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November 17, 2020

The Honorable Andrei Iancu
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Re: Monolithic Power Systems, Inc.’s Comments In Response to the USPTO’s
“Request for Comments on Discretion to Institute Trials Before the Patent
Trial and Appeal Board” (Docket No. PTO-C-2020-0055)

Dear Under Secretary Iancu,

On behalf of Monolithic Power Systems, Inc. (“MPS”), we thank the United States Patent Office (“Office”) for the opportunity to provide comments in response to the Office’s “Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board” (“PTAB”), 85 Fed. Reg. 66,502 (October 20, 2020).

MPS is a leading international semiconductor company, providing power solutions for systems found in industrial applications, telecom infrastructures, cloud computing, automotive, and consumer applications. MPS has over hundreds of patents, and has been party to numerous patent litigations in district courts across the country, including concurrent PTAB proceedings as both patent owner and petitioner. As such, MPS has an interest in helping the Office create policies that enhance the predictability of PTAB proceedings, and in particular the predictability of institution decisions based on the “advanced state” of parallel district court proceedings under *NHK* and *Fintiv*.¹

¹ *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8, 2018 WL 4373643, at *7 (P.T.A.B. Sept. 12, 2018) (precedential, designated May 7, 2019) (“*NHK*”) (“the advanced state of the district court proceeding is an additional factor that weighs in favor of denying the Petition under § 314(a)”); *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11, 2020 WL 2126495, at *2 (P.T.A.B. Mar. 20, 2020) (precedential, designated May 5, 2020) (“*Fintiv*”).

A. MPS's Recommendation

The Office has posed the following two questions for public comment regarding whether and how the PTAB should exercise its discretion to institute trial based on the advanced stage of "Proceedings in Other Tribunals":²

"5. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *Fintiv* and its progeny, for deciding whether to institute a petition on a patent that is or has been subject to other proceedings in a U.S. district court or the ITC?"

"6. Alternatively, in deciding whether to institute a petition on a patent that is or has been subject to other proceedings in district court or the ITC, should the Office (a) altogether disregard such other proceedings, or (b) altogether decline to institute if the patent that is or has been subject to such other proceedings, unless the district court or the ITC has indicated that it will stay the action?"

Neither of the approaches suggested by Questions 5 and 6 above should apply. Though the six *Fintiv* factors were intended to provide a framework that helps the PTAB balance considerations of "efficiency, fairness, and the merits" in its decision of whether to exercise discretionary denial of institution,³ the PTAB's current application of *Fintiv* factor 2 ("proximity of the court's trial date to the Board's projected statutory deadline for a final written decision")⁴ does not best achieve these goals. As discussed in further detail below, MPS's research illustrates two important takeaways related to *Fintiv* factor 2:

1. The initially scheduled trial dates in district court are not reliable indicators of when a case actually proceeds to trial, undermining the efficiency gains that a discretionary denial seeks to achieve.
2. The PTAB's own unpredictable delays in issuing a Notice of Accord Filing Date ("Filing Notice"), which has ranged from 2 to 92 days based on recent data, unfairly prejudice a petitioner because it increases the chance that institution will be denied under *Fintiv* factor 2 based on circumstances entirely outside the petitioner's control.

Given that factor 2 is not a reliable or fair way to realize efficiency gains that the *Fintiv* framework was intended to achieve, MPS believes that factor 2 should be removed from the PTAB's consideration of whether to exercise discretionary denial. Alternatively, if the Office decides to keep factor 2 as part of the *Fintiv* inquiry, then the PTAB should better take into account these scheduling realities and afford this factor less weight.

² 85 Fed. Reg. 66,502 at 66,506.

³ *Fintiv*, at *2-3 ("These factors relate to whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of an earlier trial date in the parallel proceeding.").

⁴ *Fintiv*, at *4.

