



Toward the Substitutionary Promise of PTAB Review

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Executive Summary

Although administrative patent trial proceedings under the Leahy-Smith America Invents Act (AIA) have done much to improve the efficient reevaluation of patent validity, significant problems remain. Divergent burdens of proof among the United States Patent and Trademark Office (USPTO) and Patent Trial and Appeal Board (PTAB) and the U.S. district courts allow the agency to disregard prior judicial decisions about patent validity and for patents to be relitigated even after surviving judicial review. Divergent claim construction standards allow for similar arbitrage, and, although the USPTO has now aligned its claim construction approach with that of the courts through rulemaking, that reform remains vulnerable to political reversal in the future. And while the plain text of the AIA forbids a party to seek *inter partes* review more than one year after being sued in district court litigation for infringement of the same patent, PTAB practice currently endorses a loophole to evade that statutory deadline through joinder.

The sum of these problems is a degradation of the court-agency boundary that the AIA aimed to build to force patent challengers to choose one forum or another. The choice was intended to be between two competing substitutes, with a promise of greater efficiency in the more expert agency setting. Yet litigants are increasingly free to seek a

third way, engaging in wastefully duplicative litigation in both forums in search of a preferred outcome.

The PREVAIL Act contains reforms that address all three of these significant problems and are therefore especially welcome steps toward fulfilling the original aims of the America Invents Act.

I. Justifying the PTAB as Court-Agency Substitution

When Congress enacted the AIA in 2011, it took aim at the challenge of ensuring patent quality from two directions. Upstream, it sought more robust examination of patent applications by revising the standards for patentability and priority, moving the United States to a first-inventor-to-file system¹ and broadening the set of prior technical knowledge that could stand in the way of a patent grant.² This was a prospective investment in improving the quality of future patent rights.

Downstream, it built more mechanisms to allow challenges to existing patents, mechanisms that were intended to proceed with less cost, less delay, and less error than traditional litigation in the federal district courts. This was a retrospective investment in improving the quality of already-issued patent rights by weeding out those that should not have been granted.³

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The arguments and views in this policy brief are the author's and do not necessarily reflect those of the USPTO, of the Center for Intellectual Property x Innovation Policy, or of any other organization.

These revocation mechanisms—especially the widely used system of *inter partes* review proceedings—were touted as leveraging the scientific and legal expertise of the USPTO in general and of the agency’s PTAB in particular.⁴ Because administrative patent judges in the PTAB would be required by statute to be “persons of competent legal knowledge and scientific ability,”⁵ empowering them further with the adjudication of AIA proceedings would make them distinctly well-equipped to deliver what generalist federal courts, in the aggregate, could not: affordable, expeditious, and accurate judgments about patent validity.

Importantly, this was not expertise for its own sake but rather expertise in service of substituting agency adjudication for federal-court litigation.

However, to a significant degree, that promise still remains unfulfilled.⁶ Much PTAB litigation merely duplicates what the courts are concurrently doing or, worse, what the courts have already done. Rather than an efficient technocratic alternative, the PTAB too often is merely another place to fight, a different weapon for draining an opponent’s resources, and a further place to shop for preferred outcomes even after prior court judgments.

II. The Current Mire of Expertise without Substitution

While there is no reason to doubt the PTAB’s technical expertise, the duplicative litigation and redundant expenditure of resources currently afflicting the PTAB require correction. Empirical evidence now describes the scale and scope of this duplication, especially in *inter partes* review.

A. Channels and Evidence of Substitutionary Potential

The legal channels for diverting patent validity disputes from the courts to the PTAB are certainly well in place. The statutory framework for *inter partes* review bars such challenges either if the petitioner has previously filed a civil action challenging a claim from the same patent or if a prior PTAB challenge by the same petitioner has reached a final written decision.⁷ Likewise, for civil actions already pending in the district courts, defendants accused of infringement must either stay in court or, within one year of being sued, seek *inter partes* review in the PTAB.⁸ And, indeed, early empirical findings did report the overlaps that would be expected to characterize substitution from one forum to another.

