requires a showing that at least one claim is more likely than not unpatentable rather than merely a reasonable likelihood of prevailing. *Compare* 35 U.S.C. 324(a) *with* 35 U.S.C. 314(a).

Given the clear differences in their statutory requirements, which serve to reduce the likelihood of potentially conflicting outcomes in parallel PGR and district court litigation, the Office is exploring whether different criteria should apply to discretionary denial of PGRs versus IPRs. One possibility is a rule providing that the Board will not invoke its discretion to deny institution of a PGR based on parallel district court litigation. The Office welcomes thoughts on whether PGRs should be treated differently than IPRs and, if so, how.

(2) IPR or PGR Proceedings and Parallel ITC Investigations

Consistent with current USPTO practice, the Office is contemplating a rule providing that the Board will not invoke its discretion under 35 U.S.C. 314(a) or 324(a) to deny institution of an IPR or PGR based on the existence or status of parallel ITC proceedings.

The Office recognizes that important differences distinguish ITC investigations from patent invalidity trials in federal district courts. Unlike district courts, the ITC lacks authority to invalidate a patent, and its invalidity rulings are not binding on either the Office or a district court. *See Tandon Corp.* v. *U.S.I.T.C.,* 831 F.2d 1017, 1019 (Fed. Cir. 1987). Therefore, an ITC determination cannot conclusively resolve an assertion of patent invalidity, which instead requires either district court litigation or a PTAB proceeding to obtain claim cancellation. Thus, denying institution because of a parallel ITC investigation will not necessarily minimize potential conflicts between PTAB proceedings and district court litigation. For this reason, it is the current practice of the USPTO not to deny institution of an IPR or PGR petition based on parallel proceedings in the ITC.

Parallel Proceedings—Denial Available

If neither situation outlined above, if adopted, precludes discretionary denial, the Board would then proceed to consider discretionary denial of an IPR in view of a parallel district court action. The Office is considering two alternatives for applying the Director's discretion here: one in which discretionary denial determinations are governed solely by a clear, predictable rule, and another governed by that clear, predictable rule working, where appropriate, in conjunction with a streamlined version of the current *Fintiv* factors. In either option, a set of safe harbor exceptions to discretionary denial applies.

(1) Parallel IPR and District Court Proceedings—Clear, Predictable Rules

The Office notes that concerns regarding overlapping issues and duplicative efforts are greatly mitigated when a district court trial will not take place until after the Board issues a final written decision. Absent unusual circumstances, the Board is required to issue a final written decision not more than one year after an IPR is instituted. *See* 35 U.S.C. 316(a)(11). Thus, when a district court trial takes place more than one year after the deadline to institute an IPR, the estoppel of 35 U.S.C. 315(e)(2) will minimize or eliminate any potential overlap. *See id.* (providing that the issuance of a final written decision bars the petitioner from raising in district court ''any ground that the petitioner raised or reasonably could have raised during that inter partes review''). District courts, which are not bound by statutory deadlines, are also able to adjust case schedules or implement stays, and can thereby avoid expending significant pre-trial efforts on issues that will be resolved in an IPR.

The Office is considering that, unless a safe harbor exception in the following section is met, the Board would apply a clear, predictable rule and deny institution of an IPR in view of pending parallel district court litigation involving at least one of the challenged claims if the Board determines a trial in the district court action is likely to occur before the projected statutory deadline for a final written decision. When analyzing when a district court trial is likely to occur, the Board may consider evidence regarding the most recent statistics on median time-to-trial for civil actions in the district court in which the parallel litigation resides as well as additional supporting factors, such as the number of cases before the judge in the parallel litigation and the speed and availability of other case dispositions.

As an alternative to determining if a trial in the district court action is likely to occur before the projected statutory deadline for a final written decision, and to ensure more clarity and certainty, the Office is considering whether to adopt a rule providing that the Board will not invoke its discretion to deny an IPR petition based on a parallel district court proceeding if the IPR petition is filed within 6 months after the date on which the petitioner, a real party in interest, or a privy thereof is served with a complaint alleging infringement of the patent, provided that the petitioner, real party in interest, or privy did not first file a civil action seeking declaratory judgment of noninfringement of any claim of the patent before the date on which such complaint alleging infringement was filed. The Office recognizes that 35 U.S.C. 315(a)(1) bars institution of an IPR only if, before the date on which the petition for such review is filed, the petitioner or a real party in interest filed a civil action challenging the validity of a claim of the patent, and that 35 U.S.C. 315(b) permits a petition to be filed within one year of service of such a complaint. An early-filing exception would not, however, impose any earlier deadlines. It would instead merely offer an incentive for a petitioner to proceed promptly with any IPR petition. In the Office's experience, such an incentive is desirable because prompt filing of a petition minimizes the potential for overlapping issues and duplicative efforts that can result from parallel proceedings. For example, prompt filing of an IPR petition could permit a district court to consider the possibility of a stay before it has invested significant resources into a lawsuit or could allow the court to tailor its case management deadlines so that it can take advantage of Board decisions on any overlapping issues.

