

A Conversation with the Director

Tuesday, June 21, 2022
10:00am ET to 11:00am ET

United States Patent and Trademark Office (USPTO) Acting Deputy Under Secretary of Commerce for Intellectual Property and Acting Deputy Director, Drew Hirshfeld, will step down from a nearly 30-year career with the Office on June 21, 2022.

That very same day, **Drew Hirshfeld** will join **Gene Quinn**, President & CEO of IPWatchdog, Inc., for a conversation to take a look back at his tenure at the USPTO and the role of Acting Director. Joining will also be the new USPTO Director, **Kathi Vidal**, who will speak about her priorities moving forward. Please join us on **Tuesday, June 21, 2022, at 10 AM ET**, for this look back and look ahead.

Speakers:

Drew Hirshfeld is acting Deputy Under Secretary of Commerce for Intellectual Property and acting Deputy Director of the United States Patent and Trademark Office (USPTO), supporting the Office of the Under Secretary and the USPTO on a wide variety of legal, policy, and operational matters. Named one of Managing IP's Top 50 Most Influential People in IP in 2021, Hirshfeld previously performed the functions and duties of the Under Secretary of Commerce for Intellectual Property and Director of the USPTO from January 2021 to April 2022. He led the agency's response to the June 2021 Arthrex Supreme Court decision by implementing an interim Director review process that could be initiated sua sponte or by request from a party to a Patent Trial and Appeal Board (PTAB) proceeding, oversaw the implementation of the Trademark Modernization Act, and expanded the agency's education and outreach programming to a wider variety of audiences, among other notable accomplishments. Hirshfeld also serves as a member of the Precedential Opinion Panel (POP) deciding issues of exceptional importance to the PTAB.

Kathi Vidal serves as the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (USPTO) - America's Innovation Agency. As the chief executive of the USPTO, she leads one of the largest intellectual property (IP) offices in the world, with more than 13,000 employees and an annual budget of more than \$4 billion. She is the principal IP advisor to the President and the Administration, through the Secretary of Commerce, and is

focused on incentivizing and protecting U.S. innovation, entrepreneurship, and creativity. She leads an agency whose mission is to help American workers and businesses compete and collaborate, especially in ground-breaking technologies and across all demographics. As Director of the USPTO, Vidal is working to expand American innovation for and from all, and to bring more ideas to impact, including serving as the Vice Chair of the Council for Inclusive Innovation (CI2), alongside Secretary of Commerce Gina M. Raimondo and the Council members.

Gene Quinn is a patent attorney and a leading commentator on patent law and innovation policy. Mr. Quinn has twice been named one of the top 50 most influential people in IP by ***Managing IP Magazine*** in both 2014 and 2019. From 2017-2020, Mr. Quinn has also been recognized by ***IAM Magazine*** as one of the top **300 IP Strategists in the World** and in 2021 he was recognized by IAM in their inaugural Strategy 300 Global Leaders list. Mr. Quinn founded **IPWatchdog.com** in 1999, and he is currently President & CEO of IPWatchdog, Inc. According to IAM Magazine, Mr. Quinn “has reshaped the IP debate in the United States in a way that has forced policy makers to carefully consider the macroeconomic effects of IP law and its potential to drive innovation and economic activity.”

PATENT OFFICE EXAM

BENEFIT FROM THE **PLI EXPERIENCE**

RECEIVE A **10%** DISCOUNT ON PLI'S PATENT OFFICE EXAM COURSE

Register Now



Note to Senators: U.S. Patent Office Remains Under a Permanent Injunction



SHERRY KNOWLES

9 HOURS AGO

“It is beyond dispute that companies cannot do business based on patent frameworks that can change every four years, which could happen if the USPTO were granted plenary substantive rulemaking authority on this subject.”

On June 8, 2022, Senators Leahy, Blumenthal, Klobuchar, Cornyn, Collins and Braun sent a letter to U.S. Patent and Trademark Office (USPTO) Director Kathi Vidal expressing concern about so-called “patent thickets” and requesting that she consider changes to the USPTO regulations and practices to address perceived problems with patent examination. The senators asked the USPTO to issue a notice of proposed rulemaking (which presumably must include new draft regulations) or at a minimum, a public request for comments followed by regulatory action, to address their concern about “the prevalence of continuation and other highly similar patents”.



REMINDER

The senators appear to be oblivious to the fact that the USPTO proposed similar rules pertaining to a limitation on continuation applications in 2007, which were challenged in two separate but combined litigations that the USPTO lost (Tafas v. Dudas). In fact, the USPTO currently remains under a permanent

injunction forbidding it from promulgating regulations that overlap with the “Final Rules” announced by the USPTO in August 2007. The sanction is contempt of court.

The senators are asking the USPTO to engage in substantive rulemaking, an action it is forbidden by law to do, without a direct statutory delegation of authority, which is limited and currently does not exist for the topics the senators request USPTO action on. Under the U.S. Constitution, only Congress has the power to create substantive patent laws, not the Executive Branch. The Senators may consider that by requesting the USPTO to do what is likely too difficult for them to do (pass statutes restricting the rights of innovators in the United States), they can create a fast bypass to their goal, but the structure of our government does not allow for that.