For example, while the outbound share of relevant challenges leaving judicial review for PTAB review is small, the inbound share of PTAB litigation that is also involved in court litigation is overwhelmingly large. Of the patents litigated in federal court, only 12.7% were also challenged in the PTAB.⁹ However, of the patents challenged in IPR proceedings and CBM proceedings (while those were in effect), 86.8% were also involved in federal court litigation.¹⁰

Similarly, the large majority of patent challengers who come to the PTAB do so in a defensive posture after being first sued in federal court for infringing the same patent, whereas a minority do so in the absence of such an infringement suit. Defensive challengers make up about 70% of *inter partes* review petitioners, while preemptive challengers make up about 30%.¹¹

If this high degree of overlap did not ultimately translate to duplicative litigation in both forums, it could be a sign of systemic

health that patents and parties in the PTAB were, at one point, also present in the courts.

Yet recent evidence now suggests that this overlap does, indeed, translate to duplication in the PTAB of concurrent or prior litigation in the courts.¹²

B. Defects and Evidence of Duplication

Of those patents that reach a final written decision in the PTAB, 24.5% are patents on which the U.S. district courts also issue at least one validity determination. In other words, nearly a quarter of the patents that the PTAB expends resources to adjudicate to final decision duplicate expenditures that the federal district courts also expend as to the same patents.

Moreover, of that one-quarter subset, a large majority (77.4%) are patents that the courts do not merely adjudicate *as well* but, indeed, have already adjudicated *first*. For these patents, therefore, the PTAB is disregarding prior judicial conclusions about the validity of the same patents. If those prior judicial proceedings considered the same evidence and argument, then the PTAB's review would plainly seem to be a waste of resources. And if they did not, it seems quite contrary to the cost-saving justification of *inter partes* review to allow a petitioner to have kept such evidence and argument in its back pocket as ammunition for a future attack in the PTAB.¹³

At the same time, the remaining 22.6% of patents that the court adjudicated *later*, after the PTAB had reached its decision, is problematic as well. For these patents, the fact of later judicial resolution suggests that the parallel court proceeding was not stayed pending the *inter partes* review but continued, duplicating the PTAB's expenditure of resources.

At the heart of this problem is the PTAB's divergent burden of proof. Suppose the earlier PTAB decision had upheld the validity of the patent. The later-deciding court can only have reached the same conclusion, as a challenge that fails the PTAB's lenient "preponderance of the evidence" burden would necessarily fail a district court's stricter "clear and convincing evidence" burden. In that scenario, the duplicative expenditure of resources offers no additional valuable information about patent validity.

Now suppose instead the earlier PTAB decision had struck down the patent on its more lenient "preponderance" burden. Here, the later-deciding court might still have upheld the patent on its stricter "clear and convincing" burden. Yet that latter conclusion would carry no weight, as the single initial finding of the patent's invalidity is conclusive.¹⁴ In short, the courts are bound by what the PTAB might do, but the PTAB remains free to disregard and even duplicate what the courts have already done—inviting parties to engage in strategic arbitrage between the different legal standards in the two tribunals.

III. The PREVAIL Act's Substitutionary Virtues

The state of administrative trials under the AIA as a promise of substitutionary efficiency in patent challenges, therefore, is incomplete at best. To this, the PREVAIL Act brings three particularly welcome reforms to help close the wasteful gap of duplication between the courts and the PTAB.

A. Invalidating only by Clear and Convincing Evidence

First and most important is the use of a "clear and convincing evidence" burden of proof for

proceedings in the PTAB. This realignment of the agency’s burden of proof rests on strong theoretical and practical foundations.¹⁵ It is the same burden of proof that has long governed patent validity disputes in the U.S. district courts and that the Supreme Court affirmed recently—indeed, only a few months before the AIA itself was signed into law.¹⁶

In the AIA, Congress set the standard of proof at a mere preponderance of the evidence.¹⁷ This was a mistake of legislative policy. Despite the agency’s significant virtues of superior expertise and access relative to the federal courts, those virtues still do not justify the use of divergent substantive standards for evaluating patentability.¹⁸ Not only does this disparity allow patents that would otherwise have survived judicial review to be struck down in an agency proceeding, but it also invites wastefully duplicative expenditure of resources over patents that actually did survive prior judicial review—but that, because of legal arbitrage, were revoked in the PTAB anyway.¹⁹

