

## How Vidal Set The PTAB On A New Course In 2022

By Britain Eakin

*Law360 (December 20, 2022, 4:45 PM EST)* -- U.S. Patent and Trademark Office Director Kathi Vidal wasted no time leaving her mark on the Patent Trial and Appeal Board this year after taking the helm in April, issuing key guidance on discretionary denials and taking a hands-on approach to director reviews that attorneys say have helped make the board more predictable.

Here, Law360 looks back at how Vidal has shaped the PTAB this year.

### Creating a More Certain and Transparent PTAB

When Vidal came on board, the USPTO had been without a Senate-confirmed director for more than a year. The former Winston & Strawn LLP partner didn't need much time to acclimate, however, signaling right away that she would be taking an active role in her new position.

Two months into her tenure, Vidal issued guidance tamping down on discretionary denials under the controversial Fintiv policy, which allows the PTAB to deny patent reviews based on the status of co-pending district court litigation. And from June through September, she granted director reviews in 11 cases — 10 of which she initiated sua sponte — weighing in on topics like serial petitions and applicant admitted prior art.

Taken together, Vidal's actions have led to greater certainty for PTAB practitioners, according to Cory Bell, a partner at Finnegan Henderson Farabow Garrett & Dunner LLP.

"She's clearly spent a lot of effort paying attention to decisions where she can issue guidance on particular fact patterns to make things clearer for attorneys, which makes it a lot easier for us to advise clients," Bell said. "When you no longer have risks of panel-dependent outcomes, it makes it a lot easier for a client to make a decision on what to do."

Vidal's active approach sets her apart from her predecessors, according to Fish & Richardson PC principal David Holt.

Prior decision-making was largely done through decisions that were made precedential, and therefore were binding on the board, as well as a handful of decisions issued by the Precedential Opinion Panel, which consists of PTAB leadership and operates at the discretion of the director, Holt noted. Never before has a USPTO director been so publicly active, he said.

"I think that whether you agree with the decisions and guidance being issued right now, ultimately it's good for transparency and in that regard ought to be applauded," Holt said.

### **Fine-Tuning Fintiv**

The number of discretionary denials the PTAB issued in light of its decision in *Apple Inc. v. Fintiv Inc.* exploded after the decision became precedential in May 2020, with the board handing down 168 denials of requests to institute patent challenges from that point through the end of 2021. Although Fintiv denials fell sharply in the latter half of 2021 and have since slowed to a trickle — there have only been 15 this year — Ropes & Gray partner Scott McKeown called Vidal's recalibration of discretionary denials under Fintiv "the biggest development this year."

Denials under Fintiv riled petitioners, who complained they were being shut out of the inter partes review process. The policy gave rise to several failed legal challenges, as well as a bipartisan bill introduced this year that would do away with it altogether. But Fintiv denials slowed down considerably after the board made its *Sotera Wireless Inc. v. Masimo Corp.* decision precedential in December 2020.

Sotera enabled many, but not all, petitioners to clear the Fintiv bar if they stipulated not to pursue invalidity arguments in district court that they raised or could have reasonably raised at the PTAB. Vidal's guidance bolstered that trend by prohibiting the board from ever denying a petition under Fintiv when petitioners rely on so-called Sotera stipulations.

Vidal's guidance on that front "provided a pass" to petitioners to skirt discretionary denials, according to McKeown. That has made the balancing act of deciding what kind of stipulation to go with and how much prior art to give up less uncertain, according to Holt of Fish & Richardson.

"Now there's a much clearer set of goal posts against which to compare your facts and make those decisions," he said.

Vidal's guidance also provided other avenues through which to clear the Fintiv bar, saying it can't be applied to cases where the merits of the petition are deemed strong or where parallel litigation is taking place at the U.S. International Trade Commission.

