DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO-P-2024-0014]

RIN 0651-AD79

Rules Governing Director Review of Patent Trial and Appeal Board Decisions

AGENCY: United States Patent and Trademark Office, Department of Commerce.

ACTION: Notice of proposed rulemaking.

SUMMARY: The United States Patent and Trademark Office (USPTO or Office) proposes new rules to govern the process for the review of Patent Trial and Appeal Board (PTAB or Board) decisions in America Invents Act (AIA) proceedings by the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (Director). Specifically, the USPTO proposes these rules in light of stakeholder feedback received in response to a request for comments (RFC). The proposed rules promote the accuracy, consistency, and integrity of PTAB decision-making in Leahy-Smith America Invents Act of 2011 (AIA) proceedings.

DATES: Comments must be received by [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*] to ensure consideration.

ADDRESSES: For reasons of Government efficiency, comments must be submitted through the Federal eRulemaking Portal at www.regulations.gov. To submit comments via the portal, one should enter docket number PTO-P-2024-0014 on the homepage and select “search.” The site will provide search results listing all documents associated with this docket. Commenters can find a reference to this notice and select the “Comment” icon, complete the required fields, and enter or attach their comments. Attachments to electronic comments will be accepted in Adobe® portable document format (PDF) or

Microsoft Word® format. Because comments will be made available for public inspection, information that the submitter does not desire to make public, such as an address or phone number, should not be included in the comments.

Visit the Federal eRulemaking Portal for additional instructions on providing comments via the portal. If electronic submission of, or access to, comments is not feasible due to a lack of access to a computer and/or the internet, please contact the USPTO using the contact information below for special instructions.

FOR FURTHER INFORMATION CONTACT: Thomas Krause, Director Review Executive; Kalyan Deshpande, Vice Chief Administrative Patent Judge; or Amanda Wieker, Acting Vice Chief Administrative Patent Judge, at 571-272-9797.

SUPPLEMENTARY INFORMATION: The United States Patent and Trademark Office proposes new rules governing the process for the review of Patent Trial and Appeal Board decisions in AIA proceedings by the Under Secretary of Commerce for Intellectual Property and Director[1] of the United States Patent and Trademark Office.

This Notice of Proposed Rulemaking (NPRM) provides that a party to an AIA proceeding may request Director Review in that AIA proceeding of any decision on

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[1] In this notice of proposed rulemaking, references to the "Director" include the Under Secretary of Commerce for Intellectual Property and Director of the USPTO, an individual serving as the Acting Director or one performing the functions and duties of the Director, or an individual designated to fill the Director's role in case of a conflict of interest. See Procedures for Recusal to Avoid Conflicts of Interest and Delegations of Authority, available at https://www.uspto.gov/sites/default/files/documents/Director-Memorandum-on-Recusal-Procedures.pdf. For example, if the Director has a conflict that requires the Director to be recused, the Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the USPTO will take the required action. If the position of the Deputy Director is vacant, or if the Deputy Director also has a conflict, the Commissioner for Patents will take the required action, if no conflicts exist for the Commissioner.

institution, any final written decision, or any decision granting rehearing of a decision on institution or a final written decision. The NPRM also sets forth the timing and format of a party's request for Director Review. In addition, the NPRM provides that the Director may initiate a review of any decision on institution, any final written decision, or any decision granting rehearing of a decision on institution or a final written decision on the Director's own initiative.

The NPRM addresses the impact of Director Review on the underlying proceeding at the PTAB, as well as the time by which an appeal to the U.S. Court of Appeals for the Federal Circuit must be filed.

Background

Development of This Notice of Proposed Rulemaking

On September 16, 2011, Congress enacted the AIA (Pub. L. 112-29, 125 Stat. 284 (2011)). The AIA established the PTAB,[2] which is made up of administrative patent judges (APJs) and four statutory members, namely the Director, the Deputy Director, the Commissioner for Patents, and the Commissioner for Trademarks. 35 U.S.C. 6(a). The Director is appointed by the President, by and with the advice and consent of the Senate. 35 U.S.C. 3(a)(1). APJs are appointed by the Secretary of Commerce in consultation with the Director. *Id.* 6(a). The PTAB hears and decides ex parte appeals of adverse decisions by examiners in applications for patents, applications for reissue, and reexamination proceedings, and proceedings under the AIA, including inter partes reviews (IPRs), post grant reviews (PGRs), covered business method (CBM) patent reviews,[3] and derivation

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[2] The PTAB was previously known as the Board of Patent Appeals and Interferences.
[3] Under section 18 of the AIA, the transitional program for post grant review of CBM patents sunset on September 16, 2020. AIA 18(a). Although the program has sunset, a few existing CBM proceedings, based on petitions filed before September 16, 2020,

proceedings, all in panels of at least three members. *Id.* 6(b), (c). Under the statute, the Director designates the members of each panel. *Id.* 6(c). The Director has delegated that authority to the Chief Judge of the PTAB. See PTAB Standard Operating Procedure 1 (Rev. 15) (SOP 1), Assignment of Judges to Panels, available at www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf.