History of the ‘Final Rules’ Litigation: *Tafas and GSK v. Dudas*

For the senators who sent the letter to Director Vidal and those who were not practicing patent law in 2007-2008 (or not taught about this litigation), here is the history of the “Final Rules” case that resulted in a permanent injunction against the USPTO that remains in effect today.

On August 21, 2007, the USPTO published controversial Final Rules after comment titled “Changes To Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications.” 72 Fed. Reg. 46716, 46716-46843 (Aug. 21, 2007). These Final Rules attempted to revise the rules of practice in patent applications relating to continuing applications, requests for continued examination, and for the examination of claims in patent applications. In particular, the Final Rules, among other things, limited the number of continuations to two, plus one request for continued examination. Any additional continuing application would be permitted only with a Petition showing good cause why the claims could not have been presented previously. It also limited the number of claims to no more than 5 independent and 25 total claims. If an applicant wanted more claims, it had to perform an onerous pre-examination search and provide an analysis of all presented claims under Sections 102, 103 and 112.

Plaintiff GlaxoSmithKline and sole inventor Triantafyllos Tafas sued the USPTO to obtain preliminary and permanent injunctions against the implementation of the Final Rules. I was the Chief Patent Counsel for GSK at the time and signed GSK’s Verified Complaint. GSK alleged that the Final Rules violated the Administrative Practices Act, were promulgated without proper legal authority, were vague, arbitrary and capricious, and prevented GSK from fully prosecuting patent applications and obtaining patents on one or more of its inventions. GSK emphasized that the USPTO, as a federal governmental agency, obtains its power solely at the discretion and prerogative of Congress, which is embodied in 35 U.S.C. § 2. Congress in turn obtains its power in this area from the United States Constitution: “The Congress *shall have Power . . .* To promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries” U.S. Const. art. I, § 8, cl. 8 (emphasis added). Congress has not granted the USPTO the authority to restrict the number of continuing applications, requests for continued examination, or claims that may be filed. Thus, by issuing final regulations that set forth binding and mandatory rules that impose such restrictions, GSK and Tafas argued that the PTO engaged in *ultra vires* rulemaking.

After full briefing on Motions for Summary Judgment, on April 8, 2008, Judge Cacheris agreed with Tafas and GSK that the USPTO did not have the authority to impose the “Final Rules” and issued the following permanent injunction:

1. the regulations titled “Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications,” 72 Fed. Reg. 46,716-843 (Aug. 21, 2007)(to be codified at 37 F.R. pt. 1)(the “Final Rules”) are declared null and void as “otherwise not in accordance with law” and “in excess of statutory jurisdiction [and] authority,” 5 U.S.C. § 706(2);
2. Defendants Jon Dudas and the United States Patent and Trademark Office and their agents, servants, and employees are permanently enjoined from implementing the Final Rules set forth in paragraph 6.

Tafas and GSK v. Dudas, 511 F. Supp 2d 652 (E.D. Va 2007)

The USPTO appealed the Summary Judgment decision to the Federal Circuit. Thirteen *amici* submitted briefs, the majority of which supported GSK and Tafas. On March 20, 2009, Judges Prost and Bryson delivered a mixed decision, with a strong dissent by Judge Rader, holding that Final Rule 78 that limited continuation and claim practice was invalid as inconsistent with patent statutes, but holding that other aspects of the rule package were procedural and consistent with the law. The Federal Circuit agreed with the district court that the USPTO does not have substantive rulemaking authority to limit continuing applications. 559 F. 3d 1345 (Fed. Cir. 2009)

GSK, Tafas and the USPTO, along with numerous *amici*, petitioned the Federal Circuit for *en banc* review of this important ruling. On July 6, 2009, the Federal Circuit granted *en banc* review and vacated the panel decision, rendering the prior mixed Federal Circuit decision null and void. Shortly thereafter, David Kappos was appointed Director of the U.S. PTO. GSK settled with Director Kappos in exchange for an agreement to rescind the entirety of the Final Rules. Tafas petitioned the Federal Circuit to maintain the U.S. District Court decision in place, which was affirmed by Order on November 9, 2009, signed by Chief Judge Michel. With this Federal Circuit Order, the permanent injunction against the entirety of the Final Rules package issued by Judge Cacheris of the Eastern District of Virginia remains in effect to this day. Therefore, the promulgation of regulations that overlap with the Final Rules can risk contempt of court.

The USPTO Lacks the Power to Engage in General Substantive Rulemaking

There should be no dispute that the USPTO lacks “any general substantive rulemaking power.” *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549-50 (Fed. Cir. 1996); *see also Eli Lilly & Co. v. Bd. of Regents of Univ. of Wash.*, 334 F.3d 1264, 1269 n.1 (Fed. Cir. 2003). In fact, the PTO conceded in the Tafas case that it lacks substantive rulemaking authority. (Defs.’ Opp. to Pls.’ Mot. TRO and Prelim. Inj., Dkt. No. 46 in 1:07cv1008, 21-23.) Thus, the USPTO cannot promulgate substantive rules, *i.e.*, rules that “effect[] a change in existing law or policy which affect[] individual rights and obligations.” *Animal Legal Def. Fund. v. Quigg*, 932 F.2d 920, 927 (Fed. Cir. 1991).

