

## The Biggest PTAB Developments In 2023

By Ryan Lynch

*Law360 (December 18, 2023, 11:28 PM EST)* -- This year may have seemed like a rather ordinary one for the Patent Trial and Appeal Board, but the board examined several significant issues, including both the imposition of sanctions in inter partes reviews and improvements in transparency.

A lot of PTAB practice is less about looking at blockbuster disputes and more about identifying trends in decision-making, according to Jessica Kaiser, a partner at Perkins Coie LLP who previously worked as a lead administrative patent judge at the U.S. Patent and Trademark Office.

"To me, the feedback is always evolving, and I don't think it was a quiet year at all," she said.

Here's a look at the most notable PTAB decisions, proceedings and trends in 2023.

### Sanctions In Covid Testing Challenges

Spectrum Solutions LLC's challenges to several patents owned by Longhorn Vaccines & Diagnostics LLC raise novel questions over PTAB sanctions, lawyers told Law360. In May, the board canceled all 183 challenged claims of five Longhorn biological specimen collection patents due to "egregious abuse of the PTAB process" after finding that the company withheld information during inter partes reviews of its patents.

USPTO Director Kathi Vidal decided in June to review the PTAB's decision. Spectrum challenged the patents at the PTAB after Longhorn filed suit in Utah in 2020 alleging that Spectrum's saliva collection device for COVID-19 testing infringed its patents, and then it later filed a motion for sanctions.

"This case is unprecedented," Emer Simic, a partner at Neal Gerber & Eisenberg LLP, said of the PTAB's May decision. "It really is the worst nightmare of a client and the worst nightmare of a patent practitioner for this type of situation to arise."

The PTAB rejected Longhorn's arguments that the withheld testing data was not relevant to interpreting the company's patent claims and that the information was privileged work product.

"This raises a huge concern for litigants in this space," Simic said, because it means that testing results that "support or undermine patentability are now potentially subject to mandatory disclosure before the PTAB."

In October, Vidal ordered additional briefing to help her decide whether invalidating patents is an appropriate sanction for withholding evidence. In a December response brief, Longhorn said that the misconduct was attributable to prior counsel and not the company itself.

However, Spectrum has warned the USPTO not to allow companies to blame prior counsel for similar types of misrepresentation. Acceptance of Longhorn's defense by the PTAB would encourage a similarly situated party to use a "merry-go-round strategy of firing and hiring attorneys to immunize itself from the consequences of its bad acts," Spectrum told Vidal in its own December response brief.

Longhorn is a worthwhile proceeding to watch, particularly because the PTAB doesn't often impose sanctions and because it is rare for the director to request amicus briefing, according to Kaiser, the former patent judge.

The cases are Spectrum Solutions LLC v. Longhorn Vaccines & Diagnostics LLC, proceedings IPR2021-00847, IPR2021-00850, IPR2021-00854, IPR2021-00857 and IPR2021-00860 at the PTAB.

### **Compelling Merits**

This year, IP attorneys received some insight regarding when the PTAB will institute reviews under the "compelling merits" factor of the Fintiv analysis, which the board uses to decide whether to review a patent that is also subject to parallel litigation in district court.

Even if a combined analysis of the first five Fintiv factors points toward denying a review petition, the PTAB can still institute review of a patent if the petitioner offers a compelling reason to do so.

In February, Vidal provided guidance on compelling merits by issuing a precedential sua sponte director review decision of CommScope Technologies LLC's challenge of a Dali Wireless Inc. antenna patent. In her decision, Vidal instructed the board to reach the compelling merits factor only if a combined view of the first five factors of Fintiv favors discretionary denial.

In contrast to the regular standard for a petitioner to show a "reasonable likelihood" of prevailing on at least one challenged patent claim, the compelling merits standard requires a petitioner to demonstrate that it is "highly likely" to prevail on at least one claim.

"Compelling merits has been a big deal this year," said Deborah Yellin, a partner at Crowell & Moring LLP. "This issue kept popping up."

The CommScope case is interesting because it provides PTAB judges with a roadmap for discretionary decisions about whether to deny an inter partes review, according to Yellin.

"It kind of teaches them what they need to put in those decisions," which helps stakeholders understand what arguments may rise to the level of compelling merits, she said.

Vidal's guidance "gave the PTAB a renewed flexibility to issue discretionary denials, which probably helps them better manage their IPR docket," said Michael Word, a member at Dykema Gossett PLLC. "But it also means that Fintiv isn't going to fade into obscurity anytime soon and is going to remain a headache for patent challengers."

The case is CommScope Technologies LLC v. Dali Wireless Inc., IPR2022-01242, at the PTAB.

## **Sanctions in VLSI Patent Challenges**

Intel Corp. and VLSI Technology have been facing off for years. Although VLSI won a \$2.2 billion jury verdict against the tech giant in Texas for patent infringement, the Federal Circuit in December reversed a finding of infringement for one patent and vacated the damages for a finding of infringement for a second patent, sending the case back to Texas.

Additionally, the PTAB in May and June invalidated all claims of the VLSI microchip patents underlying that verdict based on controversial challenges, which were initiated by OpenSky Industries LLC and Patent Quality Assurance LLC and later taken over by Intel. Vidal sanctioned OpenSky and PQA for misconduct in December 2022, and she admonished VLSI in June for making misleading statements.

"It's just such a thorny issue, and not just because there's so much money at stake," said Word of Dykema.