35 U.S.C. 6(c) states that "[o]nly the Patent Trial and Appeal Board may grant rehearings" of Board decisions. In *United States* v. *Arthrex, Inc.* ("*Arthrex*"), the Court held that the Appointments Clause of the Constitution (art. II, sec. 2, cl. 2) and the supervisory structure of the USPTO require the Director, a principal officer of the United States, to have the ability to review the PTAB's final written decisions in IPR proceedings. See *United States* v. *Arthrex, Inc.*, 141 S. Ct. 1970, 1986 (2021). The Court determined that "35 U.S.C. 6(c) is unenforceable as applied to the Director insofar as it prevents the Director from reviewing the decisions of the PTAB on [the Director's] own." *Id.* at 1987. The Court added that:

> this suit concerns only the Director's ability to supervise APJs in adjudicating petitions for inter partes review. We do not address the Director's supervision over other types of adjudications conducted by the PTAB, such as the examination process for which the Director has claimed unilateral authority to issue a patent.

Id. The Court thus held that "the Director has the authority to provide for a means of reviewing PTAB decisions" in IPR proceedings and "may review final PTAB decisions and, upon review, may issue decisions [] on behalf of the Board." *Id.* (citations omitted). Additionally, the Court in *Arthrex* made clear that "the Director need not review every decision of the PTAB," nor did it require the Director to accept requests for

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remain pending, for example, on appeal to the United States Court of Appeals for the Federal Circuit.

review or issue a decision in every case. *Id.* at 1988. Instead, "[w]hat matters is that the Director have the discretion to review decisions rendered by APJs." *Id.* See *Arthrex, Inc.* v. *Smith & Nephew, Inc.*, 35 F.4th 1328, 1338 (Fed. Cir. 2022) (noting same); *CyWee Group Ltd.* v. *Google LLC*, 59 F.4th 1263, 1268 (Fed. Cir. 2023) ("'[T]he Appointments Clause was intended to prevent unappointed officials from wielding too much authority, not to guarantee procedural rights to litigants, such as the right to seek rehearing from the Director.'" (quoting *Piano Factory Grp., Inc.* v. *Schiedmayer Celesta GmbH*, 11 F.4th 1363, 1374 (Fed. Cir. 2021)).

Following the *Arthrex* decision, in June 2021 the USPTO implemented an interim process for Director Review of final written decisions in AIA proceedings and published *Arthrex* Questions and Answers (Q&As), which was available on a USPTO webpage. On April 22, 2022, the USPTO published two webpages to replace the *Arthrex* Q&As. Specifically, the USPTO published an "Interim Process for Director Review" webpage,[4] setting forth more details on the interim process and additional suggestions and guidance for parties who wish to request Director Review. The USPTO also published a webpage providing the status of all Director Review requests, available at www.uspto.gov/patents/patent-trial-and-appeal-board/status-director-review-requests (status webpage). The status webpage includes a spreadsheet that is updated monthly and has information about the proceedings in which Director Review has been granted. The updated interim process guidance increased clarity as the Office continued to update and improve the interim Director Review process based on experience and initial stakeholder feedback.

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[4] This webpage was superseded by the "Revised Interim Director Review Process" webpage, discussed below.

On July 20, 2022, the USPTO issued an RFC[5] on Director Review, Precedential Opinion Panel (POP) review,[6] and the internal circulation and review of PTAB decisions. 87 FR 43249-52.[7] The RFC is discussed in detail below. The USPTO considered stakeholder comments to the RFC as it worked to formalize the proposed rules for Director Review. The Office has continued to revise the interim Director Review process while also pursuing rulemaking.

On July 24, 2023, the USPTO modified the interim Director Review process to allow parties to request Director Review of decisions on institution in AIA proceedings, and to introduce a process by which the Director may delegate review of a Board decision to a Delegated Rehearing Panel (DRP). See "Revised Interim Director Review Process" webpage (available at www.uspto.gov/patents/ptab/decisions/revised-interim-director-review-process, also called the Director Review webpage); "Delegated Rehearing Panel" webpage (available at www.uspto.gov/patents/ptab/decisions/delegated-rehearing-panel). These changes were based on the Office's experience with Director Review and stakeholder feedback. The USPTO made additional updates to the interim Director Review process on September 18, 2023, (updating processes related to

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[5] Request for Comments (RFC) on Director Review, Precedential Opinion Panel Review, and Internal Circulation and Review of Patent Trial and Appeal Board Decisions. 87 FR 43249–52 (July 20, 2022).