In 2011, Congress did specifically delegate substantive rulemaking authority to the USPTO to create regulations governing the function of the new Patent Trial and Appeal Board (PTAB) as part of the America Invents Act (AIA). We have all seen how well that turned out! There has been endless deep criticism, debate, and assorted attempts to fix the process, and most recently a bill with tweaks introduced by Senators Tillis and Leahy. Prior Director Andrei Iancu did his best, but there are only so many band aids that can be applied to a fundamentally flawed framework. If we allow Senators to “backdoor” a substantive rulemaking process on continuations and claim limitations without direct rulemaking authority passed by Congress (this time with our current knowledge of how the PTAB turned out), we have only ourselves to blame.

Further, if Congress were to grant substantive rulemaking authority to the USPTO to govern the number of continuations and claims that can be presented in a comprehensive patent application, the result could swing like a pendulum, depending on who is elected President of the United States, resulting in who is appointed the next Director of the Patent Office. In the extreme, every four years we could have a different, inconsistent rules package imposing or removing limitations on continuations and claims. It is beyond dispute that companies cannot do business based on patent frameworks that can change every four years, which could happen if the USPTO were granted plenary substantive rulemaking authority on this subject. It would destroy our innovation environment and capital investment because there would be no certainty or well-considered prediction of future markets.

Our founders wisely understood that the basic tenets of our innovative economic system cannot be at the whim of administrative agencies, pressured by the Executive Branch that installed them. The structure created in the Constitution—one of the finest documents ever written—made it hard to change the patent laws by solely vesting that power in elected officials who have long tenure and requiring consensus.

Terminal Disclaimers

The senators also raised two questions about terminal disclaimers and focused on what they refer to as obvious variations. Interestingly, the letter from the senators refers specifically to the terminal disclaimer regulation of 37 C.F.R. 1.321(d), which was promulgated as part of the statutory CREATE Act (35 U.S.C. §102(c)) (provides benefits of common ownership under Joint Research Projects), and not 37 C.F.R. 1.321(c), which pertains to the submission of terminal disclaimers to obviate a rejection under the judicially created doctrine of obviousness-type double patenting. One would imagine that universities and research institutions would have a lot to say about abrogating their protections under the CREATE Act, which they fought hard for.

Further, one has to question whether regulations passed by an administrative agency can override the “judicially-created doctrine of obviousness-type double patenting”. Can the Patent Office change a judicially imposed doctrine? And a thought for a later day—can the judiciary itself create substantive patent law on double patenting when the Constitution clearly indicates that Congress has the sole power to create patent law? This begins to look like an Escher print, with all groups ignoring the only true blueprint—the Constitution.

Recommendation to Director Vidal on How to Respond to the Senators

It is recommended that Director Vidal respond to the senators' June 8, 2022, letter by kindly pointing out that the USPTO does not have substantive rulemaking authority to propose or promulgate the draft regulations requested by the senators. A letter to the USPTO from six senators does not constitute a formal delegation of substantive rulemaking authority to revise the law on U.S. patent claims and continuation practice. Further, to do so raises the serious risk that the USPTO may be considered in contempt of court as a violation of the permanent injunction issued by the U.S. Federal District Court for the Eastern District of Virginia.

Image Source: Deposit Photos

Author: gustavofraza

Image ID: 126091778



SHERRY KNOWLES

Sherry M. Knowles is an intellectual property attorney with 30 years of experience in global corporate and private practice. Currently the Principal of Knowles Intellectual Property Strategies, Ms. Knowles was [[...see more](#)].

Warning & Disclaimer: The pages, articles and comments on IPWatchdog.com do not constitute legal advice, nor do they create any attorney-client relationship. The articles published express the personal opinion and views of the author as of the time of publication and should not be attributed to the author's employer, clients or the sponsors of IPWatchdog.com. [Read more.](#)



Night Writer

June 20, 2022 02:17 pm

Another thing about this too is that a common practice now is to keep the application active with continuations so that new claims can be filed if the claims are invalidated by an IPR. So, this has given people a way out of the tyranny of the IPR system.

Also continuations are common because often a patent application contains more than one invention but is not claimed. In fact, this is very common with small companies.



David Lewis

June 20, 2022 01:49 pm

Thanks for the article. Removing the applicant's ability to file continuations, requires the Applicant to file all claim sets/applications at the start of prosecution or at the same time in different applications, which is expensive. Large corporations may be able to pay such expenses all at once, but individual inventors working out their garages cannot. Consequently, such a change

PATENT OFFICE EXAM

BENEFIT FROM THE **PLI EXPERIENCE**

RECEIVE A **10%** DISCOUNT ON PLI'S PATENT OFFICE EXAM COURSE

Register Now



'Sacrifices': PTAB Reform Act Would Limit *Fintiv* Denials



EILEEN MCDERMOTT

JUNE 16, 2022, 05:15 PM

“[P]rior to the Trump Administration, the PTAB was a forum for gamesmanship by big tech.... This bill, which is a carefully crafted compromise requiring sacrifices from both sides of the issues, permanently ends through the use of legislation some of these practices.” – Senator Tillis

This article was updated on 6-16 to correct an error regarding the standing provision of the bill.