He pointed out that the VLSI dispute exposes one of the many problems created by Fintiv, which is that some credible IPR petitions were never adjudicated because of discretionary denial. Although Intel challenged both VLSI patents before the Texas trial, the PTAB denied those petitions because the parallel litigation was in an advanced stage.

"Hopefully the heightened 'compelling merits' standard will help address this type of issue going forward," Word said.

Vidal admonished PQA in December of this year and warned the company against future misconduct. Additionally, she told the Federal Circuit in September that she was continuing to review an appropriate punishment for OpenSky's misconduct.

The USPTO director is likely aiming to craft a remedy that "disincentivizes that type of behavior but still advances the goal of facilitating challenges to patents," according to Word.

The proceedings are OpenSky Industries LLC et al. v. VLSI Technology LLC, IPR2021-01064, and Patent Quality Assurance LLC v. VLSI Technology LLC, IPR2021-01229, at the PTAB.

## **Director Reviews and Transparency**

As suggested by the CommScope and VLSI proceedings, the PTAB continues to grapple with issues related to procedural fairness and transparency.

In October, the USPTO proposed a rule to change the PTAB's system of reviewing draft decisions before issuance. The proposal aims to "codify processes and standards to govern the internal pre-issuance circulation and review of decisions within the PTAB," and the new system would replace the interim review process that the PTAB has been using since 2022.

Among the provisions of the proposed rule is language that would prevent a USPTO director from involvement in panel decisions, a step that the American Bar Association's IP section said in December that it supports.

Other attorneys praised the USPTO's efforts but emphasized that there is room for improvement. "I

think of the last year as mostly the PTAB advertising its transparency," said Scott McKeown, a shareholder at Wolf Greenfield & Sacks PC.

There have been perceptions both of secrecy in the PTAB's decision-making processes and the possibility that a USPTO director could "put a thumb on the scale" by getting involved in proceedings, according to McKeown.

"I think the intent is to address some of the criticisms," he said.

Part of the challenge for the PTAB is in balancing input from various constituents, noted Harper Batts, a partner at Sheppard Mullin Richter & Hampton.

"It seems like they are making improvements," Batts said. "They are trying to listen to everybody and improve the overall system."

### **Conclusory Testimony**

Another dispute worth noting is *Xerox Corp. v. Bytemark Inc.*, where the board in 2022 denied institution of inter partes review after finding that the petitioners' expert provided conclusory statements that essentially repeated their case filings. That decision was made precedential in February.

In that matter, *New Jersey Transit Corp.*, *Xerox* and related companies sought to invalidate a *ByteMark* electronic ticketing patent as either obvious or anticipated. The petitioners said a skilled artisan would interpret prior art in a certain way, based on the expert declaration. However, in making the PTAB's decision precedential, Vidal noted that the declaration featured "an exact restatement of the petition's arguments without any additional supporting evidence or reasoning."

In some ways, the *ByteMark* proceeding reiterated what practitioners already knew, which is that conclusory testimony will be given little or no weight by the PTAB, said Michael Rosato, a partner at *Wilson Sonsini Goodrich & Rosati PC*. The PTAB's decision is also backed by the board's rules, trial practice guide and Federal Circuit law, he added.

However, Yellin of *Crowell & Moring* noted that some PTAB observers have incorrectly focused on the issue of whether an expert declaration is identical to the petition, as opposed to the director's emphasis on the need for experts to back up their opinions.

"What they should really be focusing on is whether the expert declaration is well supported," she said. "You need to make your expert declaration supportive and fulsome."

The proceeding is *Xerox Corp. v. Bytemark, Inc.*, IPR2022-00624, at the PTAB.

### **Weight-Loss Drugs**

One more closely watched proceeding involves blockbuster drugs: the highly profitable weight-loss medications *Ozempic* and *Wegovy*.

In October, the PTAB rejected two petitions *Mylan Pharmaceuticals Inc.* filed to challenge a pair of patents held by *Novo Nordisk*, which makes both injectable drugs. *Ozempic* alone made \$8.4 billion worldwide in 2022.

"These are truly transformational medicines and a really big deal," said Irena Royzman, head of life sciences at Kramer Levin Naftalis & Frankel LLP. "Strong patent protection is important here."

Steve Baughman, a partner at Groombridge Wu Baughman & Stone LLP who represented Novo Nordisk at the PTAB, said blocking institution of inter partes review was "super significant" and showed the "high-stakes nature of what PTAB practice has become."

The proceedings demonstrated that the early stages of PTAB disputes can be critically important, noted Megan Raymond, also a partner at Groombridge who represented Novo Nordisk. A willingness by patent owners to identify a "clear, concise technical issue" and provide details about that issue early in the PTAB process may be helpful in obtaining a positive outcome, she said.

Yet just two days after the PTAB declined to institute review of those two patents, the board said it would examine a related Novo Nordisk patent for dosing regimens. That decision highlighted the complexity of proceedings at the PTAB and breathed some life into Mylan's arguments in Delaware, where multidistrict litigation has been consolidated over generic companies' efforts to enter the market.

"[W]e disagree with and will be vigorously opposing that challenge on the merits," Baughman said of the PTAB's review.

A PTAB decision on Novo Nordisk's method of treatment is less significant to the company than the board's earlier rejections of Mylan's petitions regarding drug ingredients, because the most important patents in the dispute over generic market entry are those relating to composition of matter, according to Royzman.

The PTAB proceedings are Mylan Pharmaceuticals Inc. v. Novo Nordisk A/S. The denied petitions are IPR2023-00723 and IPR2023-00722, while the instituted review is IPR2023-00724.

--Editing by Emily Kokoll.