One might respond that, even if aligned burdens of proof were desirable, it should be the courts that yield, requiring merely a preponderance to align themselves with the PTAB. Yet this was largely the issue at stake in *Microsoft v. i4i*: whether the courts ought to use a lower burden of proof when considering patent invalidity. There, the Court held that the common law background of the 1952 Patent Act included a view that the presumption was “not to be overthrown except by clear and cogent evidence.”²⁰ That common law background, meanwhile, embodied “nearly a century of case law from [the Court] and others” supporting a near-universal consensus “that a preponderance standard of proof was too ‘dubious’ a basis to deem a patent invalid.”²¹

For the same reason, it would be a sensible and efficiency-enhancing reform now to amend the PTAB’s statutory standard of proof, as the PREVAIL Act provides, to require the same quantum of clear and convincing evidence.²²

B. Interpreting by the Plain and Ordinary Meaning

Closely related to the alignment of burdens of proof between the courts and the PTAB is the similar alignment of claim construction standards between the two tribunals. For already-issued patents, the courts use the “plain and ordinary meaning” standard that the *en banc* Federal Circuit set forth in its 2005 *Phillips* decision.²³ For patent applications, meanwhile, USPTO examiners use the “broadest reasonable interpretation” standard.²⁴ This divergence between pre-grant and post-grant standards is well-recognized and well-supported in USPTO practice²⁵ as well as in case law,²⁶ and it rests on the ability of applicants to continue amending their claims in response to the examiner’s objections and other feedback during prosecution.²⁷ Likewise, the comparably robust ability of patentees to amend their claims during *ex parte* reexamination is also why the same “broadest reasonable interpretation” standard governs such reexamination proceedings.²⁸

Inter partes review is different. A patentee has only one opportunity as a matter of statutory right even to seek amendment, and any opportunity for subsequent motions rests either on the cooperation of the patent challenger or on the regulatory preference of the USPTO.²⁹ Moreover, the tendency of the USPTO to grant such motions under any circumstances is quite ungenerous. As one internal USPTO study after another has shown, the PTAB’s likelihood of denying a motion to amend has consistently been at or higher than 90 percent since the

establishment of *inter partes* review in 2012.³⁰ Nevertheless, for much of its early history, the PTAB construed patent claims in AIA trials under the “broadest reasonable interpretation” standard.³¹

The USPTO wisely reversed course in 2018 and, with a rule change, adopted the courts’ *Phillips* standard for AIA trials in the PTAB.³² Nevertheless, this reform remains vulnerable to political backsliding in a future USPTO administration, especially as the Supreme Court has expressly held that the USPTO’s legislative authority to prescribe regulations pertaining to PTAB trials includes the discretion to choose its own claim construction method—and also that choosing the “broadest reasonable interpretation” method is a reasonable exercise of that discretion.³³

Continued court-agency alignment of claim construction, meanwhile, promotes the same intended substitution of PTAB review for court litigation, just as with aligned burdens of proof. As commentators explained³⁴ and the USPTO itself agreed³⁵ during the 2018 rule change, having the same method for construing claims allows the PTAB to rely on prior claim constructions of the same terms by courts and thus confer significant cost-savings. In fact, the 2018 rule change *required* the PTAB to consider prior judicial claim constructions for just this reason.³⁶

Similarly, codifying an aligned approach to claim construction levels the playing field and reduces the opportunity for arbitrage, also as with aligned burdens of proof. To strategic litigants, it would signal the closing of a loophole that has invited duplicative and wasteful forum-shopping. To the PTAB, it would remove yet another excuse to ignore prior judicial determinations on the basis of different underlying legal standards.

Therefore, it would be quite sensible to ensure the *Phillips* standard’s continued vitality in PTAB trials by codifying it into statute.

C. Joining Subject to the One-Year Time Bar

Third and not least is expressly requiring joinder of co-petitioners to be subject to the same one-year time bar for *inter partes* review as the original petitioner. Both joinder on its own and the one-year time bar on its own have revealed difficult challenges in balancing the AIA’s goal of socially beneficial collective action against questionable patents with the AIA’s goal of efficiency by reducing duplicative litigation—including litigation that reflects harassing and dilatory attacks against patent owners.³⁷

First, as to joinder, there is a marked gap between *petitions* and *petitioners* coming before the PTAB in a defensive versus preemptive posture. The large majority of petitions for *inter partes* review are defensive, i.e., are petitions in which at least one petitioner was previously sued on the same patent now being challenged.³⁸ While the proportions vary somewhat by technology, in all technology areas the rate is at or greater than 68%.³⁹ By contrast, the same is true of petitioners themselves in only certain technology areas: exceeding 75% in the chemical, computer & communication, and electrical arts but roughly 50% in drugs & medical and mechanical arts.⁴⁰ In these latter technology categories, the marked gap between defensive petitions and defensive petitioners means that petitioners who have been sued on the patent in question, and are acting in defensive self-interest, are often joining those who not yet been sued and are acting preemptively.⁴¹