B. Background

Congress created the PTAB to provide an efficient alternative forum to district courts for deciding the validity of issued patents. After perceiving a “growing sense that questionable patents [we]re too easily obtained” and “too difficult to challenge” through existing procedures, Congress passed the America Invents Act (AIA) to respond to this concern.⁵ As part of the AIA, Congress created *Inter Partes* Reviews (IPRs) to “establish a more efficient and streamlined patent system that w[ould] improve patent quality and limit unnecessary and counterproductive litigation costs.”⁶

Since its creation in 2012, the PTAB has become an immensely popular venue for litigating patent validity—over 12,000 petitions have been filed to date.⁷ IPRs are an attractive choice for resolving complex patent validity disputes because PTAB judges are technically savvy,⁸ expensive discovery is sharply curtailed, and the PTAB reaches its final written decision in a relatively short time.⁹ In fact, the PTAB has consistently issued a final written decision in about 1.5 years from the time a petition is filed,¹⁰ compared to over 2.6 years to hold jury trial in district courts—plus post-trial motions that can extend several more months.¹¹

C. Discretionary Denials Under *NHK/Fintiv*

Congress contemplated IPRs occurring in parallel with district court proceedings. While parties are barred from initiating the dispute by seeking a declaratory judgment of invalidity, a party sued for infringement may respond by counterclaiming invalidity and petitioning for IPR within one year of service of the infringement complaint.¹² Indeed, the legislative history shows

⁵ H.R. Rep. No. 98, at 39-40, 112th Cong., 1st Sess. (2011).

⁶ *Id.*

⁷ Based on data compiled from all PTAB petitions filed from September 16, 2012 to the present, LexMachina.

⁸ The Administrative Patent Judges who preside over an IPR are required to have competent “scientific ability.” 35 U.S.C. § 6(a),(c).

⁹ The statute requires the Director to decide whether to institute IPR within three months of the Patent Owner’s Preliminary Response, and the PTAB must issue a final decision within twelve months of institution, extendable to 18 months with good cause. *See* §§ 314(b), 316(a)(11); 37 C.F.R. 42.107. Such extensions have been exceedingly rare absent joinder of additional parties.

¹⁰ Based on data compiled from all IPR petitions filed between September 16, 2012 and December 31, 2019, LexMachina.

¹¹ Based on data compiled from patent cases filed across all U.S. District Courts between September 16, 2012 and December 31, 2019, Docket Navigator.

¹² 35 U.S.C. § 315(a)(1), (a)(3), (b).

that Congress extended the window for filing an IPR petition from six months to one year, giving petitioners more time to prepare a petition after being sued in district court.¹³

Congress, however, also gave the Director discretion to deny meritorious petitions. “The Director *may* not authorize an *inter partes* review to be instituted unless the Director determines that ... there is a reasonable likelihood that the petitioner would prevail” on the merits.¹⁴ Ostensibly exercising that discretion, the PTAB¹⁵ denied institution in *NHK Spring Co. v. Intri-Plex Technologies*, reasoning that the district court trial was scheduled to begin about six months before the PTAB would issue its final decision.¹⁶ The PTAB explained that “[i]nstitution of an *inter partes* review under these circumstances would not be consistent with ‘an objective of the AIA ... to provide an effective and efficient alternative to district court litigation.’”¹⁷ *NHK* issued in September 2018, and was designated precedential—binding all other PTAB panels—in May 2019.

About a year later, the PTAB issued and designated precedential its order in *Apple Inc. v. Fintiv, Inc.*, explaining that “*NHK* applies to the situation where the district court has set a trial date to occur earlier than the Board’s deadline to issue a final written decision in an instituted proceeding,” and directing the parties to address six non-exclusive factors when applying *NHK*.¹⁸

These factors include *Fintiv* factor 2, the “proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision.”¹⁹ The PTAB explained that if the court’s scheduled trial date occurs before the PTAB’s projected final decision date, this factor weighs in favor of denial. Even if the trial date is “around the same time” or “significantly after” the PTAB’s final decision date, “the decision whether to institute will likely implicate other factors discussed herein, such as the resources that have been invested in the parallel proceeding.”²⁰ Applying *Fintiv*

¹³ 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (“High-technology companies, in particular, have noted that they are often sued by defendants asserting multiple patents with large numbers of vague claims, making it difficult to determine in the first few months of the litigation which claims will be relevant and how those claims are alleged to read on the defendant’s products. Current law imposes no deadline on seeking inter partes reexamination. And in light of the present bill’s enhanced estoppels, it is important that section 315(b) deadline afford defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation. It is thus appropriate to extend the section 315(b) deadline to one year.”).

