

# Watch Your Step - Discretionary Denial Under 325(d) Is Alive and Kicking

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## Introduction

The USPTO Director is under no obligation to institute petitions for *inter partes* review, even if a petition technically meets all of the requirements for institution. There are two well-known flavors of discretionary denial upon which the Director may rely to deny institution. The first falls under 35 U.S.C. § 314(a), which provides the minimum requirements for a petition while otherwise granting the Director broad discretion in determining which proceedings to institute. The second falls under 35 U.S.C. § 325(d), which deals with the relationship of *inter partes* review to other proceedings before the Office and allows the Director to deny institution where “the same or substantially the same prior art or arguments previously were presented to the Office.”

The Director’s discretion under Section 314(a) is provided in the Interim Guidance concerning application of the *Fintiv*<sup>1</sup> case and informs parties on how the Director is likely to exercise their broad discretion in granting *inter partes* review petitions. That guidance has changed from administration to administration, depending on the priorities of the current Director.

The statutory discretion provided in 35 U.S.C. § 325(d), however, remains more consistent. For example, the proportion of institution decisions addressing Section 325(d) has hovered around 25% since 2018. And since our last report,<sup>2</sup> the Director has been active in providing

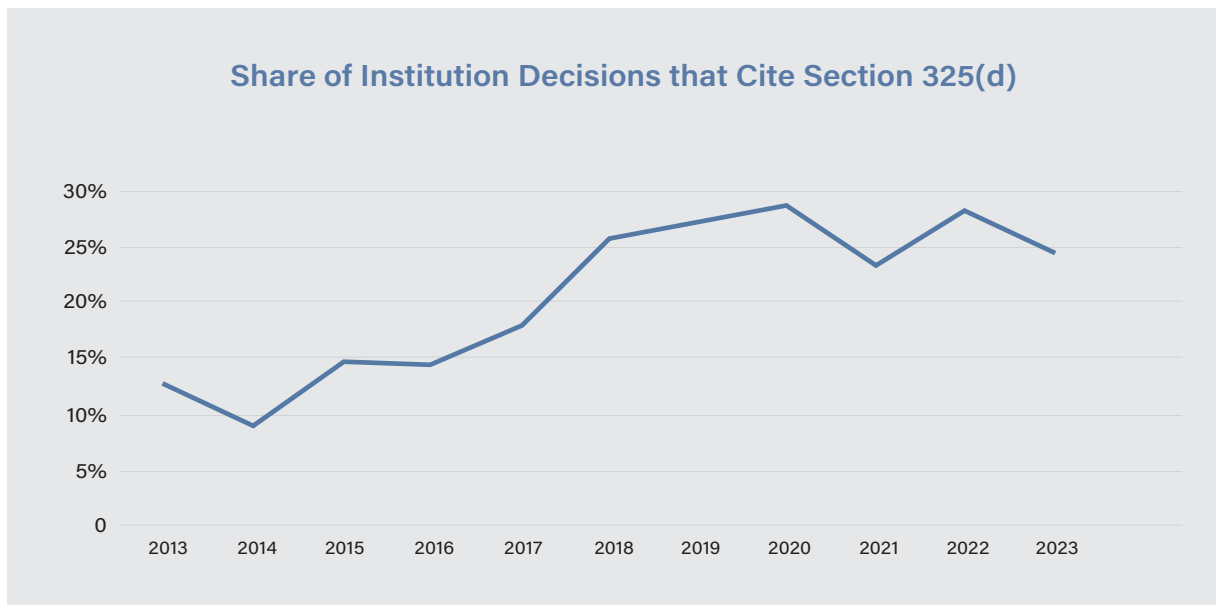
additional guidance to panels regarding the Section 325(d) analysis through the Director Review process.

Two recent proceedings in which the Director intervened *sua sponte* illustrate the fine distinction between arguments that have persuaded the Board to institute *inter partes* review and those that have not, in circumstances where grounds in the petition rely on substantially the same prior art as previously presented to the Office. In particular, the Director highlighted that where a petitioner seeks to rely on previously cited art, or substantial equivalents, the petitioner must identify a specific error the Office made in its analysis of the previously presented art, even if the Office failed to comment on that art at all. Thus, while the Office’s silence on a reference of record often weighed against denial in earlier Section 325(d) analyses, the framework now applied can lead to a counterintuitive result where such silence gives a petitioner no material to draw an error from, yet maintains a burden to show one.

