

The Patent Trial and Appeal Board (PTAB) Reform Act of 2022

Myths v. Facts

Setting the record straight on the PTAB Reform Act of 2022

1. **MYTH: The Supreme Court's decision in *Arthrex* fixed the constitutionality of the PTAB's administrative patent judges (APJs), so this bill's restructuring is unnecessary.**

FACT: While the *Arthrex* decision settled the status of APJs, it raised questions about how the PTO Director would be exercising this discretion. Knowing who made a decision is needed for certainty and reliability, and it aids both the patent owners and challengers. The public deserves to know who is making decisions.

2. **MYTH: This bill hurts small businesses.** Small companies and independent inventors invest significant sums in applying for patents, and then they have to pay to defend those patents again at the PTO after the patents have issued.

FACT: This bill helps small businesses in several ways. It provides funding to pay for all of the expenses, attorney fees, and expert witness fees if a small business, which has not intentionally undertaken the expense of defending its patent through litigation, has to defend the patent at the PTAB. Those small businesses will not have to shoulder the expenses that they previously had to pay. Just as small businesses with fewer resources get the benefit of lower patent application fees, they will also get a benefit of not having to pay for PTAB proceedings.

3. **MYTH: Because the use of information about ongoing civil actions to deny institution has declined, this statutory fix is unnecessary.** The rate of denials citing civil-action-predicated trial dates decreased by the end of 2021, indicating that the focus on discretionary denials is overblown.

FACT: The PTO has only been relying on the characteristics of civil action for determining denial for a few years; any trends based on this short time span cannot reliably predict the actions of a future PTO Director. While the next PTO Director might make fewer discretionary denials on the basis of ongoing district court litigation, there is no guarantee that future administrations would continue that policy. Moreover, the PTO's denial of institution based on ongoing district court proceedings is at odds with the intent of the PTAB to offer a cost-effective replacement to litigation. Regardless of the frequency of the use of this discretion, it creates uncertainty over the long term and undermines Congress's intent to create predictability in PTAB proceedings.

4. **MYTH: The PTAB Reform Act would increase the PTAB's workload, negatively affecting the quality of IPR decisions.** Through discretionary denials, the PTO was attempting to conserve its resources by deciding when a court would address similar validity arguments. The PTO isn't capable of addressing all inter partes reviews being filed, and it needs the discretion to deny instituting a challenge based on a related civil action in order to function expeditiously.

The Patent Trial and Appeal Board (PTAB) Reform Act of 2022

FACT: The *PTAB Reform Act* limits consideration of ongoing civil actions. Otherwise, the PTO retains the discretion that existed under the statute to deny institution for efficiency reasons or other reasons.

5. MYTH: The PTAB can still use a different standard to interpret claim terms than the courts use, hurting patent owners.

FACT: This bill codifies a claim interpretation standard that is the same as the standard used in district courts, which gives patent owners the benefit of a standard that is more likely to uphold a patent's validity. Codifying this standard also makes a district court's interpretation of a claim term directly relevant to the PTAB's interpretation of that term, and the PTAB must review any district court interpretation of a term while undertaking that interpretation. That codification allows the PTAB to rely on work that a court has already done on a given patent, and allows courts to rely on work that the PTAB has done.

6. MYTH: This bill will allow further harassment of patent owners, including by serial petitions, reducing the incentive to innovate. Prior to the *General Plastic* PTAB decision in 2017, patent owners were sometimes caught up in "serial petitions"—multiple consecutive petitions against the same patent—which allowed the challenger to take a second bite at the apple and increased costs for patent owners. Rolling back Director discretion rolls back *General Plastic*, which ended this abusive practice, so the PTAB Reform Act would hurt patent owners.

FACT: The bill codifies the prohibition against serial petitions by prohibiting the Director from instituting a challenge if there was already a review that included the same patent claims by the same entity but on a different day. By cementing the PTAB's ability to curtail gamesmanship, this bill will help ensure a working patent system. While the *General Plastic* decision was helpful, future PTO Directors could change it. That prerogative given to the Director, a political appointee, creates uncertainty for both challengers and patent owners. Each administration's appointee could use different procedural maneuvers to affect the viability of PTAB reviews. Under this bill, serial petitions cannot be granted, and future Directors retain whatever discretion they had to deny institution for other non-litigation reasons.

The Patent Trial and Appeal Board (PTAB) Reform Act of 2022

PTAB Reform Act of 2022

Who Benefits?

	PATENT OWNERS	PETITIONERS	AMERICAN PUBLIC
Courts' Claim Construction Standard	✓	✓	✓
No Automatic Stay of District Court Litigation	✓		
Director Retains Discretion to Deny Institution	✓		✓
No Serial Petitions	✓		✓
Transparency in Director Decision Making	✓	✓	✓
Expenses of Small Entities Covered	✓		✓
Ongoing Civil Action Does Not Preclude PTAB Review		✓	✓
Dismissed Lawsuits Will Not Bar PTAB Petitions		✓	✓
Sanction Bad Faith Challengers Deliberately Losing	✓	✓	✓
Statutory Deadlines on Rehearing Decisions	✓	✓	✓