(2) Exceptions—Safe Harbors Under Consideration

The USPTO recognizes that there are certain situations in which it may be inappropriate for the Board to deny institution in view of parallel district court litigation and is considering adopting changes to the rules that would govern such situations.

First, the Office is considering a rule providing that the Board will not deny institution under 35 U.S.C. 314(a) in view of parallel litigation when the petitioner files a stipulation agreeing not to pursue potentially overlapping grounds in district court. The Office is considering whether the petitioner must show that a stipulation has been filed in the district court action as well, and whether, if the petitioner is not a party to the district court litigation but a district court litigant is nonetheless a real party in interest or in privity with the petitioner, a stipulation filed by the party to the district court action would suffice under this exception.

The Office has recognized that when a petitioner stipulates not to pursue in a parallel district court proceeding grounds that were raised in the petition, the stipulation mitigates concerns related to overlapping issues and duplicative efforts. *See Sand Revolution, II, LLC* v. *Cont'l Intermodal Grp.—Trucking LLC,* IPR2019–01393, 2020 WL 3273334, at *5 (PTAB June 16, 2020) (applying *Fintiv* factors and noting that the petitioner's stipulation to forgo pursing the ''same'' invalidity grounds in district court mitigated concerns regarding overlap) (*Sand Revolution* stipulation). The Office has also recognized that a broader stipulation, which also encompasses any ground that could have reasonably been raised in the petition, would weigh even more strongly against discretionary denial. *See Sotera Wireless, Inc.* v. *Masimo Corp.,* IPR2020–01019, 2020 WL 7049373, at *7 (PTAB Dec. 1, 2020) (applying *Fintiv* factors and determining that the petitioner's stipulation to forgo pursuing in district court litigation ''any ground raised or that could have been reasonably raised in an IPR'' weighed ''strongly'' against exercising discretion to deny an IPR) (*Sotera* stipulation). In accordance with the Guidance Memorandum, the Board's current practice is not to deny institution based on a parallel proceeding when the petitioner agrees to a broad *Sotera* stipulation that would prevent it from pursuing in a parallel district court proceeding ''the same grounds as in the petition or any grounds that could have reasonably been raised in the petition.''

A significant advantage of a *Sotera* stipulation is that it effectively minimizes concerns related to the overlapping issues and duplicative efforts that may result from parallel district court litigation. A *Sand Revolution* stipulation, in contrast, does not necessarily prevent a petitioner from using a reference that was not raised, but reasonably could have been raised in an IPR, as part of an invalidity argument in district court. The estoppel provision of 35 U.S.C. 315(e)(2) will bar the petitioner from pursuing in district court any ground it raised, or reasonably could have raised, in the IPR, but only upon the issuance of a final written decision. Because this estoppel provision does not apply until the end of an AIA trial, it does not eliminate the concerns about overlapping issues and duplicative efforts that could arise from allowing petitioners to avoid discretionary denial of institution by agreeing merely to a narrower *Sand Revolution* stipulation.

However, the USPTO also recognizes that there are several potential disadvantages of adopting a rule that requires *Sotera* stipulations. For example, after an IPR petition has been filed, a patent owner may amend its district court infringement contentions to accuse a petitioner of infringing additional claims. In this situation, a *Sotera* stipulation might unfairly limit the defenses a petitioner could raise in district court against the newly asserted claims. Accordingly, such a rule could

incentivize petitioners to challenge more claims than necessary in an IPR in order to protect themselves in parallel litigation, thereby increasing the Office's workload and the parties' corresponding burden and expense. The USPTO recognizes that a narrower stipulation, such as a *Sand Revolution* stipulation, might avoid these undesirable consequences. The Office further understands that district courts have tools available to manage overlapping issues and minimize duplicative efforts, including the ability to limit certain defenses, to grant stays, and to provide flexible schedules. These tools arguably mitigate the concerns regarding overlapping issues and duplicative efforts that would result from a rule that allowed a petitioner to avoid discretionary denial of institution by filing a narrower stipulation.

