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# What to watch for in 2022: patent litigation

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With critical patent questions before the U.S. Patent and Trademark Office, the U.S. Supreme Court, the U.S. Court of Appeals for the Federal Circuit, and district courts, 2022 promises to be an eventful year for patent litigators. Here are three hot-button issues to watch as we head into the New Year.

## Will a New PTO Director Shake Up Inter Partes Reviews?

On October 26, President Joe Biden nominated Kathi Vidal, a litigator in Winston & Strawn LLP's Silicon Valley office, to serve as under secretary of commerce for intellectual property and director of the Patent Office. Vidal, who would become only the second woman to lead the agency, testified before the Senate Judiciary Committee on December 1 and will fill the void left by the previous director, Andrei Iancu, who stepped down in January.

If confirmed, Vidal will face a host of issues, none more controversial than those related to the inter partes review process. IPRs are administrative proceedings that allow a party to challenge the validity of a patent before the Patent Trial and Appeal Board. Created by the America Invents Act of 2011, IPRs have become a popular way for companies to challenge patents outside of federal district courts.

One of the most controversial developments under former Director

Iancu was the PTAB's increasing issuance of discretionary denials of institution. Under what has become known as the "NHK-Fintiv rule," the PTAB began analyzing a set of factors to decide whether to deny institution of IPRs on patents that are the subject of parallel district court litigation. At the same time, the PTAB began to discretionarily deny parallel or serial IPR petitions in favor of a single petition on the "strongest" art. These policies resulted in a drastic increase in institution denials and triggered numerous court challenges, including *Mylan v. Janssen*, in which the patent challenger's petition for certiorari is pending. All eyes will be on whether Vidal will continue these policies or change course and take a more limited approach to discretionary denial.

In addition, Vidal will be the first confirmed director since the Supreme Court earlier this year in *United States v. Arthrex* found that PTAB judges were unconstitutionally appointed, but declined to do away with IPRs. Instead, it made the PTAB's final decisions subject to review by the director. To date, that power has been used only once under the current acting director. Whether Vidal will formalize procedures for reviewing PTAB decisions and what her appetite for overturning them will be promise to be significant issues throughout the year.

## Will the Supreme Court Take Up Subject Matter Eligibility Again?

In 2014, the Supreme Court handed down its decision in *Alice Corp.*

*v. CLS Bank International*, introducing a two-step test for whether a patent is directed to ineligible subject matter under 35 U.S.C. Section 101. Since then, challenging patents under Section 101 has become common, especially in cases addressing computer-implemented technology. But courts struggled to apply the Alice framework consistently almost from the beginning, which has led to regular expressions of confusion and frustration.

In *American Axle & Manufacturing Inc. v. Neapco Holdings*, the Supreme Court has indicated that it may be interested in taking a fresh look at subject matter eligibility. In that case, an alleged infringer challenged claims for manufacturing automotive drive shafts by "tuning" liners in the shaft. The district court and Federal Circuit found that the "tuning" was an application

of natural law and so directed to patent-ineligible subject matter. The patentee's en banc petition failed in a 6-6 tie and its petition for certiorari seeking clarity on the standard for patent ineligibility is pending. Multiple amici have filed in support of hearing the case and the Supreme Court has invited the solicitor general to file a brief expressing the views of the United States.

American Axle could have a significant impact if the Supreme Court were to expand or contract the subject matter ineligibility doctrine or modify the Alice test. Moreover, because the case is directed to a manufacturing process, the case could expand the scope of Section 101 challenges well beyond the computer-implemented technologies that have been their focus since Alice or greatly curtail such challenges in all spheres.

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## **Will the Western District of Texas Remain the Go-to Forum for Patent Plaintiffs?**

Since the appointment of Judge Alan Albright to the bench in 2018, the Waco division of the Western District of Texas has become the most popular patent venue in the country. By promising a fast proceeding, expressing disinterest in staying cases pending IPR, and demonstrating an aversion to invalidating claims on patent-eligibility grounds, Judge Albright has created an attractive destination for patent plaintiffs. As a result, Judge Albright received roughly

22% of patent cases filed nationwide by the end of 2020.

In 2021, the Federal Circuit began to take a close look at defendants' attempts to transfer out of Judge Albright's court. In February and March, the Federal Circuit granted mandamus to stay proceedings until Judge Albright ruled on long-pending motions to transfer. Through the rest of the year, the court issued eight mandamus orders transferring cases, including three orders on the same day in November. In each case, the defendant sought transfer to another district, often the Northern District of California,

where the defendant was headquartered and where it argued documents and witnesses were more accessible. In granting these petitions, the Federal Circuit noted its disapproval of Judge Albright's use of time-to-trial metrics and his analysis of issues such as the location of documents and the ability to compel third-party witnesses to testify.

Moreover, up until recently, Judge Albright granted intradistrict transfers from Waco to Austin, Texas for convenience but kept the cases on his docket. In September, however, Judge Albright changed his procedures to no longer accept

unopposed or stipulated transfer requests to Austin, requiring opposed motions instead. And on October 1, 2021, in *In re Apple Inc.*, the Federal Circuit criticized Judge Albright's attempt to retransfer a case from Austin to Waco for trial. Since then, Judge Albright has passed a number of previously transferred patent cases to Austin judges to oversee.

With increased oversight by the Federal Circuit and new intradistrict transfer practices, 2022 may see a decline in the number of cases filed in Waco as well as spikes elsewhere as plaintiffs seek new destinations.