¹⁴ 35 U.S.C. § 314(a) (emphasis added).

¹⁵ The Director delegated the decision whether to institute to individual Board panels. 37 C.F.R. §§ 42.4(a), 42.2.

¹⁶ *NHK*, at *7.

¹⁷ *Id.*

¹⁸ *Fintiv*, at *1-3.

¹⁹ *Id.* at *4.

²⁰ *Id.*

factor 2 assumes the court will stick to its schedule, but as explained in Section D, data from this country's busiest patent court shows that this rarely happens.

The PTAB alluded to *Fintiv* factor 3 in the above quote, i.e., the “investment in the parallel proceeding by the court and the parties” at the time of the PTAB’s institution decision.²¹ *Fintiv* factor 3 is supposed to reflect “that more work completed by the parties and court in the parallel proceeding tends to support the arguments that the parallel proceeding is more advanced, a stay may be less likely, and instituting would lead to duplicative costs.”²² However, the PTAB’s delay in deciding whether to institute the IPR can contribute to this factor. The PTAB’s delay is unpredictable, and as explained in Section E, can be weeks or even months.

D. Unpredictable District Court Trial Dates

District court delays are not uncommon in patent cases. In the *NHK* case, for example, the PTAB denied review because the court initially scheduled a jury trial about six months before the PTAB would issue its final decision.²³ In the two months after the PTAB denied review, the court’s trial date was pushed back by six months—undoing the PTAB’s original basis for denial.²⁴ Even a much shorter delay might be dispositive. In the *Fintiv* IPR, for example, the PTAB denied institution when the court’s scheduled trial date was just two months before the due date for the PTAB’s final written decision.²⁵

Data compiled from the country’s busiest patent court, the District of Delaware, shows that patent cases rarely proceed to trial as originally-scheduled. Of the over 1000 patent cases filed between September 1, 2018 and September 1, 2019, only two cases proceeded to trial on the originally-scheduled date.²⁶ 78% of originally-scheduled trial dates are shared between at least two cases.²⁷ Indeed, cases were booked for trial on the same day as three, four, and up to almost

²¹ *Id.*

²² *Id.*

²³ *NHK*, at *7.

²⁴ *Intri-Plex Techs. v. NHK Int’l Corp.*, 3:17-cv-01097-EMC (N.D. Cal.) (D.I. 135, September 14, 2018, moving trial back one month), (D.I. 140, September 27, 2018, moving trial back another two months), (D.I. 153 and minute entry, November 21, 2018, moving jury trial to September 2019, about the same time as the Board’s due date for a final decision).

²⁵ *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 15, 2020 WL 2486683, at *5 (P.T.A.B. May 13, 2020) (“*Fintiv Institution Decision*”) (decision denying institution after finding that the district court’s trial date, which had already been rescheduled, was scheduled to begin two months before the final written decision was due).

²⁶ Based on data compiled from patent cases filed in the District of Delaware from September 1, 2018 to September 1, 2019, Docket Navigator.

²⁷ *Id.*

30 other cases, all but guaranteeing delay.²⁸ Nor was it uncommon for rescheduled trial dates to be further delayed a second, third, or even fourth time.