"Director Vidal's Fintiv guidance had a major impact at the PTAB this year in that it clarified how panels will apply Fintiv going forward, and identified circumstances in which Fintiv is no longer relevant, such as when the underlying litigation is an ITC investigation," said Richard Bembien, a director at Sterne Kessler Goldstein & Fox PLLC.

### **Relying on Director Reviews**

Director reviews at the PTAB are still relatively new, having been mandated by the U.S. Supreme Court in its June 2021 *Arthrex* decision to fix a constitutional defect regarding how administrative patent judges are appointed. Then-Patent Commissioner Drew Hirshfeld — who took over for Vidal's predecessor, Andrei Iancu, after he left at the end of the Trump administration — set up an interim process for director reviews at the time, but only granted three of them before Vidal took over.

Vidal has not shied away from granting them, and she's done so mostly of her own accord to weigh in on issues like serial petitions, interference estoppel, the timing of stipulations in cases involving Fintiv and applicant admitted prior art — matters she describes in her orders as raising "issues of particular

importance to the office and the patent community."

And she hasn't just taken up review of final decisions. She is also sua sponte reviewing several institution decisions — something parties themselves can't request through the director review process.

Paul Hastings LLP partner Phil Citroën told Law360 he had not expected Vidal to grant director reviews sua sponte, calling the frequency with which she's done it "a significant change compared to her predecessor." But Citroën added that he supports it.

"I think it's a good thing. I'm fully on board with more predictability at the PTAB, especially with tricky issues like Fintiv," Citroën said.

Vidal is currently reviewing a board panel decision denying inter partes review of a Skillz Platform Inc. gaming patent. The board used its discretion to deny the petition under Fintiv in August because the patent at issue was invalidated by a district court for being directed to ineligible subject matter, a ruling that came about a month after AviaGames Inc. filed the petition.

Vidal hasn't issued a decision in the case yet, but Bell, the Finnegan attorney, said it appears the director has been stepping into such cases to set bounds for recurring issues, which he said is creating more certainty, especially for petitioners who must decide whether to expend resources to file a petition.

"It can be painful if you're denied under discretionary grounds when it's something you didn't know would happen. Knowing the bounds makes it easier to make those decisions," Bell said.

### **Issuing Sanctions**

In an October decision, Vidal ruled in one of her director reviews that OpenSky Industries LLC, which asked the PTAB to institute a review of a VLSI Technology LLC patent tied to a \$2.2 billion jury verdict against Intel Corp., abused the IPR system by trying to extort money from both VLSI and Intel. While the case is a one-off and likely won't have a larger impact on PTAB practice, it was the most high-profile of Vidal's director review decisions this year, attorneys told Law360.

Attorneys said they are keeping an eye on the level of punishment Vidal will dole out, with some saying they were underwhelmed by the sanctions so far. Vidal has relegated OpenSky to a silent understudy role in the IPR, while Intel — which is hoping to escape the gargantuan damages award — has taken the lead after Vidal joined the chipmaker to OpenSky's IPR. Vidal is currently weighing whether to impose compensatory sanctions in the case over OpenSky's conduct.

Many watching the case closely were surprised that Vidal didn't terminate the IPR given her findings, according to Bembem of Sterne Kessler.

Vidal appeared to be weighing the conduct of OpenSky against the PTAB's policy to make patentability determinations.

"We saw the tension between those two policy considerations playing out," Bembem said. "But I think it begs the question for practitioners: If that conduct that we saw in OpenSky wasn't sufficient to terminate the proceeding, what conduct would be?"

Meanwhile, McKeown of Ropes & Gray said he's surprised it's taken this long for Vidal to decide the full

extent of sanctions, when "it should have been apparent early on" that the abusive conduct was wrong, noting that she sought amicus input.

"She seems to want to make a decision after getting a lot of political cover rather than taking the bull by the horns and making the decision on her own," McKeown said.

--Additional reporting by Ryan Davis, Dani Kass and Adam Lidgett. Editing by Alanna Weissman and Marygrace Anderson.

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