[6] The USPTO established the POP review process in 2018 and set forth that process in the Board's Standard Operating Procedure 2, revision 10. The POP process was used to establish binding agency authority concerning major policy or procedural issues, or other issues of exceptional importance in the limited situations where it was appropriate to create such binding agency authority through adjudication before the PTAB. The USPTO retired the POP process on July 24, 2023, in view of recent changes to the interim Director Review process.

[7] Available at www.federalregister.gov/documents/2022/07/20/2022-15475/request-for-comments-on-director-review-precedential-opinion-panel-review-and-internal-circulation.

Director Review of PTAB decisions on remand from the Director) and January 19, 2024 (updating processes related to requests for rehearing of Director Review decisions).

The rule proposed in this NPRM is consistent with the interim process. If the USPTO issues a final rule, the Director Review webpage will be updated when the rule becomes effective. After the rule becomes effective, any further modifications to the Director Review process will be consistent with the rule and will be reflected on the Director Review webpage.

Request for Comments

As noted above, on July 20, 2022, the Office published an RFC on Director Review, POP review, and the internal circulation and review of PTAB decisions. 87 FR 43249-52. The RFC included the following questions pertinent to Director Review:

1. Should any changes be made to the interim Director Review process, and if so, what changes and why?

2. Should only the parties to a proceeding be permitted to request Director Review, or should third-party requests for Director Review be allowed, and if so, which ones and why?

3. Should requests for Director Review be limited to final written decisions in IPR and PGR? If not, how should they be expanded and why?

4. Should a party to a proceeding be able to request both Director Review and rehearing by the merits panel? If so, why and how should the two procedures interplay?

5. What criteria should be used in determining whether to initiate Director Review?

6. What standard of review should the Director apply in Director Review? Should the standard of review change depending on what type of decision is being reviewed?

7. What standard should the Director apply in determining whether or not to grant sua sponte Director Review of decisions on institution? Should the standard change if the decision on institution addresses discretionary issues instead of, or in addition to, merits issues?

8. Should there be a time limit on the Director's ability to reconsider a petition denial? And if so, what should that time limit be?

9. Are there considerations the USPTO should take with regard to the fact that decisions made on Director Review are not precedential by default, and instead are made and marked precedential only upon designation by the Director?

10. Are there any other considerations the USPTO should take into account with respect to Director Review?

11. Should the POP review process remain in effect, be modified, or be eliminated in view of Director Review? Please explain.

12. Are there any other considerations the USPTO should take into account with respect to the POP process?

Id. at 43252.

The RFC closed on October 19, 2022, and the Office received comments from intellectual property organizations, trade organizations, other organizations, and individuals. These comments are available at www.regulations.gov/docket/PTO-P-2022-0023/comments (collected responses to RFC). Responses to the specific questions asked in the RFC pertinent to Director Review or POP review are summarized briefly below.

In response to question 2, many commenters suggested that only parties to the proceeding should be permitted to request Director Review, consistent with the interim process. Some of these commenters suggested that limiting Director Review requests to the parties best promotes judicial economy and efficiency as the parties are best

positioned to present the issues on review. Notably, some of these commenters also suggested that third parties could still participate when appropriate, either through amicus briefing or joinder. Other commenters suggested that allowing third-party requests would be preferred because PTAB decisions often have broad ramifications that affect non-parties.

In response to question 3, some commenters suggested that Director Review should be available for both final written decisions and decisions on institution, and especially for denials of institution. Some commenters argued that no other review mechanism existed for review of decisions on institution.[8] Other commenters suggested that Director Review should be available only for final written decisions, in part out of efficiency concerns. One commenter suggested that Director Review should be available for ex parte reexaminations and ex parte appeals. As discussed above, based on experience and in response to stakeholder feedback, the USPTO expanded the interim Director Review process to allow parties to request Director Review of decisions on institution in AIA proceedings.

In response to question 4, commenters were divided as to whether, consistent with the interim process, parties should be permitted to request either Director Review or panel rehearing, but not both. Those in favor of allowing parties to file requests for both types of rehearing argued that a decision may include some issues more appropriate for the original panel to reconsider, and other issues more appropriate for the Director to review. Those in favor of permitting parties to request only one form of rehearing argued that this reduces duplication, waste, inefficiency, and delay. Moreover, some argued that

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[8] POP review was available for decisions on institution at the time of the RFC.

requiring a choice between panel rehearing and Director Review avoids potentially conflicting analyses between the Director and the panel.

