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Strategic Perspectives

New USPTO leadership takes steps that seem to downplay PTAB, curtail inter partes reviews

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Nearly one year into Donald Trump's second term as president, significant shifts on IP policy—particularly patent policy—are becoming clear, based on communications from the U.S. Patent and Trademark Office's new leaders. In particular, internal policy revisions and proposed new rules of practice appear to significantly downplay the role of the administrative patent review system established over 10 years ago by the America Invents Act. Some sectors of the patent community have decried the effects of inter partes reviews (IPRs) and post-grant reviews (PGRs) before the Patent Trial and Appeal Board (PTAB), contending that they unfairly favor challengers over patentees and hinder innovation.

When queried about the PTAB during his confirmation hearing before the Senate Judiciary Committee, USPTO Director John Squires said that he had supported the forum's creation by the AIA. However, he opined that data indicated the proportion of IPRs over PGRs was too high, and he said he would work "to ensure that the PTAB is functioning in accordance with its creation and goals." Squires told the committee, "I have no predisposition to alter the PTAB's authority or restrict IPR access. Ultimately, a balanced approach works best and is an indicator of ex parte and inter partes system that is in balance and functioning as intended in our robust, unitary system."

Recent statements and actions by Squires since assuming his position at the USPTO, however, suggest that he has decided to take steps to curtail IPRs. This article examines some of the recent moves that appear to diminish the role of IPRs, and closes with remarks from patent attorneys (and authors of Wolters Kluwer treatise, *USPTO Post-Grant Trials Handbook*) about the practical implications faced by patent professionals.

> *"Repeated [IPR] challenges do not benefit the patent system. – USPTO email"*

Proposed limits on IPRs. A *Federal Register* notice filed October 17 proposes to amend 37 C.F.R. part 42 to restrict institution of inter partes reviews to cases in which the challenged claims have not been previously adjudicated or where prior litigation concluded at an early stage (90 Fed. Reg. 48335). The USPTO explained in an email that the rule changes are intended to protect the reliability of patent rights and preserve investment incentives by curbing serial and duplicative challenges. "Congress gave the USPTO Director broad discretion to identify circumstances when inter partes review (IPR) proceedings would or would not benefit the patent system," the email said. "And repeated challenges do not benefit the patent system." According to the Office, "The proposed rule is intended to enhance fairness, efficiency, and predictability in IPR proceedings."

The proposed rule would:

- Require an IPR petitioner to file a stipulation that it will not pursue invalidity challenges under 35 U.S.C. §§ 102 (anticipation or lack of novelty) or 103 (obviousness) in other forums;
- Provide that the USPTO will not institute an IPR when the USPTO or another forum already has adjudicated patentability or validity of the claims;
- Provide that the USPTO will not institute an IPR when another proceeding is likely to determine patentability or validity of the claims under Sections 102 or 103 first; and
- Permit the USPTO to institute an IPR notwithstanding a prior adjudication or expected earlier determination on patentability or validity when "exceptional" circumstances exist.

The October 17 notice of proposed rulemaking came with a 30-day public comment period, instead of the usual 60 or 90 days.

On the same day, the Office published another notice (90 Fed. Reg. 48342), which withdrew an April 2024 proposal regarding modifications to the rules of practice for IPRs and PGRs published during the tenure

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of former Director Kathi Vidal. That proposal would have codified USPTO interim policies then in place, with considerably broader circumstances under which IPRs could be instituted regardless of the existence of parallel proceedings in other forums. For example, a now-rescinded guidance memo dated June 21, 2022, indicates the sharp differences between discretionary review policies between the current USPTO leadership and former Director Vidal. Along with instructions on analysis of the so-called "*Fintiv* factors" (initially set forth in *Apple Inc. v. Fintiv, Inc.* , No. IPR2020-00019, March 20, 2020), that guidance memo directed members of the PTAB not to deny review on the basis of parallel litigation when the IPR or PGR petition presents "compelling evidence of unpatentability."

Interim processes for institution decisions. The October 17 proposed rulemaking and withdrawal of the April 2024 notice comes after a series of internal memoranda reversing several of the Office's policies under the previous administration. First, a March 26 memorandum to the PTAB judges by then-acting USPTO Director Coke Morgan Stewart announced an interim process under which decisions on whether to institute IPRs or PGRs will be made via a bifurcated procedure involving analyses of (1) discretionary considerations and (2) merits and other statutory considerations. Decisions whether to discretionarily deny petitions will be made by the Director of the USPTO in consultation with at least three PTAB administrative patent judges, the memo explained. This interim processes set out in the March 26 memorandum follow the USPTO's rescission in February of a June 2022, memorandum by then-Director Kathi Vidal that had set forth circumstances under which the PTAB will not discretionarily deny petitions for review on the basis of a parallel pending action in court or before the International Trade Commission. A March 24, 2025, memorandum by Chief Administrative Patent Judge Scott R. Boalick explained that the rescission applies to cases in which the PTAB has not issued an institution decision, or where a request for rehearing or Director Review of an institution decision was filed and remains pending.