Senators Patrick Leahy (D-VT), John Cornyn (R-TX) and Thom Tillis (R-NC) today introduced the Patent Trial and Appeal Board (PTAB) Reform Act of 2022, which is meant to tackle gamesmanship at the PTAB.



In April, Senators Leahy and Tillis penned an op-ed that announced such a bill would be introduced “in the coming days”, but it never materialized.

The bill makes a number of key changes to PTAB procedures, including explaining that “the right to appeal shall extend at least to any dissatisfied party that reasonably expects that another person will assert estoppel against the party under section 325(e) as a result of the decision.” This would seemingly expand petitioners’ ability to appeal adverse decisions from the PTAB.

The bill also:

- Mandates that PTAB judges follow the same code of conduct as United States judges;

- requires that any subsequent changes made to the constitution of a three-judge panel of administrative patent judges must be noted in the record;
- curbs serial petitions by prohibiting the Director from authorizing an IPR if there was previously an IPR from the same party that challenged the same patent claims;
- clarifies some aspects of the process for Director Review under the *Arthrex* decision and prescribes a timeline for the U.S. Patent and Trademark Office to promulgate rules on other aspects;
- covers expenses for small and micro entities at the PTAB in certain circumstances; and
- stipulates that: “In deciding whether to institute an inter partes review proceeding, the Director shall not in any respect consider an ongoing civil action or a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C.15 1337).”

Leahy also proposed limits on discretionary denial in his Restoring the America invents Act bill, introduced last year. Many in the IP community have condemned this approach.

In the press release about the bill today, Tillis hinted that such provisions are necessary to give the bill a chance. He said:

“[P]rior to the Trump Administration, the PTAB was a forum for gamesmanship by big tech and they actively weaponized it as a way to bankrupt competitors, small businesses, and independent inventors. The Trump Administration’s reforms ended this abuse. This bill, which is a carefully crafted compromise requiring sacrifices from both sides of the issues, permanently ends through the use of legislation some of these practices – all while preserving the vital role of the PTAB in furthering innovation and U.S. economic growth, prosperity, and global dominance.

Another provision would address the issues raised by *OpenSky Industries, LLC v. VLSI Technology LLC* and *Patent Quality Assurance, LLC v. VLSI Technology LLC* by imposing sanctions for abuse of the IPR process, “including a petitioner deliberately delaying or losing, or offering to deliberately delay or lose, an instituted proceeding in exchange for consideration.”

Today’s press release added that the bill “restores the benefits and fairness of PTAB review by removing any incentives for gamesmanship, removing opportunities for a challenger to continually harass a patent owner, ensuring parties have one opportunity to bring a meritorious challenge, and shedding light on internal Patent Office decisions.”

Cornyn called the bill “the product of hard, bipartisan work to achieve the right balance,” while Leahy said it “represents the Senate at its best – different sides coming together to achieve a thoughtful compromise that is greater than what either side could achieve alone.”

The announcement also included a [description of the bill](#), [myth vs. fact document](#), and [section-by-section summary](#).

Image Source: Deposit Photos

Author: beachboyx10

Image ID: 16550547



EILEEN MCDERMOTT

Eileen McDermott is the Editor-in-Chief of IPWatchdog.com. Eileen is a veteran IP and legal journalist, and no stranger to the intellectual property world, having held editorial and managerial positions at [[...see more](#)].

Warning & Disclaimer: The pages, articles and comments on IPWatchdog.com do not constitute legal advice, nor do they create any attorney-client relationship. The articles published express the personal opinion and views of the author as of the time of publication and should not be attributed to the author's employer, clients or the sponsors of IPWatchdog.com. [Read more.](#)



Anon

June 18, 2022 11:16 am

Sadly mike, I must concur with your analysis.



mike

June 17, 2022 11:37 pm

I'll add to my previous post.

Tillis said that, pre-Trump, "the PTAB was a forum for gamesmanship by big tech and they actively weaponized it as a way to bankrupt competitors, small businesses, and independent inventors", and that this bill "permanently ends through the use of legislation some of these practices".

However, this bill would codify that the "Director shall not in any respect consider an ongoing civil action", even if, for example, the patent owner is scheduled for a trial in 6 months. An infringer would be able create a parallel proceeding and tie up an inventor at the PTAB, increasing costs, wasting time, and delaying a result. Even creating inconsistent results, for example.

So tell me, how is the Director's consideration of an ongoing civil action to deny institution "gamesmanship by big tech?"

Oh wait, it's not. The Director denying institution is only reasonable; it will create a faster and cheaper result for the inventor.