Based on the foregoing considerations, the USPTO currently believes that—should it maintain this exception—the most appropriate approach is to maintain the current practice of permitting a petitioner to avoid a discretionary denial only by filing a *Sotera* stipulation. The Office would appreciate public comments regarding whether other, narrower types of stipulations should be sufficient to permit a petitioner to avoid discretionary denial of institution, such as a *Sotera* stipulation that is limited to the specific patent claims challenged in the petition, or a *Sand Revolution* stipulation. The Office would also appreciate comments on whether the *Sotera* stipulation can and should be limited to the claims asserted at the time the stipulation is filed.

The Office is additionally considering removing this exception and instead making a *Sotera* stipulation a necessary but not sufficient basis for institution. In other words, to survive a challenge under *Fintiv,* the Petitioner would necessarily need to file a *Sotera* stipulation. The Petitioner would still need to meet the other criteria for institution in view of a parallel litigation as expressed in this section.

As an alternative to all of the options discussed above, in the interest of creating a bright line test and to reduce uncertainty, the Office seeks feedback on whether *Fintiv* should be replaced entirely by a *Sotera* stipulation requirement where, when a parallel litigation is ongoing, the Office will not exercise discretion to deny institution if a *Sotera* stipulation is filed but would otherwise discretionarily deny institution without consideration of other circumstances or factors discussed above.

Second, the USPTO recognizes that stays of district court proceedings can minimize concerns related to parallel litigation. The Office, therefore, is considering a rule providing that the Board will not invoke its discretion to deny institution of an IPR based on a parallel district court proceeding if the parallel proceeding has been stayed and is reasonably expected to remain stayed at least until the deadline for the Board's decision regarding whether to institute an IPR. Such a rule would be consistent with Board precedent holding that a stay of parallel district court litigation ''allays concerns about inefficiency and duplication of efforts'' and ''weighs strongly against exercising discretion to deny institution.'' *Snap, Inc.* v. *SRK Tech. LLC,* IPR2020–00820, Paper 15, 2020 WL 6164354, at *4 (PTAB Oct. 21, 2020) (precedential as to section II.A). Where a district court has stayed proceedings and the Board institutes an IPR, the district court can avoid overlapping issues by continuing the stay until the Board issues a final written decision, at which time the petitioner will be barred from asserting in district court ''any ground that the petitioner raised or reasonably could have raised during that inter partes review.'' 35 U.S.C. 315(e)(2). Alternatively, the district court can adopt a schedule that allows it to avoid unnecessary rulings on potentially overlapping issues and to take advantage of Board rulings while still permitting litigation to move forward.

The USPTO is considering other exceptions as well. One potential exception in relation to parallel IPR or PGR and district court proceedings relates to strength of merits. In particular, the Office is contemplating that if the circumstances favor a discretionary denial of institution, the Board will analyze the merits of the petition, and will not discretionarily deny institution if the petition presents compelling merits. To further aid the USPTO's consideration of this proposal, the Office requests comments on whether a finding by the Board that the petition meets the compelling merits standard at institution increases or decreases the chance that a parallel district court action will be stayed.

(3) Parallel IPR and District Court Proceedings—Additional Factor-Based Test

The clear, predictable rule proposed above to govern discretionary denial decisions based on parallel district court proceedings is intended to provide clarity and certainty for the parties. Recognizing that the discretionary issues presented by parallel district court litigation can be highly fact-variant, the Office is considering whether to additionally provide for a streamlined version of one or more of the other current *Fintiv* factors. The factor-based test would be available to the parties and the Board to consider, as appropriate and necessary, to avoid effecting an unduly harsh outcome under the clear, predictable rule. The Office expects that the clear, predictable rule will control the vast majority of discretionary issues in this space and make it unnecessary to engage any factor-based test.

For example, the Office is contemplating a factor-based test that would omit *Fintiv* factor 1 (the likelihood of a stay) because past experience has shown it to be difficult to predict a district court's future actions. The Office is also contemplating omitting *Fintiv* factor 5 (whether the petitioner and the defendant in the parallel proceeding are the same party) in favor of considering real parties in interest and privies, or alternatively parties that are substantially related.