Director takes full control. The March 26 memo states that, If the Director decides that discretionary denial is not appropriate, the petition will go to a three-member panel of PTAB judges for a merits-based decision on institution. However, that changed after Director John Squires took office in September. In an October 17 memorandum to all PTAB judges, Squires announced that the Director of the USPTO would immediately begin personally rendered merit-based institution decisions, rather than delegating this responsibility to the PTAB. Squires cited "extraordinarily high institution rates" under the previous process as a reason for the changes. Squires said in the memo that he would consult with at least three PTAB judges in making these determinations. The memo said that if the Director determines that institution is appropriate on at least one ground for one challenged claim, the Director will issue a summary notice to the parties granting institution. Any instituted IPR or PGR proceeding will then be referred to a three-member panel of the PTAB for trial. If the Director decides institution is not appropriate, he will issue a summary notice denying institution.

An "open letter" from Squires, addressed to "Colleagues, Inventors, and Americans," refers to the procedural changes as "Bringing the USPTO Back to the Future" by returning institution decisions under Patent Act Sections 314 and 324 to the Director. Sections 314 and 324, 35 U.S.C. §§ 314 and 324, grant the Director the authority to make institution decisions regarding requests for IPR and PGR, respectively. That authority can be delegated under 35 U.S.C. § 3(b)(3)(B); however, Squires pointed out, the Director retains concurrent authority over whether an IPR or PGR shall proceed. Squires said that after the enactment of the AIA, institution decisions were delegated to the PTAB for practical purposes, but "experience has raised *structural, perceptual, and procedural concerns* inconsistent with the AIA's design, clear language, and intent affecting, among other things, the public's rightful expectation of impartiality" (emphasis in original).

Squires identified three "difficulties" presented by delegation of institution decisions: (1) perception of self-incentivization (i.e., appearances that the PTAB was "filling its own docket," which lead to doubts among the public as to the Office's integrity); (2) bifurcated procedures for discretionary considerations (which "have inadvertently produced extraordinarily high institution rates"; and (3) statutory adherence and administrative clarity (given the statute's express grant of institution authority to the Director). According to Squires, following the letter of the statute and ceasing delegation is intended to accomplish four things: (1) eliminate the appearance of self-interest; (2) remove a perceived referral-signal bias by centralizing the decision point; (3) enhance transparency and public trust through a single line of authority; and (4) realign the duties and responsibilities of the Director, as a presidentially appointed and Senate-confirmed officer.

Implications of proposed rule and impacts on practitioners. Alston & Bird partners and *USPTO Post-Grant Trials Handbook* authors S. Benjamin Pleune and Christopher TL Douglas commented to Wolters Kluwer on the effects of the proposed new rule on patent practitioners. Pleune and Douglas said that the proposed rule would likely have the effect of reducing the number of IPRs, but pointed out that parties may still

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wish to pursue that avenue for challenging patent claims.

First, Pleune and Douglas noted the provision that an IPR will not be instituted unless the petitioner stipulates that, if the IPR is instituted, it will not challenge the patent under Sections 102 or 103 in another proceeding. "Of course," they noted, "this is narrower than the so-called *Sotera* stipulations that the PTAB accepted before the latest changes to institution decisions." A *Sotera* stipulation—named after *Sotera Wireless, Inc. v. Masimo Corp.*, No. IPR2020-01019, Paper 12 (P.T.A.B. Dec. 1, 2020)—is a stipulation by a petitioner that, if an IPR or PGR is instituted, the petitioner will not pursue any grounds in court or the U.S. International Trade Commission that could have been raised in the PTAB proceeding.

"Under *Sotera*," Pleune and Douglas told Wolters Kluwer, "a party was arguably free to pursue prior art *uses* or *sales* (based on actual devices, as opposed to printed publications) in the district court regardless of whether the petition was instituted by the PTAB. Under the new proposed rule, the petitioner would be giving up prior invention-based invalidity arguments altogether." The effect of this provision is limited, however, by the fact that the stipulation only takes effect if the IPR is instituted. "Therefore, petitioners may believe that it is worth the risk to get the patent challenge in front of the sophisticated Administrative Law Judges at the PTAB," they explained.

> *"Petitioners may believe that it is worth the risk to get the patent challenge in front of the sophisticated judges at the PTAB." – S. Benjamin Pleune and Christopher TL Douglas*

Pleune said that he expects the rule will reduce the number of IPR petitions filed, "particularly in circumstances where the petitioner believes it has compelling prior art uses or sales (based on actual devices, for example), and also when the petitioner believes that it is practicing the prior art, such that the Patent Owner's argument for infringement is complicated by the prior art." The PTAB should still be considered by potential petitioners when the prior art is a compelling patent or printed publication that is unlike the accused product, he said.

The second consideration is the proposed rule's attempt to limit serial validity challenges. The proposal would prohibit IPRs when the validity of the patent had been upheld in a previous proceeding. "As a practical matter," the authors said, "this will mean that the second accused entity is saddled with the strategic decisions of the first. This is arguably unfair to the second accused entity, but in any event will have the effect of limiting IPR petitions."

"Third, the proposed rule attempts to memorialize institution denials based on parallel litigation, for which the PTAB has been denying institution for some time," Pleune and Douglas said. "This appears to broaden the previous approach. Whereas before the inquiry was whether the *petitioner* was involved in parallel litigation that might, for example, proceed to trial a district court trial before a final written decision, the new rule, on its face, appears to contemplate the situation where the date of a trial involving *any* party may preclude an IPR." According to the authors, this provision seems to introduce the opportunity for gamesmanship by a patent owner. "For example," they explained, "the patent owner would be wise to proceed first against a company with lesser means, and then pursue companies that may have the resources for an IPR, but for which it is no longer available given an impending trial against the first targeted entity."

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