In fact, the AIA's legislative history shows that the PTAB and IPR process was designed to create a faster, cheaper alternative to district court litigation. So, when district court litigation actually results in a faster and cheaper option than the PTAB, and these Senators (Leahy, Tillis, Cornyn)

PATENT OFFICE EXAM

BENEFIT FROM THE **PLI EXPERIENCE**

RECEIVE A **10%** DISCOUNT ON PLI'S PATENT OFFICE EXAM COURSE

Register Now



Vidal to Review Institution of Cases Against VLSI Under Interim Director Review Process



EILEEN MCDERMOTT

JUNE 8, 2022, 11:15 AM

“The cases [raise] novel issues of law and policy, as well as issues of particular importance to the Office and the patent community.”
– Vidal Orders Granting Director Review

United States Patent and Trademark Office (USPTO) Director Kathi Vidal has intervened in two Patent Trial and Appeal Board (PTAB) cases that have caused much controversy in the patent world. Vidal yesterday granted Director Review in both OpenSky Industries, LLC v. VLSI Technology LLC, IPR2021-01064 and Patent Quality Assurance, LLC v. VLSI Technology LLC, IPR2021-01229, both of which have been the subject of scrutiny by members of Congress and patent practitioners, since the petitioners involved were incorporated after Intel was found to have infringed VLSI's patents in district court and have no discernable business operations beyond challenging VLSI's patent claims. The two entities' petitions were also nearly identical to inter partes review (IPR) petitions previously filed by Intel that had been rejected by the USPTO.



Vidal explained in yesterday's Orders that VLSI's requests for rehearing and Precedential Opinion Panel (POP) review have been denied and instead she will *sua sponte* review the Institution Decisions because the cases “[raise] novel issues of law and policy, as well as issues of particular importance to the Office and the patent community.”

In late April, Senators Mazie K. Hirono (D-HI) and Thom Tillis (R-NC) sent a letter to Vidal to express their concern over the PTAB decisions to institute in the two cases. “The facts and circumstances around these proceedings suggest petitioners OpenSky Industries, LLC (OpenSky) and Patent Quality Assurance, LLC (PQA) brought the proceedings to manipulate the U.S. Patent and Trademark Office (USPTO) for their own financial gain,” explained the letter.

VLSI has faced a total of 39 petitions for IPR proceedings at the PTAB. The senators’ April letter charged that the OpenSky and PQA challenges of U.S. Patent Nos. 7,523,373 and 7,725,759 were “an apparent attempt to extort money” from VLSI and noted five examples that suggest this was the motive:

- The companies were formed shortly before filing their petitions.
- The companies did not make, use, sell, or import any products, let alone any products that could subject them to claims of infringement.
- The companies filed their petitions only after VLSI had secured a \$2.2 billion infringement judgment against Intel.
- And, most egregiously, the petitions filed by the companies were near “carbon copies” of petitions previously filed by Intel that had been rejected by the USPTO.

Separately, in IPR2022-00645, OpenSky attorneys attempted to secretly come to an agreement with VLSI wherein OpenSky would refuse to pay their expert, guaranteeing that the expert would not appear for the scheduled deposition. After the expert did not appear, OpenSky explained that it would join the patent owner in a motion to dismiss, presumably based on the understanding that, without an expert, OpenSky would not prevail. See Paper 8, Exhibit 2029 (VLSI’s Opposition to OpenSky’s Motion for Joinder). The attorney then proposed cash payment in exchange for what IPWatchdog Founder and CEO Gene Quinn called a “sham manipulation of the PTAB process,” and the possibility of an additional payment if the PTAB were to nevertheless order joinder and the proceeding ultimately resulted in claims being affirmed.

Vidal has said she plans to focus on curbing PTAB abuses. In her recent response to the letter from Tillis and Hirono, while declining to comment on the *OpenSky* or *PQA* cases specifically, she said: “We are aligned in our goal to ensure that the IPR process—a process for challenging patents after they issue—is not abused by parties filing petitions in bad faith and for reasons outside the intent of the America Invents Act.”

Nick Matich of McKool Smith said in a statement sent to IPWatchdog that Vidal’s decision to review the cases is a positive development. He added:

“Petitions from uninterested third-parties, particularly when coupled with explicit demands for payment from patent holders undermine the integrity of the patent system. Oversight of important PTAB decisions, like this one, from the Director is critical to maintaining the integrity of the patent system. APJs are dedicated career civil servants, but only the Director is politically accountable to the President and Senate.”

Read below for more on the VLSI cases:

- **[OpenSky Attorney Emails Expose the Seedy Underbelly of PTAB Practice](#)**
- **[PTAB Denies OpenSky's Request for Rehearing But VLSI Cases Highlight Broader PTAB Problems](#)**
- **[VLSI/Fortress IP Patents Likely Invalid Despite OpenSky's Bad Behavior](#)**
- **[Hirono and Tillis Give Vidal One Month to Answer Questions on Abuse of PTAB Process](#)**

Image Source: Deposit Photos

Author: donscarpio

Image ID: 9470054

**EILEEN MCDERMOTT**

Eileen McDermott is the Editor-in-Chief of IPWatchdog.com. Eileen is a veteran IP and legal journalist, and no stranger to the intellectual property world, having held editorial and managerial positions at [[...see more](#)].