That behavior is certainly not nefarious in itself—though in the absence of robust enforcement of the one-year time bar, it does broaden the risk of strategic behavior aimed not only at evading the substitutionary boundary between court litigation and administrative review, but also of inviting coordinated multi-party harassment of patent owners. If it is district-court defendants joining existing *inter partes* review petitions filed by non-defendants who acted preemptively, the comparatively greater risk is that the joining party may evade the one-year deadline of § 315(b). And if it is district-court defendants joining other district-court defendants as to the same patent, then each subsequent joining party has an incentive to evade the one-year bar through joinder if allowed. The joinder loophole that results holds significant appeal for otherwise time-barred petitioners.

The most significant check upon agency under-enforcement of the one-year bar might have been judicial review, but the availability of such review has fluctuated over the past decade,⁴² from Federal Circuit panel precedent under *Achates Reference Publishing v. Apple*⁴³ to *en banc* Federal Circuit reversal in *Wi-Fi One v. Broadcom*⁴⁴ to still-further Supreme Court reversal in *Thryv v. Click-to-Call*.⁴⁵ The current state of the law is that the USPTO is left to its own self-enforcement where the one-year time bar is concerned.

Moreover, the most significant prior attempt of the Federal Circuit to address this joinder loophole in *Facebook v. Windy City Innovations*⁴⁶ was later withdrawn on rehearing.⁴⁷ And in any case, the original *Windy City* holding would not have survived the Supreme Court's decision later that year in *Thryv v. Click-to-Call*, making a legislative remedy the only meaningful remaining option for closing this loophole. That legislative remedy is precisely what the PREVAIL Act provides.

Conclusion

While the PREVAIL Act has several carefully considered provisions that deserve robust attention and debate, the three reforms discussed in this policy brief are especially welcome steps toward the original promise of the AIA. That landmark legislation's creation of trial-like PTAB proceedings is premised on the efficiency of substituting administrative process for judicial process. Yet a wasteful glut of duplicative litigation still persists because of gaps and misalignments in how the PTAB is structured relative to the district courts. Legislatively aligning the burdens of proof, the standards for claim construction, and the enforcement of the one-year time bar between petitioners and joining parties would do much to close those gaps and improve the proper functioning of the patent system.

Endnotes

¹ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3, 125 Stat. 284, 285–93 (2011).

² Leahy-Smith America Invents Act § 3, 125 Stat. at 285–93.

³ Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 51–55, 58–64 (2016), ssrn.com/abstract=2731002.

⁴ Saurabh Vishnubhakat, *Disguised Patent Policymaking*, 76 WASH. & LEE L. REV. 1667, 1737–1741 (2019), ssrn.com/abstract=3242146.

⁵ 35 U.S.C. § 6(a).

⁶ See generally Saurabh Vishnubhakat, *Patent Inconsistency*, 97 IND. L.J. 59 (2022), ssrn.com/abstract=3902992.

⁷ See 35 U.S.C. § 315(a) (describing the bar from prior civil actions). See also § 315(e)(1), 325(e)(1) (both describing the estoppel effect upon future PTAB proceedings from a final written decision of the PTAB upon the same claim). Moreover, these provisions constrain not only the relevant challengers themselves but also their real parties in interest.

⁸ See 35 U.S.C. § 315(b) (requiring a petition to be filed within one year of the petitioner—or its privy or real party in interest—being served with the complaint alleging infringement).

⁹ Vishnubhakat, Rai & Kesan, *Strategic Decision Making*, 31 BERKELEY TECH. L.J. 45, 69.

¹⁰ *Id.*

¹¹ *Id.* at 73–74.

¹² This subsection reports findings more fully set forth in Vishnubhakat, *Patent Inconsistency*, 97 IND. L.J. 59, 70–74, and omits individual pinpoint citations.