The Office is considering three non-exclusive factors that, in addition to a clear, predictable rule, would be available, where appropriate, to guide the Board's discretion in situations in which the petitioner, its real party in interest, or a privy thereof is a party to ongoing district court litigation. The factors under consideration are:

(1) Past and future expected investment in the parallel proceeding by the district court and the parties;

(2) The degree of overlap between the issues in the petition and the parallel district court proceeding; and

(3) Any other circumstances that the parties contend are relevant to the Board's exercise of discretion.

The first two factors are similar to *Fintiv* factors 3 and 4, respectively. The third factor above is similar to *Fintiv* factor 6. The exceptions/safe harbors from discretionary denial discussed above would apply equally to any discretionary decision rendered by the Board based on a factor-based test.

The Office welcomes thoughts on (1)–(3) above including the Office's current application of (3). The Office also welcomes comments on whether (1) or (2) are necessary.

Under the current guidelines, the PTAB weighs under the *Fintiv* analysis any additional circumstances that inform whether institution would advance or negatively impact the integrity of the patent system, including whether there is an abuse of the process such that the AIA proceeding is being used in a way that does not comport

with the purpose and legitimate goals of the AIA. *See OpenSky Indus., LLC* v. *VLSI Tech. LLC,* IPR2021–01064, Paper 102 at 44 (PTAB Oct. 4, 2022) (Director decision, precedential). A party may raise under *Fintiv* as an additional circumstance for denying a petition sought to be joined the fact that the party seeking to join would have been time-barred from filing the petition it seeks to join. Currently, any decision by the PTAB granting or denying institution based on this paragraph may be challenged on Director review.

The Office is also considering adopting a rule with regard to petitions accompanied by a motion for joinder. To help clarify the application of discretionary denial in view of a co-pending district court litigation, the joinder petition would be evaluated with respect to the timing of any underlying litigation of the earlier-filed petition. This means that when a party seeks to join an AIA proceeding, the PTAB would conduct the parallel proceeding analysis with respect to litigation involving the petitioner for the first-filed petition to which joinder is sought, in addition to exercising the Director's discretion on joinder consistent with operable rules, precedent, and practices.

Stipulation on No Multiple Challenges

To avoid patent owner harassment, the Office is considering, as a condition to not discretionarily denying institution under 35 U.S.C. 314(a), requiring petitioners to file a stipulation that neither they nor their privy or real parties have filed prior post-grant proceedings (PGRs, IPRs, CBMs or ex parte reexaminations requested by third parties, not by patent owner) as to any of the challenged claims; and that if their post-grant proceeding is instituted, neither they nor their privy or real parties in interest, will challenge any of the challenged claims in a subsequent post-grant proceeding (including PGRs, IPRs and ex parte reexaminations requested by third parties, not by patent owner). The Office is considering an exception to this rule where a petitioner can establish exceptional circumstances. Exceptional circumstances may include, for example, situations in which a patentee broadens the scope of the claims through a proposed claim construction.

Separate Briefing for Discretionary Denial

Many commenters who responded to the RFC suggested allowing the parties to brief discretionary denial considerations under 35 U.S.C. 314(a), 324(a), and 325(d) in separate papers (*i.e.,* separate from the petition or the patent owner preliminary response), to avoid encroaching on the parties' word-count limits for briefing on the merits. The Office has found the practice of allowing parties to file separate papers addressing the ranking of petitions helpful in evaluating parallel petitions while preserving the parties' word count to focus on the merits of the challenge. The Office believes a similar procedure to allow parties to address all relevant factors for discretionary denial in separate briefing would also be helpful.

The USPTO is considering amending the rules to provide a procedure for separate briefing on discretionary denial, in which the patent owner would file, prior to the deadline for a preliminary response, a separate request for discretionary denial to address any relevant factors regarding discretionary denial. This filing would trigger the opportunity for the petitioner to file an opposition and for the patent owner to file a reply. The page limits for such briefing would be 10 pages for the patent owner request, 10 pages for a petitioner opposition to the request, and 5 pages for a patent owner reply.

The Office is further considering amending the rules to provide that the Board may also, in the interest of justice, raise discretionary denial *sua sponte,* in which case the Board will provide the parties with the opportunity for briefing.