Warning & Disclaimer: The pages, articles and comments on IPWatchdog.com do not constitute legal advice, nor do they create any attorney-client relationship. The articles published express the personal opinion and views of the author as of the time of publication and should not be attributed to the author's employer, clients or the sponsors of IPWatchdog.com. Read more.



At IPWatchdog.com our focus is on the business, policy and substance of patents and other forms of intellectual property. Today IPWatchdog is recognized as the leading sources for news and information in the patent and innovation industries.

© 1999 – 2022 IPWatchdog, Inc.

[Terms & Conditions of Use](#) | [Privacy Policy](#)

Our Preferred Data Source

Images on IPWatchdog Primarily

Provided by

PATENT OFFICE EXAM

BENEFIT FROM THE **PLI EXPERIENCE**

RECEIVE A **10%** DISCOUNT ON PLI'S PATENT OFFICE EXAM COURSE

Register Now



Vidal Tells Tillis and Hirono She's Working to Curb IPR Abuse



EILEEN MCDERMOTT

JUNE 2, 2022, 12:15 PM

“The USPTO is revisiting its related practices and procedures to make clear that abuses of the IPR process will not be tolerated.” – Kathi Vidal

Following a late April request by Senators Thom Tillis (R-NC) and Mazie Hirono (D-HI) to then newly-confirmed United States Patent and Trademark Office (USPTO) Director Kathi Vidal asking her to respond to a number of questions surrounding abuse of the inter partes review (IPR) system, Vidal last week sent a letter explaining she is working on the problem.

The senators' April letter had expressed concern over Patent Trial and Appeal Board (PTAB) decisions to institute inter partes review (IPR) proceedings in *OpenSky Industries, LLC v. VLSI Technology LLC* and *Patent Quality Assurance, LLC v. VLSI Technology LLC*. “The facts and circumstances around these proceedings suggest petitioners OpenSky Industries, LLC (OpenSky) and Patent Quality Assurance, LLC (PQA) brought the proceedings to manipulate the U.S. Patent and Trademark Office (USPTO) for their own financial gain,” explained the letter.



The senators' letter charged that the OpenSky and PQA challenges of U.S. Patent Nos. [7,523,373](#) and [7,725,759](#) are “an apparent attempt to extort money” from VLSI. They noted five examples that suggest this was the motive:

- The companies were formed shortly before filing their petitions.
- The companies did not make, use, sell, or import any products, let alone any products that could subject them to claims of infringement.
- The companies filed their petitions only after VLSI had secured a \$2.2 billion infringement judgment against Intel.
- And, most egregiously, the petitions filed by the companies were near “carbon copies” of petitions previously filed by Intel that had been rejected by the USPTO.

The letter also references a [recent attempt](#) by OpenSky attorneys in [IPR2022-00645](#) to secretly come to an agreement with VLSI wherein OpenSky would refuse to pay their expert, guaranteeing that the expert would not appear for the scheduled deposition. After the expert did not appear, OpenSky would join the patent owner in a motion to dismiss, for a cash payment.

“These activities represent clear abuses of the IPR system. Yet, to date, it does not appear the USPTO has taken any steps to sanction those involved or otherwise act to deter future copycats,” said the senators.

Tillis and Hirono asked Vidal to reply within one month, and Vidal sent her response on May 27. She declined to comment on the *OpenSky* or *PQA* cases specifically, but said “we are aligned in our goal to ensure that the IPR process—a process for challenging patents after they issue—is not abused by parties filing petitions in bad faith and for reasons outside the intent of the America Invents Act.” Vidal said she is presently working on practices and procedures to address the issue.

The senators' letter had asked Vidal to reply to five questions. Addressing the first two, Vidal said that the IPR process “should serve the public good.” She added:

“A misuse of that process conflicts with both the framers' original intent and the America Invents Act. The USPTO is revisiting its related practices and procedures to make clear that abuses of the IPR process will not be tolerated. I intend to ensure our system works for its intended purpose and to discourage any behavior that works at cross-purposes.”

Vidal said she will respond further when she has completed a thorough review of the issues and possible solutions.

Separately, the USPTO last week [announced](#) an [interim process](#) for PTAB decision circulation and internal PTAB review that seems to emphasize transparency.

Image Source: Deposit Photos

Author: stockshoppe

Image ID: 11448553



EILEEN MCDERMOTT

Eileen McDermott is the Editor-in-Chief of IPWatchdog.com. Eileen is a veteran IP and legal journalist, and no stranger to the intellectual property world, having held editorial and managerial positions at [...see more].

Warning & Disclaimer: The pages, articles and comments on IPWatchdog.com do not constitute legal advice, nor do they create any attorney-client relationship. The articles published express the personal opinion and views of the author as of the time of publication and should not be attributed to the author's employer, clients or the sponsors of IPWatchdog.com. Read more.



At IPWatchdog.com our focus is on the business, policy and substance of patents and other forms of intellectual property. Today IPWatchdog is recognized as the leading sources for news and information in the patent and innovation industries.

© 1999 – 2022 IPWatchdog, Inc.