## The Advanced Bionics Framework

Section 325(d) provides that “[i]n determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, 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.”<sup>3</sup>

Figure 1



When evaluating whether to exercise its discretion to deny institution of *inter partes* review under Section 325(d), the PTAB applies a test from its precedential decision in *Advanced Bionics, LLC v. Med-El Elektromedizinische Geräte GmbH*.<sup>4</sup> The *Advanced Bionics* test has two steps:

1. whether the same or substantially the same art previously was presented to the Office or whether the same or substantially the same arguments previously were presented to the Office; and
2. if either condition of the first part of the framework is satisfied, whether the petitioner has demonstrated that the Office erred in a manner material to the patentability of challenged claims.<sup>5</sup>

The *Advanced Bionics* test is a simplified two-step framework for applying the six factors provided in the earlier (and still valid) precedential decision in *Becton, Dickinson & Co. v. B. Braun Melsungen AG*,<sup>6</sup> with three of the six *Becton, Dickinson* factors being considered in each step.<sup>7</sup>

In the first *Advanced Bionics* step, the Board considers the similarities and material differences between the asserted art and the prior art involved during an earlier proceeding before the Office, the cumulative nature of the asserted art and the prior art evaluated during the earlier proceeding, and the extent of the overlap between the arguments made during the earlier proceeding and the manner in which a petitioner relies on the prior art or a patent owner distinguishes the prior art.<sup>8</sup>

If the first step is satisfied, the Board then applies the second *Advanced Bionics* step and considers the extent to which the asserted art was evaluated during the earlier proceeding by evaluating whether the prior art was the basis for rejection, whether a petitioner has pointed out sufficiently how the Office erred in its evaluation of the asserted prior art, and the extent to which additional evidence and facts presented in the petition warrant reconsideration of the prior art or arguments.<sup>9</sup>

Two recent instances where the Director has stepped in to vacate institution decisions under Section 325(d) elucidate how to apply the *Advanced Bionics* framework. Once *Advanced Bionics* step 1 is satisfied—i.e., the same or substantially the same art or arguments in the petition were previously presented to the Office—then *Advanced Bionics* step 2 becomes dispositive. This framing can lead to discretionary denials under circumstances where the six *Becton, Dickinson* factors, on balance, may have previously favored institution.

### **Google v. Valtrus Innovations Limited<sup>10</sup>**

The Board's decisions in *Google* illustrate the potential difficulty of overcoming Section 325(d) challenges to a petition relying on the same or substantially the same art considered by an examiner. In *Google*, the Board twice denied institution of *inter partes* review.<sup>11</sup> The first denial was, in part, an exercise of discretion under Section 325(d) to deny institution on grounds based on a sole prior

art reference, "Vea," the U.S. counterpart to a European patent application cited in an IDS during prosecution of the challenged patent.<sup>12</sup> The Board determined that the similarities between Vea and its European counterpart application were sufficient to establish that substantially the same art had been previously presented to the Office under the first step of *Advanced Bionics*.<sup>13</sup> Turning to the second step, the Board emphasized that the petition failed to present any argument why the Office had erred in its analysis of Vea's European counterpart during prosecution.<sup>14</sup> Notably, besides marking the relevant IDS as "considered," the examiner said nothing about the European application in the record of the challenged patent's prosecution history.<sup>15</sup>

The petitioner requested authorization to file a pre-institution reply to address Section 325(d),<sup>16</sup> which the Board denied for failing to show good cause.<sup>17</sup>

The Director initiated *sua sponte* review of the Board's initial institution decision and determined that the Board had erred by denying the petitioner's request to file a reply brief addressing the Section 325(d) issues regarding Vea.<sup>18</sup> In particular, the Director found that the Board's reasoning, resting heavily on the absence of arguments concerning the Office's treatment of Vea's European counterpart in the petition, implied that the petitioner should reasonably have foreseen the patent owner's Section 325(d) arguments.<sup>19</sup> Concluding that the Section 325(d) issue was *not* reasonably foreseeable because Vea itself was not used during prosecution, and because Vea did not cite the European counterpart application, the Director vacated the relevant portion of the initial institution decision and authorized the petitioner to file a reply brief.<sup>20</sup>

On remand, the Board again exercised discretion under Section 325(d) to deny institution.<sup>21</sup> The Board acknowledged that Vea's European counterpart was only marked as "considered" by the examiner, without being the basis of a rejection,<sup>22</sup> but nonetheless faulted the petitioner for failing to identify a specific error in the Office's analysis of the European application.<sup>23</sup> Though the petitioner argued that the statement of the unpatentability grounds based on Vea demonstrated how the Office erred in granting the challenged claims over Vea's European counterpart, the Board characterized the petitioner's position as an "invitation to review the entirety of" the ground in question, without identifying a specific teaching or term the examiner overlooked.<sup>24</sup>