In response to question 5, commenters did not agree on the criteria that should be used in determining whether to initiate Director Review. Some commenters suggested that Director Review should apply to issues of policy, while others suggested that policy should be made by formal rulemaking only. Similarly, some commenters stated that Director Review should be limited to important issues, such as policy, or statutory or regulatory interpretation, while others suggested that Director Review should consider all panel errors and abuses of discretion.

In response to question 6, some commenters suggested that the Director should apply de novo review for all issues on review. These commenters suggested that a standard that is deferential to the Board panel would not provide clear guidance. Other commenters favored de novo review on the basis that *Arthrex* requires the Director to substitute the Director's own judgment.

In response to question 7, commenters were divided on the appropriate standard for initiating sua sponte Director Review (i.e., on the Director's own initiative). Some commenters suggested that the same standard of review should apply for all decisions, including sua sponte Director Review. The commenters also suggested that the same standard of review should apply to issues related to both the asserted merits of unpatentability and the Director's discretionary authority to institute an AIA proceeding. Several commenters suggested that sua sponte Director Review should be limited to extraordinary circumstances, including issues of exceptional importance to the USPTO or the patent community. One commenter suggested that sua sponte Director Review should be limited to extraordinary circumstances and only for decisions on institution.

In response to question 8, some commenters suggested that there should be a set time limit on the conclusion of Director Review, in particular when the Director reviews a denial of institution. The commenters generally suggested the need for certainty regarding timing and finality in both the grant of Director Review and the ultimate Director Review decision. One commenter suggested that no time limit would be necessary.

In response to question 9, all responsive commenters suggested that a Director Review decision should not be precedential by default. Some commenters suggested that decisions should be made precedential only when needed to ensure consistency and predictability, and only as applied to certain issues. Some commenters also suggested a clear process with objective criteria for determining when to make cases precedential. Other commenters suggested that a Director Review decision should never be precedential so as to not supplant rulemaking.

In response to questions 11 and 12, commenters were divided on the status of the POP review process. Commenters in favor of eliminating POP review suggested it was redundant with Director Review and that issues previously considered by the POP should be considered under Director Review instead. Commenters in favor of maintaining POP review suggested that it provides input and perspectives from other USPTO leaders, which are important for resolving issues of exceptional importance, policy, and PTAB procedure.

Some commenters provided additional considerations for Director Review and with respect to the interim process (see questions 1 and 10). Some suggested that the Director Review process should consider AIA and policy goals, for example: (1) promoting transparency, consistency, and fairness; (2) improving patent quality and litigation efficiency; and (3) broadening access to the patent system while safeguarding

against low-quality patents and abusive behavior. Others suggested that Director Review decisions should explain the basis for granting Director Review and provide a reasoned rationale for each decision. Still others suggested that the USPTO should clarify the criteria used to determine whether to grant Director Review and eliminate overlapping and redundant reviews and rehearing.

The USPTO appreciates the public input provided in response to the RFC and has reviewed the individual responses thoroughly. In view of the comments, the USPTO's experience with the interim Director Review process, and public support for rulemaking with respect to Director Review, and in the interest of providing greater clarity, certainty, and predictability to parties participating in proceedings before the Board, the Office now issues this notice of proposed rulemaking (NPRM).

Proposed Director Review Process

Under the Director Review process proposed in this NPRM, which is consistent with the current interim process, a party may only request Director Review of: (1) a decision on whether to institute an AIA trial, (2) a final written decision in an AIA proceeding, or (3) a panel decision granting a request for rehearing of a decision on whether to institute a trial or a final written decision in an AIA proceeding. In the course of reviewing such an institution decision, final written decision, or panel rehearing decision, the Director may review any interlocutory decision rendered in reaching that decision. The Director may also grant review of those same decisions sua sponte. Third parties may not request Director Review or communicate with the USPTO concerning the Director Review of a particular case unless the Director invites them to do so.

Under the interim process, as described on the Director Review webpage, requests for Director Review of Board decisions on whether to institute an AIA trial, or decisions granting rehearing of such a decision, are limited to decisions presenting: (a) an abuse of

discretion, or (b) important issues of law or policy. Issues related to both discretion and the asserted merits of unpatentability may be raised, subject to limitations (a) and (b) above. Under the interim process, requests for Director Review of PTAB final written decisions, or decisions granting rehearing of such decisions, are available for decisions presenting: (a) an abuse of discretion, (b) important issues of law or policy, (c) erroneous findings of material fact, or (d) erroneous conclusions of law.