[Terms & Conditions of Use](#) | [Privacy Policy](#)

Our Preferred Data Source



Images on IPWatchdog Primarily

Provided by



PATENT OFFICE EXAMBENEFIT FROM THE **PLI EXPERIENCE**RECEIVE A **10%** DISCOUNT ON PLI'S PATENT OFFICE EXAM COURSE**Register Now**

USPTO Provides Guidance on Director Review Process Under *Arthrex*

**EILEEN MCDERMOTT & STEVE BRACHMANN**

JULY 1, 2021, 03:44 PM

“Hirshfeld has not been appointed within the meaning of the Appointments Clause, and any action he takes with respect to *Arthrex* petitions from the PTAB will be void *ab initio*. Expect litigation on this issue.”– Gene Quinn

This week, the U.S. Patent and Trademark Office announced that it would be implementing an interim rule at the agency in response to the U.S. Supreme Court's late June decision in *Arthrex v. Smith & Nephew*. Today, the Office held a Boardside Chat with Drew Hirshfeld, Performing the Functions and Duties of the Under Secretary of Commerce for Intellectual Property and Director of the USPTO; Scott R. Boalick, Chief Administrative Patent Judge; Jacqueline W. Bonilla, Deputy Chief Administrative Patent Judge; and Scott C. Weidenfeller, Vice Chief Administrative Patent Judge to explain how the interim process will work and answer questions submitted by the public. Janet Gongola, Vice Chief Judge for Engagement at the PTAB, moderated the panel.

*Drew Hirshfeld*

In the *Arthrex* ruling, the nation's highest court found that the constitutional Appointments Clause violation created by the process for appointing administrative patent judges (APJs) to the USPTO's Patent Trial and Appeal Board (PTAB) was best cured by review of APJ decisions by the USPTO Director. The new interim rule begins the process of determining how that review process will play out during the day-to-day operations of the PTAB.

According to a [question-and-answer page regarding *Arthrex*](#) on the USPTO's website, parties will be able to request Director review of PTAB decisions during the interim phase of the rulemaking process by concurrently entering a Request for Rehearing by the Director into the PTAB End to End (E2E) electronic filing tool **and** submitting an email notification of the Request for Rehearing to an agency email account dedicated to receiving such notifications. Timely requests must be filed within 30 days of a PTAB final written decision (FWD) pursuant to agency regulations governing motion decisions codified at [37 CFR § 42.71\(d\)](#). Requests for Director rehearing that are timely filed will reset the timing requirements for appeals of PTAB decisions or civil actions against the agency under [35 U.S.C. §§ 145 and 146](#) pursuant to agency regulations governing timing for appeals and civil actions codified at [37 CFR § 903\(b\)](#). Director Review applies only to FWDs and not to institution decisions.

Void *Ab Initio*

Perhaps one of the most pressing questions stakeholders have had is whether Hirshfeld himself will decide requests for Director Review, since he is not even an Acting Director, or if he will wait for a Senate-confirmed Director to be in place. Hirshfeld answered this definitively in today's chat: "Yes, I have every intent to make decisions as Director and won't be deferring until there's a political appointee." Final decisions under Director Review also will be made by the Director, not an advisory panel or other delegated party. While there will be an advisory group put together to make recommendations on review, similar to the Precedential Opinion Panel process, "they're only a recommending body," Hirshfeld said.

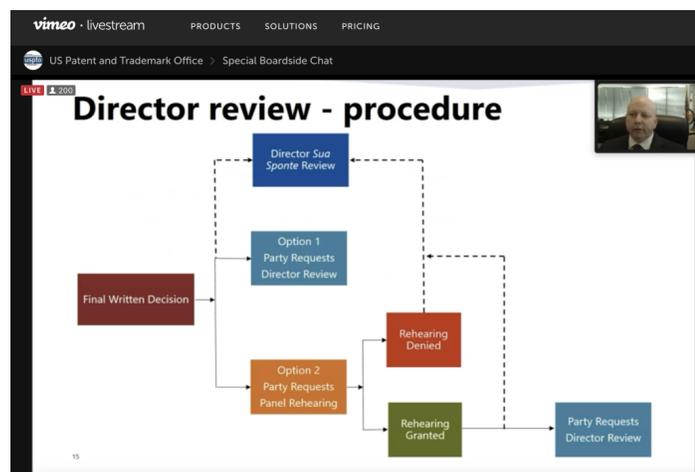
"While I think Drew Hirshfeld does a great job, and I have no questions about his ability or integrity, the USPTO is making a huge mistake," said Gene Quinn, President and CEO of IPWatchdog, Inc. He explained:

According to the Supreme Court in *Arthrex*, Administrative Patent Judges of the PTAB are not considered unconstitutionally appointed inferior officers exceeding their authority if their decisions are subjected to the review of a Director who is nominated by the President and confirmed by the Senate. Hirshfeld does not meet this requirement and cannot cleanse the Appointment Clause violation identified by the Supreme Court. The Supreme Court couldn't have been more clear: 'Only an officer properly appointed to a principal office may issue a final decision binding the Executive Branch...' Hirshfeld has not been appointed within the meaning of the Appointments Clause, and any action he takes with respect to *Arthrex* petitions from the PTAB will be void *ab initio*. Expect litigation on this issue.