The USPTO also requests feedback on whether the Office should require patentees to provide (*e.g.,* in a request for discretionary denial or as part of their mandatory disclosures, 37 CFR 42.8) additional information as to patent ownership as a precondition for the Board considering discretionary denial. For example, the Office requests feedback on whether, as a precondition to discretionary denial, patent owners should be required to disclose additional information relating to entities having a substantial relationship with the patent owner (*e.g.,* anyone with an ownership interest in the patent owner; any government funding or third-party litigation funding support, including funding for some or all of the patent owner's attorney fees or expenses before the PTAB or district court; and any stake any party has in the outcome of the AIA proceeding or any parallel proceedings on the challenged claims).

Settlement Agreements

For consistency and predictability, the USPTO is considering changes to the rules to clarify that parties must file with the Office true copies of all settlement agreements, including pre-institution settlement agreements (or understandings between the parties, including any collateral agreements referred to in such agreements or understandings), similar to post-institution settlement agreements. In addition, although the USPTO may grant a motion to terminate an AIA proceeding prior to or after institution based on a binding term sheet, the Office proposes to clarify that parties are required to file a true copy of any subsequent settlement agreements between the parties in connection with, or in contemplation of, the termination.

These considered changes align with the policy set forth in the Executive Order on Promoting Competition in the American Economy (E.O. 14036), which encourages Government agencies to cooperate on policing unfair, anticompetitive practices. Having a depository of all settlement agreements in connection with contested cases, including AIA proceedings, in the USPTO would assist the Federal Trade Commission (FTC) and the Department of Justice in determining whether antitrust laws were being violated. *See, e.g.,* Congressional Record, Senate, October 3, 1962, 22041, *www.govinfo.gov/content/pkg/GPO-CRECB-1962-pt16/pdf/GPO-CRECB-1962-pt16-5.pdf* (explaining that the filing with the Patent Office of all agreements in connection with interference cases would assist the FTC and the Department of Justice in determining whether the antitrust laws were being violated).

Although 35 U.S.C. 135(e), 317(b), and 327(b) require filing of settlement agreements made in connection with, or in contemplation of, the termination of a proceeding that has been instituted, these statutory provisions do not expressly govern AIA pre-institution settlement. *See* Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR 48612, 48625 (Aug. 14, 2012) (final rule) (stating that ''35 U.S.C. 135(e) and 317, as amended, and 35 U.S.C. 327 will govern settlement of Board trial proceedings but do not expressly govern pre-institution settlement''). The Office is considering changes to clarify that 37 CFR 42.74(b) ''provides that settlement agreements must be in writing and filed with the Board prior to termination of the proceeding.''

Since the inception of AIA trials, the Board has been generally uniform in requiring the filing of a settlement agreement prior to terminating an AIA proceeding based on a joint motion by the parties, pre- or post-institution. Nevertheless, some petitioners have

recently filed motions to dismiss or withdraw the petition before institution, arguing that they should not be required to file a copy of the parties' settlement agreements, and some panels in those cases have granted the motions and terminated the proceedings without requiring the parties to file their settlement agreements. *See, e.g., Samsung Elecs. Co.* v. *Telefonaktiebolaget LM Ericsson,* IPR2021–00446, Paper 7 (PTAB Aug. 3, 2021) (Order—Dismissal Prior to Institution of Trial) (over the dissent of one Administrative Patent Judge (APJ), granting the petitioner's motion to dismiss the petition and terminating the proceeding, without requiring the parties to file their settlement agreements); *Huawei Techs. Co.* v. *Verizon Patent & Licensing Inc.,* IPR2021–00616,–00617, Paper 9 (PTAB Sept. 9, 2021) (Order—Dismissal Prior to Institution of Trial) (same dispute among a panel of APJs); *AEP Generation Res. Inc.* v. *Midwest Energy Emissions Corp.,* IPR2020–01294, Paper 11 (PTAB Dec. 14, 2020).

For consistency and predictability, the considered changes would ensure that pre-institution settlement agreements, like post-institution settlement agreements, are filed with the Board. Under the considered changes, notwithstanding that an AIA proceeding is in a preliminary stage before institution, any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an AIA proceeding, would be required to be in writing, and a true copy of such agreement or understanding would be required to be filed in the Office. In short, all settlement agreements between the parties made in connection with, or in contemplation of, the termination of an AIA proceeding would need to be in writing and filed with the Board. Parties would not be able to circumvent this requirement by filing merely a motion to dismiss or withdraw the petition, as granting such a motion would effectively terminate the proceeding.