The interim Director Review process generally follows existing PTAB rehearing procedures under 37 CFR 42.71(d). Similarly, as proposed in this NPRM, to request Director Review, a party to an IPR, PGR, or derivation proceeding must file a request for rehearing pursuant to § 42.71(d) and subject to any further instructions provided by the Director. The Director Review webpage further explains that the Director has instructed that parties must both file their rehearing request in the Patent Trial and Appeal Case Tracking System and send an email to the Director at Director_PTABDecision_Review@uspto.gov.

Under the process proposed in this NPRM, a party must file a request for rehearing by the Director within the time prescribed for a request for rehearing under 37 CFR 42.71(d), as appropriate for the type of decision for which review is sought. The Director may choose to extend the rehearing deadline for good cause. A timely request for rehearing by the Director will be considered a request for rehearing under 37 CFR 90.3(b)(1) and will reset the time for appeal to the Federal Circuit as set forth in that rule until a time after which all issues on Director Review in the proceeding are resolved, including any ancillary issues.

As proposed in this NPRM, requests for rehearing by the Director are limited to 15 pages (see § 42.24(a)(1)(v)). A Director Review request may not introduce new evidence.

Moreover, under the process proposed in this NPRM, parties are limited to requesting either: (1) Director Review, or (2) rehearing by the original panel, but may not request both. Requests for both Director Review and panel rehearing of the same decision are treated as a request for Director Review only, as described on the Director Review webpage. However, as explained above, parties may request Director Review of a decision by a panel granting rehearing of a prior PTAB decision. "[G]ranting rehearing" here means that the rehearing decision modifies the holding or result of the underlying decision in some fashion. For example, where a Board panel changes the determination of the Final Written Decision for certain claims from unpatentable to not unpatentable in a rehearing decision, the petitioner may file a Request for Director Review of that new determination as to those claims. Rehearing is not "granted," and thus a Request for Director Review is not available, for purposes of this rule if the panel: (1) provides a decision addressing the arguments in the request for rehearing but does not modify the underlying holding or result, or (2) denies the request for rehearing without further explanation.

Under the interim process, as explained on the Director Review webpage, each request for Director Review is considered by an Advisory Committee that the Director has established to assist with the process. The Advisory Committee has at least 11 members and currently includes representatives from various business units within the USPTO who serve at the discretion of the Director. The Advisory Committee currently is chaired by a Director Review Executive and comprises members from the Office of the Under Secretary (not including the Director or Deputy Director); the PTAB (not including members of the original panel for each case under review); the Office of the Commissioner for Patents (not including the Commissioner for Patents or any persons involved in the examination of the challenged patent); the Office of the General Counsel

(which includes the Office of the Solicitor); and the Office of Policy and International Affairs. The Advisory Committee meets periodically to evaluate each request for Director Review.[9] Advisory Committee meetings may proceed with fewer than all members in attendance, as long as a quorum of seven members is present.

The Advisory Committee presents the Director with a recommendation. The recommendation includes either a consensus from the various members of the Advisory Committee, or notes differing views among the Advisory Committee members. The Director also receives each Director Review request, the underlying decision, and associated arguments and evidence. The Director determines whether to grant or deny the request for Director Review, or to delegate Director Review.[10] The Director may also consult others in the USPTO as needed, so long as those individuals consulted do not have a conflict of interest. Although the Advisory Committee and other individuals in the USPTO may advise the Director on whether a decision warrants review, the Director has sole discretion to resolve each request for Director Review. The Director's decision on each request will be communicated to the parties in the proceeding. Furthermore, Director Review grants and delegations will be posted on the PTAB website. Other

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[9] No member of the Advisory Committee may participate in the consideration of a request for Director Review if that member has a conflict of interest under the U.S. Department of Commerce USPTO Summary of Ethics Rules, available at ogc.commerce.gov/sites/default/files/pto-summary_of_ethics_rules-2022_0.pdf. PTAB APJs who are Advisory Committee members will also follow the guidance on conflicts of interest set forth in the PTAB's SOP 1, and will recuse themselves from any discussion involving cases on which they are paneled.

[10] The current interim process in place for delegating Director Review is presented on the Delegated Rehearing Panel website (www.uspto.gov/patents/ptab/decisions/delegated-rehearing-panel). The process for delegation may change in the future, as required to accommodate needs of the Director, consistent with all applicable law.

determinations, such as Director Review denials, dismissals, and withdrawals, will be cataloged and posted on the PTAB website.