Finally, the Board also concluded that the petitioner failed to provide additional evidence or facts favoring institution, despite the petitioner pointing out that a claim in a continuation application from the challenged patent was found to be both patentably indistinguishable from one of the challenged claims and anticipated by Vea during prosecution.<sup>25</sup> Here, the Board faulted the petitioner for failing to explain why the Office's

contradictory findings regarding the continuation application's claim were correct.<sup>26</sup>

The outcome in *Google* highlights multiple considerations for those preparing and responding to *inter partes* review petitions. First, while Section 325(d) challenges to grounds based on references having foreign counterparts made of record during prosecution may not be “reasonably foreseeable,” they may nonetheless be difficult to overcome. Petitioners would do well to identify such counterpart references preemptively when selecting art on which to base a petition. Patent owners, on the other hand, should examine whether any foreign counterparts to references relied on in the petition appear in the prosecution history of the challenged patent. If the patent owner makes Section 325(d) arguments based on such a reference, the petitioner should seek to file a reply brief to respond to those arguments, which in view of *Google* would likely be granted. The reply brief should identify specific errors in the examiner's reasoning as it relates to the reference now relied on in the petition.

Second, petitioners should not dismiss the possibility of denial under Section 325(d) with respect to art that was only made of record during prosecution, for example in an IDS, without being the basis of a rejection. Though *Becton, Dickinson* suggested that art “simply listed in an IDS during prosecution” weighed less against institution than art identified in rejections,<sup>27</sup> such references give a petitioner little to work with when identifying errors made by the examiner. Building a persuasive ground of unpatentability with such a reference may not be sufficient because the Board could decline to substantively consider the ground if the petition does not point out a specific error.

### **Keysight Technologies v. Centripetal Networks<sup>28</sup>**

*Keysight* provides an example of the kind of additional evidence favoring institution that can overcome the presence of the petition's art and arguments in the prosecution history of a challenged patent. In *Keysight*, the petitioner relied on art and arguments aligned with a Final Written Decision<sup>29</sup> (“the ‘148 FWD”) finding unpatentability of claims in a related patent.<sup>30</sup> And the Board denied institution under Section 325(d) because the ‘148 FWD was cited in an IDS in the prosecution history of the challenged patent and marked “considered” by the examiner.<sup>31</sup>

The petition argued that the ‘148 FWD was not meaningfully considered, such that the first *Advanced Bionics* step was not satisfied.<sup>32</sup> The ‘148 FWD was cited along with hundreds of other references, and the examiner did not address the ‘148 FWD beyond marking it as considered.<sup>33</sup> However, the Board concluded that the examiner marking the ‘148 FWD as considered was enough to satisfy the first *Advanced Bionics* step and ultimately denied institution because the petitioner had, in the Board's view, failed to show material error.<sup>34</sup>

Again upon *sua sponte* review, the Director vacated the Board's decision, and specifically concluded that the facts did not warrant discretionary denial under Section 325(d).<sup>35</sup> The Director held that the examiner's statement of reasons for allowance focused on elements common to the challenged claims and the claims that were found unpatentable in the ‘148 FWD.<sup>36</sup> This overlap provided evidence that the examiner had erred by overlooking the relevance of the ‘148 FWD.<sup>37</sup>

*Keysight* provides a useful contrast to *Google*. The Board's decisions in *Google* provided little guidance as to how petitioners could establish that an examiner had erred with respect to art cited in an IDS, but not otherwise discussed. The Director's reasoning in *Keysight* suggests that demonstrating the art in question establishes the unpatentability of features emphasized in a statement of reasons for allowance could militate against denial. This can be true even where, as in *Keysight*, the statement of reasons for allowance includes catchall statements such as “the prior art fails to teach the combination of elements as put forth in the claims”<sup>38</sup> in addition to mentioning specific elements.

Additionally, *Google* and *Keysight* considered together suggest, perhaps unsurprisingly, that decisions from higher authorities carry greater weight when presented as evidence that the Office erred in its analysis of related subject matter. In *Google*, the petitioner sought to rely on rejections made by an examiner during prosecution of an application related to the challenged patent as evidence that the examiner of the challenged patent had erred.<sup>39</sup> The Board gave those rejections little weight because the petitioner did not provide additional arguments showing that the rejections were meritorious.<sup>40</sup> In *Keysight*, however, the ‘148 FWD was persuasive evidence that the examiner of the challenged patent had erred in considering the art—seemingly more because the ‘148 FWD had been affirmed by the Federal Circuit<sup>41</sup> than due to supporting arguments from the petitioner.