In addition, as noted above, although the USPTO may grant a motion to terminate an AIA proceeding prior to or after institution based on a binding term sheet, the Office could require the filing of a true copy of any subsequent settlement agreement between the parties in connection with, or in contemplation of, the termination. Under the current practice, some panels have accepted a binding term sheet as the settlement agreement, while other panels have required a formal settlement agreement, not just a binding term sheet. For example, in several cases, panels granted a motion to terminate a proceeding based on a binding term sheet notwithstanding that a future settlement agreement was contemplated. *See, e.g., Allergan Inc.* v. *BTL Healthcare Techs. A.S.,* PGR2021–00022, Paper 17 (PTAB July 6, 2021); *Nalu Med., Inc.* v. *Nevro Corp.,* IPR2021–01023, Paper 14 (PTAB Nov. 24, 2021). In several other cases in which the parties filed or executed a binding term sheet while contemplating a settlement agreement, the panel held the motion to terminate in abeyance until the parties filed the settlement agreement, or granted a short extension of time, so the parties could avoid the expense of continued preparation of a preliminary response or other papers until the parties filed the settlement agreement. *See, e.g., Textron Inc.* v. *Nivel Parts & Mfg. Co.,* PGR2017–00035, Paper 15 (PTAB Feb. 2, 2018); *AT&T Corp.* v. *Kaifi LLC,* IPR2020–00889, Paper 9 (PTAB July 17, 2020).

The Office is considering changes to amend the rules to provide that the parties may file a binding term sheet with their motion to terminate a proceeding. Also, the Board may grant the motion to terminate based on the binding term sheet if the parties certify in their motion that: (1) there are no other agreements or understandings, including any collateral agreements, between the parties with respect to the termination of the proceeding; and (2) they will file a true copy of any subsequent settlement agreement between the parties, including collateral agreements, made in connection with the termination of the proceeding, within one month from the date that the settlement agreement is executed. A failure to timely file the subsequent settlement agreement could result in sanctions. *See* 37 CFR 42.11(a) and 42.12. The Board may maintain jurisdiction over the proceeding and the involved patent to resolve any misconduct issues or vacate its decision granting the motion to terminate.

The Office welcomes any comments on the anticipated benefits and costs to individual parties, and the economy as a whole, that may result from the proposed actions above on discretionary denial.

The Office welcomes any other additional comments or proposals on discretionary denial.

Executive Order 12866 (Regulatory Planning and Review): This rulemaking has been determined to be significant for purposes of E.O. 12866 (Sept. 30, 1993).

Katherine K. Vidal,

Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

[FR Doc. 2023–08239 Filed 4–20–23; 8:45 am]

BILLING CODE 3510–16–P

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[EPA–R06–OAR–2022–0307; FRL–10892–01–R6]

Air Plan Approval; Texas; Updates to Public Notice and Procedural Rules and Removal of Obsolete Provisions

AGENCY: Environmental Protection Agency (EPA).

ACTION: Proposed rule.

SUMMARY: Pursuant to the Federal Clean Air Act (CAA or the Act), the Environmental Protection Agency (EPA) is proposing to approve portions of three revisions to the Texas State Implementation Plan (SIP) submitted by the Texas Commission on Environmental Quality (TCEQ) on July 9, 2021, and January 21, 2022. The first revision, adopted on April 22, 2020, submitted on January 21, 2022, updates internal cross-references and removes or replaces obsolete provisions identified during a routine review of the Texas permitting regulations. The second revision, adopted on June 9, 2021, submitted July 9, 2021, repeals obsolete permitting provisions, and makes necessary corresponding edits to other permitting provisions. The third revision, adopted on August 25, 2021, submitted January 21, 2022, enhances the public notice requirements of the air permitting program.

DATES: Written comments must be received on or before May 22, 2023.

ADDRESSES: Submit your comments, identified by Docket No. EPA–R06–OAR–2022–0307, at *https://www.regulations.gov* or via email to *wiley.adina@epa.gov*. Follow the online instructions for submitting comments. Once submitted, comments cannot be edited or removed from *Regulations.gov*. The EPA may publish any comment received to its public docket. Do not submit electronically any information you consider to be Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. Multimedia submissions (audio, video, etc.) must be accompanied by a written comment.