As proposed in this NPRM, in addition to allowing parties to request Director Review of certain decisions, the Director may order sua sponte Director Review. Under the interim process, as described on the Director Review webpage, sua sponte Director Review is typically reserved for issues of exceptional importance, and the Director retains the authority to initiate review sua sponte of any other issue, as the Director deems appropriate. As explained in SOP 4, an internal post-issuance review team at the PTAB reviews issued decisions and, if warranted, flags certain AIA decisions as potential candidates for sua sponte Director Review. See PTAB SOP 4, at 1, 5. In addition, as described on the Director Review webpage, the Director may also convene the Advisory Committee to make recommendations on decisions that the Director is considering for sua sponte Director Review. If the Director initiates a sua sponte review, the parties will be given notice and may be given an opportunity for briefing. The public will also be notified, and the Director may request amicus briefing. If briefing is requested, the procedures to be followed will be set forth.

As proposed in this NPRM, absent exceptional circumstances (which might include a remand from the Federal Circuit for the purpose of Director Review), the Director may initiate sua sponte review at any point within 21 days after the expiration of the period for filing a request for rehearing, pursuant to § 42.71(d), as appropriate to the type of decision (i.e., a decision on institution or a final written decision) for which review is sought.

As proposed in this NPRM, a decision on institution, a final written decision, or a decision granting rehearing of such decision on institution of a final written decision shall become the decisions of the agency unless Director Review is requested or sua sponte

review is initiated. Moreover, upon denial of a request for Director Review of a decision denying institution, a final written decision, or a decision granting rehearing of a final written decision, the Board's decision becomes the final agency decision.

As proposed in this NPRM, and consistent with the interim process, by default a request for Director Review or the initiation of sua sponte Director Review resets the time for appeal but does not stay or delay the time for the parties to take action in the underlying proceeding before the PTAB, unless the Director orders otherwise. As also proposed in this NPRM, if the Director grants a Director Review, the Director will issue an order or decision that will be made part of the public record, subject to any confidentiality requirements. A grant of Director Review that is not withdrawn will conclude with the issuance of a decision or order providing the Director's reasoning in the case.

As proposed in this NPRM, and consistent with the interim process, a party may appeal a Director Review decision of a final written decision, or rehearing thereof, to the United States Court of Appeals for the Federal Circuit using the same procedures for appealing other PTAB decisions under 35 U.S.C. 141(c), 319. Director Review decisions on decisions on institution are not appealable.

As proposed in this NPRM, and in consideration of the objectives of the Director Review process, the Director may, at their discretion, delegate the review of a Board decision in an AIA proceeding.

Under the interim process, decisions made on Director Review are not precedential by default, but may be designated as precedential by the Director. Additional implementation details of the interim process are provided on the Director Review webpage. If a final rule issues and goes into effect, the Director Review webpage will be updated or replaced with updated guidance on the effective date of such a final rule.

Application of Director Review Process to Date

As of April 1, 2024, the USPTO had received 328 compliant requests for Director Review under the interim process. Of those requests, the Director Review process was completed for 316 requests. Of the 316 completed requests, 18 requests were granted, 2 requests were delegated to the DRP, 5 requests were withdrawn, and the remaining 291 requests were denied. Additionally, sua sponte Director Review was initiated in 35 cases.

Since July 24, 2023, when the interim process for Director Review was expanded to allow for requests of decisions on institution, the majority of requests received have been from decisions on institution. Specifically, between July 24, 2023, and April 1, 2024, 27 requests for review of final written decisions and 82 requests for review of decisions on institution were received.

Discussion of Specific Rules

The USPTO proposes to add § 42.75, as follows:

Section 42.75: Proposed § 42.75(a) would set forth the general availability of Director Review.

Proposed § 42.75(b) would set forth the availability of sua sponte Director Review.

Proposed § 42.75(c) would set forth the availability of requests for Director Review and request requirements.

Proposed § 42.75(d) would set forth the finality of decisions subject to Director Review.

Proposed § 42.75(e) would set forth the Director Review process.

Proposed § 42.75(f) would provide for the delegation of a review by the Director.

Proposed § 42.75(g) would set forth provisions regarding communications with the Office.

Rulemaking Considerations

A. Administrative Procedure Act: The changes proposed by this NPRM involve rules of agency practice and procedure, and/or interpretive rules, and do not require notice-and-comment rulemaking. See *Perez* v. *Mortg. Bankers Ass'n*, 135 S.Ct. 1199, 1204 (2015) (explaining that interpretive rules "advise the public of the agency's construction of the statutes and rules which it administers" and do not require notice-and-comment rulemaking when issued or amended); *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), do not require notice-and-comment rulemaking for "interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice"); and *JEM Broadcasting Co.* v. *F.C.C.*, 22 F.3d 320, 328 (D.C. Cir. 1994) (explaining that rules are not legislative because they do not "foreclose effective opportunity to make one's case on the merits").