Lots of Questions and Some Answers

Hirshfeld explained that three principles have guided the USPTO in issuing the interim guidance on Director Review:

- The Office wanted to provide guidance as quickly as possible, even if not complete. "We're in the early stages...there's more to come," Hirshfeld said. The downside of this is that the Office does not yet have answers to many of the questions raised.
- Transparency: "We intend to be 100% transparent with every way we're moving forward to enable the best comments and feedback," Hirshfeld said.
- Wanted to also enable parties to request Director review, although not a requirement according to SCOTUS decision – but in interest of having a robust process we wanted it to be an option.



Boalick provided an overview of the process, explaining that the Director can review FWDs of inter partes reviews (IPRs), post grant reviews (PGRs) or covered business method patent proceedings (CBMs) *sua sponte*, or parties can request review. If the Director *sua sponte* implements review, parties will be given notice and an opportunity for briefing if the Director deems it helpful. Decisions will be reviewed *de novo*.

If Director Review is not granted and panel rehearing is not granted, only appeal to the

Federal Circuit is available (see chart).

If Director Review is instituted, the Director can grant, deny or remand. If remanded, another decision will issue and then the original options are available to the parties.

With respect to procedural questions such as whether non-requesting parties will be able to file a response, if there will be oral argument, and whether amicus briefs will be allowed in Director Review proceedings, none of these is a matter of right, but the Director may choose to allow them. The Director also will not be bound by PTAB/POP precedent and has full discretion to create new precedent. “The intent is not to go rogue and crazy, but where procedures might need to be updated this is a vehicle,” Hirshfeld said.

As to how the Office and PTAB will handle Director Review requests in the event they are flooded with them, Boalick and Hirshfeld said they will simply follow the same approach they took following *SAS Institute v. Iancu*, which Boalick said forced the PTAB “to redo 40% of our docket.” “We’ll just reallocate resources. Essentially, in *SAS*, we allocated resources to get through the bubble without affecting pendency,” Boalick said.

Hirshfeld added that the Office will make sure to be cognizant of speed and timing and adjust resources on the group as necessary. “We’ve been thinking about this and preparing for every scenario,” he said.

As far as cases that raise *Arthrex*, which have been held in abeyance pending the Supreme Court decision, the Board will not be taking action yet, Boalick said, and he does not expect that the parties will take action yet either. The large majority of such cases were remanded by SCOTUS orders subsequent to the *Arthrex* ruling, though the Office is awaiting the Court’s action on one pending petition.

With respect to cases on appeal at the CAFC where a party has raised an appointments clause challenge, there are two such cases in which the CAFC has asked parties to file briefs on how they wish to proceed. The USPTO’s briefs in those cases are due July 21-22 “so stay tuned for our position,” Boalick said.

Send Your Input

Several requests for Director Review have already been filed and the USPTO is evaluating them, said Weidenfeller. The Office intentionally has not addressed how the Director will decide which cases to review or what the criteria will be. The POP was for a specific purpose, to consider issues of exceptional importance,” Hirshfeld explained. “This is much broader, so there’s no particular standard. But the more refined your argument the better.”

Hirshfeld repeatedly emphasized that the guidance is interim and subject to updates. Stakeholders should submit feedback and questions on Director Review to Director_Review_Suggestions@uspto.gov and general *Arthrex*-related questions via email to trials@uspto.gov.



Today's presentation is [available here now](#) and the video, when available, will be on the Boardside Chat page of the USPTO website.

**EILEEN MCDERMOTT**

Eileen McDermott is the Editor-in-Chief of IPWatchdog.com. Eileen is a veteran IP and legal journalist, and no stranger to the intellectual property world, having held editorial and managerial positions at [[...see more](#)].

**STEVE BRACHMANN**

Steve Brachmann is a graduate of the University at Buffalo School of Law, having earned his Juris Doctor in May 2022 and served as the President of the Intellectual Property [[...see more](#)].

Warning & Disclaimer: The pages, articles and comments on IPWatchdog.com do not constitute legal advice, nor do they create any attorney-client relationship. The articles published express the personal opinion and views of the author as of the time of publication and should not be attributed to the author's employer, clients or the sponsors of IPWatchdog.com. Read more.

**Patent Investor**

July 2, 2021 12:15 pm

Would this not qualify as an intervening change in controlling law and thus allowing all PTAB cases currently at the CAFC a right to Director review (which I agree cannot possibly be Hirschfeld)?

SCOTUS came up with its own constitutional violation and changed the law to remedy it. In 10 years of the AIA, I have found no case where the ALJ's were claimed to be inferior officers exceeding their constitutional authority.

**Pro Say**

July 1, 2021 09:01 pm

"We'll just reallocate resources."

Sorry, but no. That's not going to work.

SCOTUS was clear. Only the Director — a Senate-approved Director — can review (not rubber-stamp) PTAB decisions.

SAS? This is not SAS. Far from it.