

PTO Director Vidal Issues Interim Procedure Regarding Discretionary Denials Under *Fintiv*

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On June 21, 2022, PTO Director Katherine Vidal issued a memorandum setting forth her interim procedure for discretionary denials in AIA post-grant proceedings with parallel district court litigation, found [here](#) (“Memo”). The interim procedures, which go into effect immediately, should eliminate the uncertainty that many IPR petitioners currently face regarding whether the PTAB will consider their petitions on the merits, or exercise its discretion under 35 U.S.C. § 314(a) to deny them because of parallel litigation involving the patent in question.

As background, in 2020 the PTAB designated as precedential its decision in *Apple Inc. v. Fintiv Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential) (*Fintiv*), which identifies a non-exclusive list of factors parties may address when there is a related, parallel proceeding involving the patent to determine whether such proceeding provides a basis for the PTAB to discretionarily deny institution of an IPR without addressing the merits of the petition. The 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 PTAB’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 petitioner and the defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the PTAB’s exercise of discretion, including the merits.

Under *Fintiv*, the PTAB takes a “holistic view” in evaluating the factors in deciding whether “efficiency and integrity” are best served by denying or instituting review.

The application of the *Fintiv* factors resulted in a spike of IPR petition denials based on parallel proceedings. In most situations, the PTAB primarily focused on the proximity of the scheduled trial date in the parallel proceeding. When the trial date was before the date on which the PTAB’s final written decision would be due if the IPR were instituted, the PTAB would often deny institution on the theory that it would be inefficient for both the court and the PTAB to consider the same invalidity arguments.

This practice has been controversial. First, it resulted in the PTAB almost always discretionarily denying IPR petitions when the parallel proceeding was before the International Trade Commission because ITC investigations proceed under a fast-paced schedule. This was so even though ITC findings of patent invalidity have no preclusive effect, which caused many to question why the PTAB would defer questions of invalidity to the ITC. Second, it is often the case that in practice a district court trial date does not hold. Instead, the parties frequently ask for and receive extensions of time in the case schedule, or the court on its own shifts the schedule, such that an originally-set trial date is delayed by many months. Because of this, in practice, the PTAB was refusing to consider meritorious IPR petitions based on a speculative trial date that frequently would be pushed back beyond the deadline for when the PTAB's final written decision would otherwise be due.

Director Vidal's interim procedure addresses these issues head-on. The Director notes that, in response to the PTO's request for comments on the PTAB's approach to discretionary denials, the PTO received 822 comments from a wide range of stakeholders, and as such is preparing to explore potential rulemaking on the issue. In the interim, "several clarifications need to be made to the PTAB's current application of *Fintiv* to discretionary institution when there is parallel litigation." Memo at 2.

First, when an IPR petition presents compelling evidence of invalidity, the PTAB will no longer rely on the *Fintiv* factors to discretionarily deny institution. The Director considers this new policy to be consistent with the objectives of Congress in establishing post-grant review procedures to improve and ensure patent quality by providing "quick and cost-effective alternatives to litigation" for challenging issued patents. Memo at 3, *quoting* H.R. Rep. No. 112-98, pt. 1 at 48. Compelling challenges are "those in which 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." Memo at 4. As the Director notes, the "patent system and the public good benefit from instituting compelling unpatentability challenges." Memo at 5.

Second, because ITC invalidity findings have no preclusive effect, *see Tandon Corp. v. U.S.I.T.C.*, 831 F.2d 1017, 1019 (Fed. Cir. 1986), the PTAB will no longer discretionarily deny IPR petitions based on applying *Fintiv* to a parallel ITC proceeding. Memo at 6-7. In establishing this policy, the Director clarifies that the *Fintiv* factors on their face are directed at district court litigation, not ITC proceedings, and accordingly the PTAB should not have extended the *Fintiv* factors to IPRs involving a parallel ITC investigation.

Third, the PTAB will not discretionarily deny institution based on a parallel litigation if the 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. Memo at 7. Such a stipulation has come to be known as a *Sotera* stipulation (*see Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020)). It had become a relatively common practice of petitioners to offer a *Sotera* stipulation in the face of a patent owner asserting that the *Fintiv* factors should be relied on to deny institution of an IPR. While the PTAB has increasingly relied on *Sotera* stipulations to reject a patent owner's *Fintiv* arguments, the Director's mandate now ensures that a petitioner who submits a *Sotera* stipulation will no longer face any uncertainty that the PTAB could still rely on the *Fintiv* factors to discretionarily deny institution. As the Director states, with a *Sotera* stipulation in place, there are no concerns that the PTAB and the district court will unnecessarily duplicate efforts or render inconsistent opinions regarding the same prior art. Memo at 7.

Fourth, the PTAB will no longer take at face value a case's trial schedule when considering *Fintiv* factor two (the proximity of the court's trial date to the Board's statutory deadline for a final written decision). Memo at 8. The Director points out that "scheduled trial dates are unreliable and often change." *Id.* Accordingly, when other *Fintiv* factors "weigh against exercising discretion to deny institution or are neutral, the proximity to trial should not alone outweigh all of those other factors." *Id.* The parties should present evidence regarding the most recent statistics on median time-to-trial for civil cases in the relevant district court ([see here](#)) and the PTAB will also consider additional factors such as the number of cases before the specific judge in the parallel litigation and the speed and availability of other case dispositions. Memo at 9.

In sum, the Director's interim procedures bring much-needed clarity to the issue of *Fintiv*-based discretionary denials in IPR proceedings. The PTAB will not deny institution of an IPR or PGR under *Fintiv* when (1) a petition presents compelling evidence of unpatentability; (2) a request for denial under *Fintiv* is based on a parallel ITC

proceeding; or (3) 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. Further, when the PTAB is applying *Fintiv* factor two, the PTAB will consider the speed with which the district court case may come to trial and be resolved and will weigh this factor against exercising discretion to deny institution under *Fintiv* if the median time-to-trial is around the same time or after the projected statutory deadline for the PTAB’s final written decision.

Finally, the Director reminds us that even if the PTAB does not deny institution under *Fintiv*, it retains the right to deny institution for other reasons under 35 U.S.C. §§ 314(a), 324(a), and 325(d). For example, the PTAB may deny institution if other pertinent circumstances are present, such as abuse of process by a petitioner. See Memo at 9.

6 Min Read

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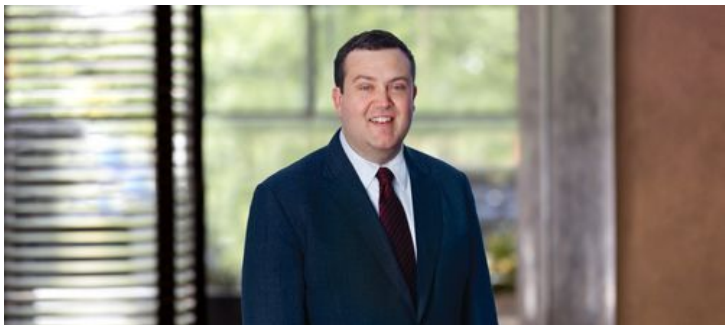
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