¹³ This is not to say that entirely new challengers with new evidence and argument should be foreclosed by exercising their due process rights to be heard on the potential invalidity of a patent—though it would complicate even this seemingly straightforward argument where parties strategically abstain from litigation that they had full and fair opportunity to join simply so they can preserve the option to mount a later patent challenge. The Supreme Court disfavors such strategic abstention in the context of due process rights to litigate. Cf. *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 331–333 (1979). In any case, the aforementioned predominance (on the order of 70%) of previously accused district court defendants being the ones to seek *inter partes* review suggests that strategic duplication is, indeed, a significant driver of this trend.

¹⁴ See generally *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971).

¹⁵ For a detailed discussion of those theoretical foundations—primarily as to timing between a first adjudicator versus subsequent adjudicators and as to institutional competence as between the

courts versus other institutions—see Vishnubhakat, *Patent Inconsistency*, 97 IND. L.J. 59, 107–121.

¹⁶ *Microsoft Corp. v. i4i Limited Partnership*, 564 U.S. 91 (2011).

¹⁷ 35 U.S.C. § 316(e).

¹⁸ Vishnubhakat, *Patent Inconsistency*, 97 IND. L.J. 59, 122.

¹⁹ *Id.*

²⁰ *Id.* (citing 564 U.S. 91, 101).

²¹ *Id.* (citing 564 U.S. 91, 101–102).

²² *Id.* at 122–123.

²³ *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

²⁴ 37 CFR § 1.56(b).

²⁵ See USPTO, MANUAL OF PATENT EXAMINING PROCEDURE § 2111.

²⁶ See, e.g., *In re Morris*, 127 F.3d 1048 (Fed. Cir. 1997).

²⁷ *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984).

²⁸ 37 CFR § 1.555(b).

²⁹ 35 U.S.C. § 316(d).

³⁰ Saurabh Vishnubhakat, *The Mixed Case for a PTAB Off-Ramp*, 18 CHI.-KENT J. INTELL. PROP. 514, 528 (2019) (citing USPTO, *Patent Trial and Appeal Board Motion to Amend Study* (Apr. 30, 2016), bit.ly/2vrJMoY; USPTO, *Patent Trial and Appeal Board Motion to Amend Study: Installment 2* (May 31, 2017), bit.ly/2LMuiX; USPTO, *Patent Trial and Appeal Board Motion to Amend Study: Installment 3* (Sept. 30, 2017), bit.ly/2n6xKOI; USPTO, *Patent Trial and Appeal Board Motion to Amend Study: Installment 4* (Mar. 31, 2018), bit.ly/2LXiS2E).

³¹ 37 C.F.R. §§ 42.100(b), 42.200(b), 42.300(b) (2012).

³² USPTO, *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, 83 Fed. Reg. 51340 (Oct. 11, 2018), codified at 37 C.F.R. §§ 42.100(b), 42.200(b), 42.300(b) (2018).

³³ *Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. 261, 276–283 (2016).

³⁴ See generally Saurabh Vishnubhakat et al., *Comment Letter on Proposed Rule to Change the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board* (July 9, 2018), ssrn.com/abstract=3211380.

³⁵ USPTO, *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, Final Rule, 83 Fed. Reg. 51340 (Oct. 11, 2018).

³⁶ *Id.* at 51341.

³⁷ Vishnubhakat, Rai & Kesan, *Strategic Decision Making*, 31 BERKELEY TECH. L.J. 45, 54–55. See also Jonathan Masur, *Patent Inflation*, 121 YALE L.J. 470, 522 (2011) (recognizing that “inter partes review could potentially be abused by parties interested only in delaying and harassing

competitors”); Joe Matal, A Guide to the Legislative History of the America Invents Act: Part II of II, 21 FED. CIR. B.J. 539, 550 (2012) (noting that the AIA’s own statutory text directs the USPTO to penalize abuses of administrative validity challenge proceedings “such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding”).

³⁸ Vishnubhakat, Rai & Kesan, *Strategic Decision Making*, 31 BERKELEY TECH. L.J. 45, 74–75.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² See generally Vishnubhakat, *Patent Inconsistency*, 97 IND. L.J. 59, 100–103.

⁴³ *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015).

⁴⁴ *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018) (en banc).

⁴⁵ *Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367 (2020).

⁴⁶ *Facebook, Inc. v. Windy City Innovations, LLC*, 953 F.3d 1313 (Fed. Cir. 2020).

⁴⁷ *Facebook, Inc. v. Windy City Innovations, LLC*, 819 Fed. Appx. 935 (Fed. Cir. 2020).

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