

## Ex-USPTO Leader Predicts Next Director Will 'Dilute' Fintiv

By Dani Kass

*Law360 (January 24, 2022, 9:09 PM EST)* -- Former U.S. Patent and Trademark Office acting Director Terry Rea said Monday she doesn't expect the next director to eliminate the Patent Trial and Appeal Board's reliance on discretionary denials, but that she expects the process to be watered down.

At the PTAB Masters virtual conference hosted by IPWatchdog, Rea and others speculated that President Joe Biden's USPTO director nominee, Kathi Vidal, will modify how much discretionary powers PTAB judges have to turn away challenges but that she won't immediately make radical changes.

"I do not think the new incoming director is going to say, 'whatever the last guy did, [I say] the opposite,'" said Rea, now a partner at Crowell & Moring LLP. "I think that each and every change that's made is going to be analyzed, evaluated, shared with the user community [and] well thought through before anything is going to go through."

The Senate Judiciary Committee approved Vidal's nomination 17–5 on Jan. 13, and the Winston & Strawn LLP partner is awaiting a full Senate vote. The panelists on Monday treated her as a sure bet to take helm of the agency.

The panelists speculated about the next director's take on hot-button issues like the PTAB's new U.S. Supreme Court–mandated director review process, but the top concern on their list was what Vidal will do with discretionary denials, particularly the precedent called Fintiv that allows challenges to be denied based on the timing of co-pending litigation.

Fintiv is a PTAB decision that was made precedential by former Director Andrei Iancu, who stepped down more than a year ago. Commissioner for Patents Drew Hirshfeld has been taking on director duties in the interim.

Those who support the policy claim it has saved patent owners from fighting off multiple challenges to the same patents, while those against it claim it undermines the statutory right to request an inter partes review, regardless of district court timing.

The panelists said they hoped any discretionary denials would be less arbitrary and better explained than they currently are, hopefully with public input added, especially as different administrative patent judges treat the analysis differently, and the rulings aren't appealable.

"I do think that the discretionary denial practice was done a little bit too quietly. It caught me by

surprise," Rea said. "I would have liked to have groundwork laid, user community consulted and [have the agency] say 'we're going to try this.'"

Rea said discretionary denials can be helpful in avoiding serial complaints, but that corporations need more predictability about when they will be granted. She concluded that the next director will keep discretionary denial on the books, but likely in "a more dilute or watered down form."

Haynes and Boone LLP partner David McCombs — who spoke against discretionary denials — noted that Vidal didn't make any commitments during her confirmation hearing, but applauded that there was "clearly a willingness" to consider outstanding legislation aiming to get rid of Fintiv. The Restoring the America Invents Act, announced in September, would require the board to take on meritorious challenges unless there's a statutory reason to reject it.

"[These are] all good signs that the idea of a balanced approach means not making rash decisions on anything and looking at what reforms are really needed," McCombs said.

Meredith Addy of AddyHart PC said patent owners feel the need to invoke Fintiv because the PTAB has essentially removed the presumption that their patent is valid, while district courts have not. Filing patent litigation in fast districts like the Eastern and Western Districts of Texas and hoping to invoke Fintiv to then get out of any PTAB challenges, is them trying to take control back, she said.

"Patentees [are] strategically looking for tools in which they can use their presumption of validity, especially in a situation where the patent office is perceived to be, at least at the PTAB, fairly anti-patent," Hart said.

The panel also discussed what they're hoping Vidal, or whoever is confirmed for the role, will do with the director rehearing process mandated by the Supreme Court in *U.S. v. Arthrex*. The justices required that the director must have the ability to overturn any decision on their own in order for the PTAB's structure to comply with the Constitution's appointments clause.

Hirshfeld has established a process to review petitions stemming from PTAB petitions, but the panelists say they want more clarity, including how it plans to work alongside the Precedential Opinion Panel. The next director will likely issue regulations to figure out implementation, including on a question that tore the panel members: whether denials need to be explained or if doing so is a waste of resources.

"Having a rules-based package to explain what goes on and why will give people more confidence," said IPWatchdog founder Gene Quinn.

McCombs said it would make more sense for the rehearing process to focus on policy questions or novel issues, and with most standard appeals instead heading straight to the Federal Circuit. He suggested that the director could treat petitions like the Supreme Court and reject the cases without comment. Rea agreed.

"I find it to be superfluous," the former acting director said. "A one-line or brief dismissal or denial is appropriate because I'd like PTO resources used in other ways."

Quinn argued that quick denials are all too familiar to patent practitioners, who get them often from a Federal Circuit rule, so patent owners deserve a better explanation.

"We don't need more Rule 36s," he said.

If detailed explanations are given, though, only cases with actual questions should be raised to the director, and sanctions of some form may be worth considering for those who file "frivolous" petitions, Quinn said.

--Editing by Andrew Cohen.

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