Nevertheless, the USPTO is publishing this proposed rule for comment to seek the benefit of the public's views on the Office's proposed regulatory changes.

B. Regulatory Flexibility Act: For the reasons set forth in this notice, the Senior Counsel for Regulatory and Legislative Affairs, Office of General Law, USPTO, has certified to the Chief Counsel for Advocacy of the Small Business Administration that the changes set forth in this NPRM would not have a significant economic impact on a substantial number of small entities. See 5 U.S.C. 605(b).

The changes in this NPRM are to expressly set forth the rules governing Director Review. The changes do not create additional procedures or requirements or impose any additional compliance measures on any party beyond the interim process for Director Review, nor do these changes cause any party to incur additional costs. Therefore, any

requirements resulting from these proposed changes are of minimal or no additional burden to those practicing before the Board.

For the foregoing reasons, the proposed changes in this NPRM would not have a significant economic impact on a substantial number of small entities.

C. Executive Order 12866 (Regulatory Planning and Review): This NPRM has been determined to be not significant for purposes of Executive Order 12866 (September 30, 1993), as amended by Executive Order 14094 (April 6, 2023).

D. Executive Order 13563 (Improving Regulation and Regulatory Review): The Office has complied with Executive Order 13563 (January 18, 2011). Specifically, and as discussed above, the Office has, to the extent feasible and applicable: (1) made a reasoned determination that the benefits justify the costs of the proposed rule; (2) tailored the proposed rule to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) involved the public in an open exchange of information and perspectives among experts in relevant disciplines, affected stakeholders in the private sector, and the public as a whole, and provided online access to the rulemaking docket; (7) attempted to promote coordination, simplification, and harmonization across Government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes.

E. Executive Order 13132 (Federalism): This NPRM pertains strictly to Federal agency procedure and does not contain policies with federalism implications sufficient to warrant the preparation of a Federalism Assessment under Executive Order 13132 (August 4, 1999).

F. Executive Order 13175 (Tribal Consultation): This NPRM will not: (1) have substantial direct effects on one or more Indian tribes; (2) impose substantial direct compliance costs on Indian tribal governments; or (3) preempt tribal law. Therefore, a tribal summary impact statement is not required under Executive Order 13175 (November 6, 2000).

G. Executive Order 13211 (Energy Effects): This NPRM is not a significant energy action under Executive Order 13211 because it is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Therefore, a Statement of Energy Effects is not required under Executive Order 13211 (May 18, 2001).

H. Executive Order 12988 (Civil Justice Reform): This NPRM meets applicable standards to minimize litigation, eliminate ambiguity, and reduce burden as set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 (February 5, 1996).

I. Executive Order 13045 (Protection of Children): This NPRM does not concern an environmental risk to health or safety that may disproportionately affect children under Executive Order 13045 (April 21, 1997).

J. Executive Order 12630 (Taking of Private Property): This NPRM will not affect a taking of private property or otherwise have taking implications under Executive Order 12630 (March 15, 1988).

K. Congressional Review Act: Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801 et seq.), prior to issuing any final rule, the USPTO will submit a report containing the rule and other required information to the United States Senate, the United States House of Representatives, and the Comptroller General of the Government Accountability Office. The changes in this NPRM are not expected to result in an annual effect on the economy of $100 million or more; a major increase in costs or prices; or significant adverse effects

on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets. Therefore, this NPRM will not be a "major rule" as defined in 5 U.S.C. 804(2).

L. Unfunded Mandates Reform Act of 1995: The changes set forth in this NPRM do not involve a Federal intergovernmental mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, of $100 million (as adjusted) or more in any one year, or a Federal private sector mandate that will result in the expenditure by the private sector of $100 million (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments. Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. See 2 U.S.C. 1501 et seq.

M. National Environmental Policy Act of 1969: This NPRM will not have any effect on the quality of the environment and is thus categorically excluded from review under the National Environmental Policy Act of 1969. See 42 U.S.C. 4321 et seq.

N. National Technology Transfer and Advancement Act of 1995: The requirements of section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) are not applicable because this NPRM does not contain provisions that involve the use of technical standards.

O. Paperwork Reduction Act of 1995: The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3549) requires that the Office consider the impact of paperwork and other information collection burdens imposed on the public. This NPRM does not involve an information collection requirement that is subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995. In addition, this NPRM does not add any additional information requirements or fees for

parties before the Board. Therefore, the Office is not resubmitting collection packages to OMB for its review and approval because the revisions in this NPRM do not materially change the information collections approved under OMB control number 0651-0069.