### **Takeaways**

Petitioners should be wary of relying on references and arguments that are the same or substantially the same as those in the prosecution history of the challenged patent, even if not specifically addressed by the examiner. Though the absence of rejections or other discussion based on cited materials weighed against Section 325(d) denial under *Becton, Dickinson*, such silence in the record can be an obstacle to petitioners seeking to demonstrate how the Office erred as required by the second step of *Advanced Bionics*. However, petitioners may be able to argue against the Board's exercise of discretion under Section 325(d) by showing where the Office's remarks on the record suggest that the relevant materials were overlooked.

Notably, a specific proposal within a recent Advance Notice of Proposed Rulemaking would sidestep the *Advanced Bionics* Catch-22 for petitioners seeking to rely

on art and arguments that are the same, or substantially the same, as art and arguments cited during an earlier proceeding, but not substantively analyzed by the Office. In relevant part, “[t]he 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... articulated its consideration of the art or arguments in the record... The mere citation of a reference on an Information

Disclosure Statement (whether or not checked off by an examiner... would not be considered sufficient to be deemed ‘previously addressed’ for purposes of 35 U.S.C. 325(d).”<sup>42</sup> If this proposal was implemented, petitioners would no longer need to guess how the Office erred with respect to art and arguments present in the record, but not commented upon, in order to avoid discretionary denial—instead, such art and arguments would be treated as if the Office had never considered them at all.

1. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (designated precedential May 5, 2020).
2. Jason A. Fitzsimmons & John D. Higgins, “Discretionary Denial under § 325(d): Strategic Implications of the PTAB’s Advanced Bionic Framework,” 2021 PTAB Year in Review (2022), available at: <https://www.sterneckessler.com/news-insights/publications/discretionary-denial-under-ss-325d-strategic-implications-ptabs-advanced>.
3. 35 U.S.C. § 325(d).
4. IPR2019-01469, Paper 6 (P.T.A.B. Feb. 13, 2020) (precedential) (“*Advanced Bionics*”).
5. *Id.* at 8.
6. IPR2017-01586, Paper 8 at 17-18 (P.T.A.B. Dec. 15, 2017) (precedential as to § III.C.5, first paragraph) (“*Becton, Dickinson*”).
7. *Advanced Bionics*, Paper 6 at 9-11.
8. *Id.* at 10.
9. *Id.* at 10-11.
10. IPR2022-01197 (“*Google*”).
11. *Google*, Paper 9 at 26 (P.T.A.B. Jan. 3, 2023) and Paper 18 at 29 (P.T.A.B. June 13, 2023).
12. *Google*, Paper 9 at 20-26.
13. *Id.* at 22.
14. *Id.* at 25.
15. *Google*, Paper 16 at 4 (P.T.A.B. Apr. 12, 2023).
16. *Google*, Paper 7 at 2 (P.T.A.B. Nov. 9, 2022).
17. *Id.* at 2-3.
18. *Google*, Paper 12 at 3 (P.T.A.B. Mar. 29, 2023).
19. *Id.* at 5.
20. *Id.* at 5-6.
21. *Google*, Paper 18 at 29 (P.T.A.B. June 13, 2023).
22. *Id.* at 19.
23. *Id.* at 19-24.
24. *Id.* at 19-20.
25. *Id.* at 24.
26. *Id.* at 24-25.
27. *Becton, Dickinson*, Paper 8 at 22-23; see also *SolarEdge Techs. Ltd. v. SMA Solar*, IPR2020-00021, Paper 8 at 12 (P.T.A.B. Apr. 10, 2020) (finding that, within step two of the Advanced Bionics test, the absence of any rejections based on a reference submitted in an IDS and marked considered “weighs strongly against exercising . . . discretion to deny institution”).
28. IPR2022-01421, Paper 9 (P.T.A.B. Mar. 22, 2023) (“*Keysight*”).
29. IPR2018-01454, Paper 33 (P.T.A.B. Mar. 5, 2023) (concerning U.S. Patent No. 9,674,148).
30. *Keysight*, Paper 9 at 9-10.
31. *Id.*
32. *Keysight*, Paper 2 at 8-9.
33. *Id.*
34. *Keysight*, Paper 9 at 9-10.
35. *Keysight*, Paper 14 at 8 (P.T.A.B. August 24, 2023).
36. *Id.* at 7.
37. *Id.*
38. *Id.* at 3.
39. *Google*, Paper 18 at 24.
40. *Id.*
41. *Keysight*, Paper 14 at 3 n.2.
42. 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, 88 Fed. Reg. 24503, 24511-12 (Apr. 21, 2023).