Despite these realities, the PTAB continues to deny institution under *NHK/Fintiv* while “tak[ing] court’s trial schedules at face value absent some strong evidence to the contrary.”²⁹ Even when both parties agree that the district trial date is uncertain, the PTAB has applied *NHK/Fintiv* to deny institution based on *projected* trial dates. In *Intel Corporation v. VLSI Technology*, the PTAB acknowledged that the parties “agree[d] that there is some uncertainty as to whether the trial actually will occur on [the scheduled date].”³⁰ Nevertheless, the PTAB denied institution under *NHK/Fintiv*.³¹ Unsurprisingly, the original trial date was rescheduled.³² In another instance, the PTAB denied institution based on an expected trial date,³³ even though the district court “continued the trial date indefinitely.”³⁴

In addition to being unreliable indicators of when a validity dispute will actually be resolved in district court, rescheduled trial dates may not appear on the court’s docket until *after* the PTAB has already denied institution based on the earlier trial date. For example, trial dates in the District of Delaware were not rescheduled until 16 months after the complaint was filed on average, or about 10 months after the trial date was first scheduled.³⁵

Because the PTAB bases its denial decisions on the proximity of the originally-scheduled trial dates, such late-stage rescheduling could irreversibly deprive a petitioner of its preferred forum. Rehearings must be requested within 30 days from the Board’s determination of whether

²⁸ *Id.*

²⁹ *Fintiv Institution Decision*, at *5.

³⁰ *Intel Corp. v. VLSI Technology LLC*, No. IPR2020-00106, 2020 WL 2201828, at *1, *6 (P.T.A.B. May 5, 2020) (addressing when trial was expected to occur in the related co-pending litigation in *VLSI Tech. LLC v. Intel Corp.*, No. 6:19-cv-00254-ADA (W.D. Tex.)).

³¹ *Id.* (recognizing the agreed-upon “uncertainty” of the scheduled trial dates in three separate actions between the two parties scheduled on the same date but nevertheless concluding that at least one of them would proceed four to five months before any final written decision would issue).

³² See *VLSI Tech. LLC v. Intel Corp.*, No. 6:19-cv-00254-ADA (W.D. Tex.), re-assigned as *VLSI Tech. LLC v. Intel Corp.*, No. 6:19-CV-00977-ADA (W.D. Tex.) (original trial date of October 5, 2020 rescheduled to November 16, 2020 after the case transferred venue).

³³ *Ethicon, Inc. v. Bd. of Regents, Univ. of Tex. Sys.*, No. IPR2019-00406, 2020 WL 3088846, at *4 (P.T.A.B. June 10, 2020) (despite the lack of a scheduled trial date, concluding that the district court’s own statements about “expect[ing] trial to occur” around the deadline for issuing the final written decision “strongly” favored discretionary denial).

³⁴ *Board of Regents, The University of Texas System et al. v. Ethicon, Inc. et al.*, 1:17-cv-01084 (W.D. Tex.).

³⁵ Calculated based on data compiled on patent cases filed in the District of Delaware from September 1, 2018 to September 1, 2019, Docket Navigator.

to institute.³⁶ If the district court reschedules the original trial date *after* this 30-day window has passed, petitioner likely has no further recourse.³⁷ Once a Board denies institution, there is no direct appeal to the Federal Circuit.³⁸

For Sand Revolution, the rescheduling happened soon enough after the *NHK/Fintiv* denial for the Board to correct it upon a Request for Rehearing.³⁹ But for Google, the rescheduling came too late. In its IPR against Uniloc, the Board denied institution under *NHK* based heavily on the fact that the district court’s trial date was scheduled to precede its final written decision.⁴⁰ Fifty-two days after this decision, the district court case was transferred to another venue and the trial date vacated,⁴¹ after the 30-day window in which Google could request rehearing.⁴²

The *NHK/Fintiv* regime creates a catch-22 for petitioners. File too early, and risk denial under *Fintiv* factor 2—the PTAB could prematurely deny institution based on an initial trial date that may be later extended.⁴³ Wait too long, and run into *Fintiv* factor 3, which favors denying institution given the substantial investment in the district court case.⁴⁴

³⁶ 37 C.F.R. § 42.71(d)(2).

³⁷ Though a party could attempt to request authorization from the Board to file a rehearing request *outside* the 30-day window, MPS is not aware of enough data suggesting that this approach is effective. *See id.* (discussing that a party is entitled to file a “single request for rehearing without prior authorization from the Board” within 30 days of a decision denying institution).