Notwithstanding any other provision of law, no person is required to respond to, nor shall any person be subject to, a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

P. E-Government Act Compliance: The USPTO is committed to compliance with the E-Government Act to promote the use of the internet and other information technologies, to provide increased opportunities for citizen access to Government information and services, and for other purposes.

List of Subjects in 37 CFR Part 42

Administrative practice and procedure, Inventions and patents, Lawyers.

For the reasons set forth in the preamble, the Office proposes to amend 37 CFR part 42 as follows:

PART 42—TRIAL PRACTICE BEFORE THE PATENT TRIAL AND APPEAL BOARD

1. The authority citation for part 42 is revised to read as follows:

Authority: 35 U.S.C. 2(b)(2), 3, 6, 134, 135, 143, 153, 311, 314, 316, 318, 324, 326; Pub. L. 112-29, 125 Stat. 284; and Pub. L. 112-274, 126 Stat. 2456.

2. Add § 42.75 to read as follows:

§ 42.75 Director Review.

(a) *Director Review Generally.* In a proceeding under part 42, the Director may review any decision on institution under 35 U.S.C. 314 or 324, any final written decision under 35 U.S.C. 318 or 328, or any decision granting rehearing of such a decision. In the

course of reviewing an institution decision, a final written decision, or a rehearing decision, the Director may review any interlocutory decision rendered by the Board in reaching that decision.

(b) *Sua Sponte Director Review*. The Director, on the Director's own initiative, may order sua sponte Director Review of a decision as provided in paragraph (a) of this section. Absent exceptional circumstances, any sua sponte Director Review will be initiated within 21 days after the expiration of the period for filing a request for rehearing pursuant to § 42.71(d).

(c) *Requests for Director Review.* A party to a proceeding under part 42 may file one request for Director Review of a decision as provided in paragraph (a) of this section, instead of filing a request for rehearing of that decision pursuant to § 42.71(d), subject to the limitations herein and any further guidance provided by the Director.

(1) *Timing*. The request must be filed within the time period set forth in § 42.71(d) unless an extension is granted by the Director upon a showing of good cause. No response to a Director Review request is permitted absent Director authorization.

(2) *Format and Length*. A request for Director Review must comply with the format requirements of § 42.6(a). Absent Director authorization, the request must comply with the length limitations for motions to the Board provided in § 42.24(a)(1)(v).

(3) *Content*. Absent Director authorization, a request for Director Review may not introduce new evidence.

(d) *Final Agency Decision*. A decision on institution, a final written decision, or a decision granting rehearing of such decision on institution or final written decision shall become the decision of the agency unless:

(1) A party requests rehearing or Director Review within the time provided by § 42.71(d); or

(2) In the absence of such a request, the Director initiates sua sponte review as provided by § 42.75(b). Upon denial of a request for Director Review of a final written decision or of a decision granting rehearing of a final written decision, the Board's decision becomes the final agency decision.

(e) *Process.* (1) *Effect on Underlying Proceeding*. Unless the Director orders otherwise, and except as provided in paragraph (e)(3) of this section, a request for Director Review or the initiation of review on the Director's own initiative does not stay the time for the parties to take action in the underlying proceeding.

(2) *Grant and scope*. If the Director grants Director Review, the Director shall issue an order or decision that will be made part of the public record, subject to the limitations of any protective order entered in the proceeding or any other applicable requirements for confidentiality. If the Director grants review and does not subsequently withdraw the grant, the Director Review will conclude with the issuance of a decision or order that provides the reasons for the Director's disposition of the case.

(3) *Appeal*. A party may appeal a Director Review decision of either a final written decision or a decision granting rehearing of a final written decision under 35 U.S.C. 318, 328, and 135 to the United States Court of Appeals for the Federal Circuit using the same procedures for appealing other decisions under 35 U.S.C. 141(c), 319. Director Review decisions on decisions on institution are not appealable. A request for Director Review of a final written decision or a decision granting rehearing of a final written decision, or the initiation of a review on the Director's own initiative of such a decision, will be treated as a request for rehearing under § 90.3(b)(1) and will reset the time for appeal until after all issues on Director Review in the proceeding are resolved.

(f) *Delegation*. The Director may delegate their review of a decision on institution, a final written decision, or a decision granting rehearing of such a decision, subject to any conditions provided by the Director.

(g) *Ex parte communications*. All communications from a party to the Office concerning a specific Director Review request or proceeding must copy counsel for all parties. Communications from third parties regarding a specific Director Review request or proceeding, aside from authorized amicus briefing, are not permitted and will not be considered.

Katherine K. Vidal,
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.
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