

PATENT AND TRADEMARK LAW

Expert Analysis

USPTO Guidance on Discretionary Denials in Post-Grant Proceedings

Inter partes review proceedings, or IPRs, and their related proceedings have become a fixture in modern patent disputes. These proceedings, implemented in 2012 after President Obama signed into law the America Invents Act (AIA), provided a new, cheaper, and faster means for challenging the validity of patents at the U.S. Patent and Trademark Office (USPTO). Patent challengers were offered a new mechanism for petitioning the USPTO's then newly-created Patent Trial and Appeal Board (PTAB), in an inter partes proceeding that also involves the patent owner.

One particular issue that has arisen is the complex interplay

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between these PTAB proceedings and parallel proceedings in district courts or the International Trade Commission (ITC) involving the same patents. In the PTAB's

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precedential decision in *Apple v. Fintiv*, the PTAB introduced the "Fintiv factors," which are now

applied on a case-by-case basis to determine whether or not the PTAB in its discretion will institute an IPR in situations where there is parallel litigation in another forum. These factors include:

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court's trial date to the board's projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. overlap between issues raised in the petition and in the parallel proceeding;
5. whether the petition and the defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the board's exercise

of discretion, including the merits.

Apple v. Fintiv, IPR2020-00019, Paper 11 (PTAB March 20, 2020) (designated precedential May 5, 2020). Based on analysis of these *Fintiv* factors, the PTAB had increasingly exercised its discretion to deny of institution of IPRs and other AIA post-grant proceedings into the first half of fiscal year 2021, but those denials then began to decline.

And that trend in the decrease in discretionary denials may continue, and even accelerate, based on the latest guidance from the USPTO.

Director Vidal's Memorandum

After the Office issued a Request for Comments, the Director of the USPTO, Katherine Vidal, issued a Memorandum on June 21, 2022. In that Memorandum, and in light of the many responses received to the Request for Comments, Director Vidal identified a need for several clarifications regarding the PTAB's current application of *Fintiv*—and, while the Memorandum indicates that the USPTO will explore official rulemaking on this issue, the Memorandum is intended to provide interim guidance until that rulemaking can proceed.

New Proposed Guidelines

As detailed in the Memorandum, in order to “benefit the patent system and the public good,” the PTAB will not rely on the *Fintiv* factors to deny institution in certain circumstances going forward. In particular, institution of IPR or the related Post Grant Review (PGR) proceedings will not be denied “(i) when a petition presents compelling evidence

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of unpatentability; (ii) when a request for denial under *Fintiv* is based on a parallel ITC proceeding; or (iii) where a petitioner stipulates not to pursue in a parallel district court proceeding the same grounds as in the petition or any grounds that could have reasonably been raised in the petition.” Katherine Vidal, USPTO Memorandum, *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings With Parallel District Court Litiga-*

tion, to Members of the Patent Trial and Appeal Board at 9.

The Memorandum provided additional detail regarding these issues, as detailed below:

Compelling Merits. These adjustments work to align the *Fintiv* discretionary denials with the AIA's intention of providing a more streamlined approach to post-grant proceedings. With that objective in mind, compelling, meritorious challenges will be allowed to be heard at the PTAB even if there may be parallel district court litigation. At the same time, the new guidance allows the PTAB discretion to deny any frivolous proceedings where abuse is suspected. Under the new guidance, the PTAB may not deny institution where the evidence “if unrebutted in trial, would plainly lead to a conclusion that one or more of the claims are unpatentable by a preponderance of the evidence.” The goal is to strengthen the patent system overall by ensuring that patents that survive these reviews are robust.

ITC and Fintiv. The *Fintiv* factors will not apply to parallel ITC proceedings. Since the ITC lacks the binding authority to invalidate patents, the PTAB will not discretionarily deny petitions

based on a parallel ITC proceeding—such denials based on a parallel ITC proceeding would not minimize or resolve any potential conflicts between the PTAB proceedings and any parallel district court litigation.

Sotera Stipulations. The Memorandum also addresses the holding in the precedential decision in *Sotera Wireless v. Masimo*. This case led to the now-common practice of petitioners filing “*Sotera* stipulations” to avoid discretionary denials of IPR petitions where the petition raises substantially the same grounds as the parallel proceeding. See *Sotera Wireless v. Masimo*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (precedential as to §II.A). Under the new guidance, the PTAB will not deny institution of an IPR or a PGR where a petitioner stipulates not to pursue a parallel district court proceeding on the same grounds as in the petition, or any grounds that could have reasonably been raised in the petition. In other words, prior to issuance of the Memorandum, the PTAB could still exercise its discretion to deny petitions even if a *Sotera* stipulation was filed; however, under the new guidance, there will be no discretionary denials

where such a stipulation is filed before trial (i.e., such a stipulation effectively provides a safe harbor against *Fintiv* denials). This rule is intended to eliminate any potential inefficiencies or conflicting rulings.

Trial Date. The new guidance also clarifies *Fintiv* factor two, which considers the proximity of the trial date in the parallel proceeding to the projected statutory deadline for the PTAB’s final written decision in the IPR or PGR. The PTAB will now, in assessing this factor, consider the speed with which the district court may resolve the case by focusing on a median time to trial for the district where the action is pending. By examining the median time to trial, this new guidance will alleviate any inaccuracies that come with projected trial dates that may be included in a district court’s case schedule, but which often change (i.e., are delayed) as a case progresses.

Conclusion

Ultimately, these USPTO guidelines provide welcomed clarity and certainty—for both patent owners and petitioners—regarding application of the *Fintiv* factors, and effectively provide a

number of “safe harbors” against *Fintiv* discretionary denials when there is parallel district court litigation.

As we continue to monitor USPTO rulemaking, and, in the meantime, the PTAB’s application of this new guidance over the coming months, we will likely see a variety of patent system stakeholders, ranging from petitioners to patent owners to policy makers, providing views and voicing concerns. Until the new rulemaking is implemented, those stakeholders will be watching with interest as the PTAB applies the Memorandum’s guidance.