³⁸ 35 U.S.C. 314(d) (“The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”).

³⁹ *Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC*, No. IPR2019-01393, 2020 WL 3273334, *4, *23 (P.T.A.B. June 16, 2020) (granting institution upon reconsideration after concluding that it was “unclear” whether the district court litigation would “adhere to any currently scheduled jury trial date” given that it had already extended the date twice after the Board’s original denial of institution).

⁴⁰ *Google LLC v. Uniloc 2017, LLC*, No. IPR2020-00115, 2020 WL 1523248, at *3 (Mar. 27, 2020).

⁴¹ *Uniloc 2017, LLC v. Google LLC*, No. 18-cv-00504, 2020 WL 3064460, at *6 (E.D. Tex. June 8, 2020) (granting transfer to another venue transferring to another venue on June 8, 2020, after the March 27, 2020 Board’s denial of institution in the related IPR proceeding).

⁴² 37 C.F.R. § 42.71(d)(2).

⁴³ *Fintiv*, at *4 (“If the court’s trial date is earlier than the projected statutory deadline, the Board generally has weighed this fact in favor of exercising authority to deny institution under *NHK*”).

⁴⁴ *Id.* (“[I]f, at the time of the institution decision, the district court has issued substantive orders related to the patent at issue in the petition, this fact favors denial.”).

E. Unpredictable Administrative Delay

The unpredictability of district court trial dates is further exacerbated by unpredictable delay at the PTAB. Filing a complete petition and paying the fees does *not* start the clock for instituting and deciding an IPR. Instead, the PTAB starts the clock when it issues its “Filing Notice.”⁴⁵ For example, if the PTAB takes two months to issue the Filing Notice, then the entire IPR schedule—including the institution decision and the final decision—is delayed by those two months.

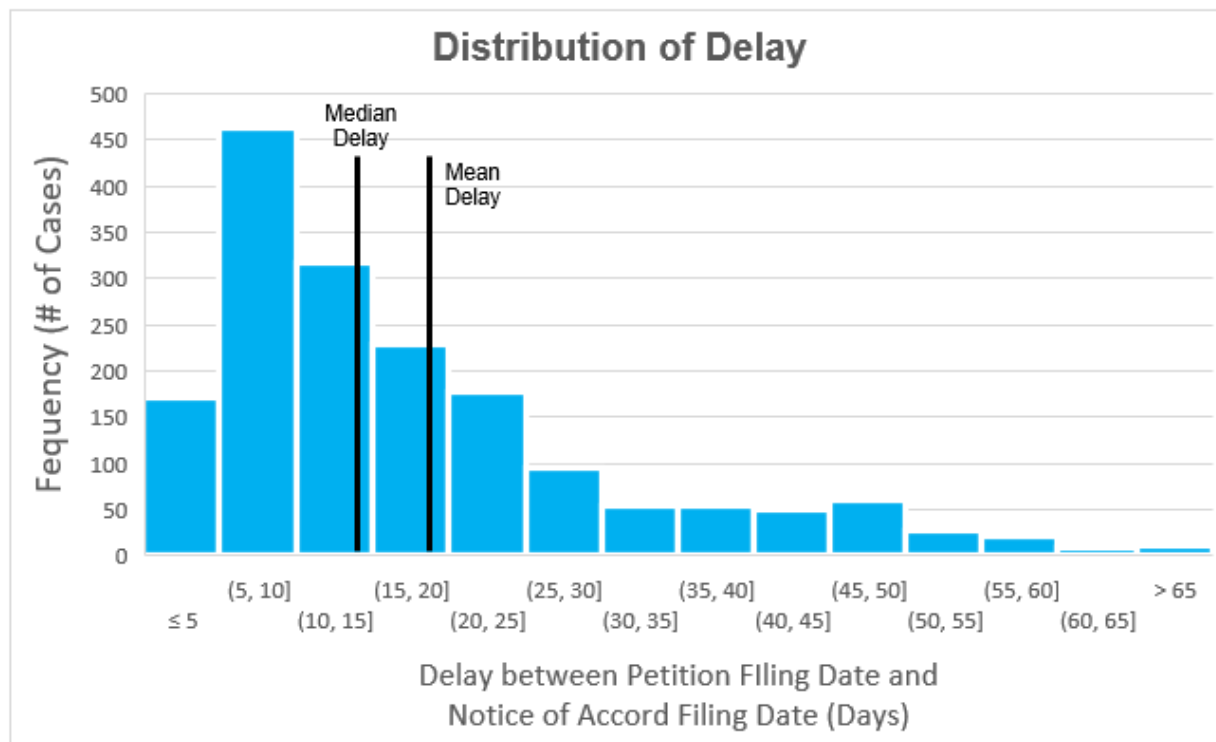
Such delays are not uncommon. MPS analyzed all petitions filed between June 2019 through August 2020,⁴⁶ and found that the PTAB’s administrative delay at the outset of the proceeding ranged from 2 days to 92 days. There was no apparent reason for the longest delays—the PTAB simply waited three months to start the statutory clock.⁴⁷ While the average delay in issuing the Filing Notice is 18.5 days, a significant proportion experienced at least three weeks of delay. As reflected in the distribution below,⁴⁸ over 600 proceedings (or 35%) had delay of 20 days or more, over 300 (or 17%) had delay of 30 days or more, and some even had well over 60 days of delay.

⁴⁵ The Patent Owner’s Preliminary Response is due 3 months after the Filing Notice issues. 37 C.F.R. § 42.107. And the institution decision is due 3 months after that. 35 U.S.C. § 314(b).

⁴⁶ Compiled data from all IPRs filed at the PTAB from June 1, 2019 through August 31, 2020, Docket Navigator.

⁴⁷ The PTAB does not explain when its Filing Notice will issue. To a petitioner, these Notices appear to be issued randomly.

⁴⁸ See note 46, *supra*.



This administrative delay has two effects on the *NHK/Fintiv* analysis, both of which cut against institution. First, the parties and district court continue to invest in the case while awaiting a decision on institution, weighing against institution under *Fintiv* factor 3. Second, the PTAB’s final written decision date is delayed, which may move it closer to or after the scheduled district court trial date, also weighing against institution under *Fintiv* factor 2.

CONCLUSION

Congress created PTAB proceedings to be more predictable than district court litigation. Whereas PTAB proceedings are decided by PTAB judges who are well-versed in both technology *and* patent law (especially invalidity law), district court validity issues are usually decided by lay juries who are unfamiliar with both. Though certain district courts have heavy patent dockets, the judges in those courts also hear a variety of criminal and civil cases, and their patent cases address far more issues than just validity, such as infringement, damages, and inequitable conduct.

But the PTAB’s touted predictability is now being undermined by *NHK/Fintiv*. It is difficult, if not impossible, to accurately predict district court trial dates, especially early in the litigation. Further exacerbating this unpredictability is the PTAB’s own administrative delays, which can be lengthy and occur apparently at random. Taken together, such unpredictability makes it harder for petitioners and patent owners alike to make strategic and tactical decisions, and generally works against resolving complex patent disputes through settlement.

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To better realize the efficiency and fairness goals the PTAB has set out to achieve, MPS believes that *Fintiv* factor 2 should be removed from the PTAB's consideration of whether to exercise discretion to deny institution. Should the Office wish to keep this factor as part of the institution inquiry, it should be afforded less weight to better account for the realities of unpredictable scheduling in district courts and the PTAB. Absent evidence affirmatively supporting the reliability of scheduled district court dates, the data shows that it is unreasonable to assume that such dates will stick. Furthermore, to promote fairness, the Board should account for its own delays in issuing a Filing Notice. Otherwise, unpredictably lengthy administrative delays could penalize petitioners whose early-filed petitions are still denied institution under *Fintiv* factor 2 through no fault of their own.

Thank you for your consideration.

Sincerely,

Bob Steinberg
Kumar Ravula
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of LATHAM & WATKINS LLP
Attorneys for MPS