



We thank the United States Patent and Trademark Office (the “Office”) for the opportunity to provide comments on the Patent Trial and Appeal Board’s (the “Board”) discretionary authority to institute trials. Airbnb and VMware provide these joint comments in response to Issue for Comment number 5 in the Office’s October 20, 2020, Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board (“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?”).

The Office should *not* promulgate any rule for deciding whether to institute a petition on a patent that is or has been subject to other proceedings based on the jurisprudence set forth in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper No. 11 (PTAB March 20, 2020) (precedential) or *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper No. 8 (PTAB Sep. 12, 2018). *Fintiv* sets forth a multi-factor test that contravenes Congress’s intent to “improve patent quality and limit unnecessary and counterproductive litigation costs.” H.R. Rep. No. 112-98, pt. 1, 40 (2011). Instead, the Office should withdraw *Fintiv* and *NHK Spring* as

precedential decisions. But if any rules are to be promulgated, they should establish a fair and predictable framework under which patent owners and petitioners can operate.

I. *Fintiv*'s jurisprudence contravenes Congressional intent.

Fintiv instructs the Board to “holistically” evaluate six factors related to a parallel proceeding to assess whether the Board should exercise its discretion to deny a petition: (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 the 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 Board’s exercise of discretion, including the merits. *Fintiv* at 5-6.

Factors (1), (2), (3), and (5) have no connection whatsoever to “improv[ing] patent quality and limit[ing] unnecessary and counterproductive litigation costs.” H.R. Rep. No. 112-98, pt. 1, 40 (2011). They merely assess certain aspects of the parallel proceeding that are *unrelated* to the patent at issue. By empowering the Board to weigh all six factors holistically, *Fintiv* improperly encourages the Board

to deny petitions even when no overlap under factor (4) exists and when the merits under factor (6) are strong. Thus, even in situations where Congress would have clearly intended the Board to institute trial (i.e., the merits are strong and there are no unnecessary litigation costs given a lack of overlapping issues), the *Fintiv* factors create unjustified uncertainty for petitioners in assessing the substantial effort required to petition weak patents.

More broadly, *NHK Spring / Fintiv* do not improve patent quality, which was the driving policy concern of the America Invents Act, Pub. L. No. 112-29, 125 Stat. 284-347 (2011). Congress designed the AIA “to establish a more efficient and streamlined patent system *that will improve patent quality* and limit unnecessary and counterproductive litigation costs.” H.R. Rep. No. 112-98, pt. 1, 40 (2011) (emphasis added). Indeed, as the Supreme Court has recognized, “[b]y providing for inter partes review, Congress, *concerned about overpatenting* and its diminishment of competition, *sought to weed out bad patent claims* efficiently.” *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020). By denying petitions based on factors other than invalidity of the challenged patents, there will be instances when the PTAB will fail to “weed out” invalid patents because of arbitrary factors with no tie to the Office’s statutory mandate. Allowing invalid patent claims survive contravenes Congressional intent to improve patent quality.

Fintiv further makes patent disputes more expensive in direct opposition with the clearly stated intent of the America Invents Act, Pub. L. No. 112-29, 125 Stat. 284-347 (2011). Congress intended the AIA to provide “quick and cost effective alternatives to litigation.” *See* H. R. Rep. No. 112-98, pt. 1, 48 (2011). *Fintiv* restricts access to AIA proceedings, despite the cost savings those proceedings offer in patent disputes. One source of cost savings comes from cases where the district court stays infringement litigation pending the PTAB’s resolution of a petition. Stays like this can potentially save both parties costs from litigating infringement issues on patents that are ultimately found invalid. Another source of cost savings comes when a petition causes patent owners to reconsider and drop meritless cases. Thanks to PTAB review, this case reevaluation may occur much earlier than it otherwise would have in the district court litigation, thereby saving costs.

However, these potential cost savings are eliminated if PTAB proceedings are effectively unattainable where the patent owner has sued for infringement in certain jurisdictions. PTAB review is unattainable in jurisdictions with a quick docket because it is nearly impossible to file a petition quickly enough for the PTAB to reach a final written decision before the scheduled trial date in those district courts. *Fintiv* thus denies petitioners the “cost effective alternative” that

Congress designed when patent owners' choice of venue can effectively block petitioners from accessing tools explicitly provided to them by the AIA.

Fintiv further directly contravenes the Congressionally-mandated year to file a petition. Petitioners are often compelled to file a petition well before the mandated year that Congress explicitly contemplated. This is particularly true when the parallel proceeding is in a fast-moving jurisdiction. When facing suit in such a jurisdiction, petitioners would have to file petitions within a few months of being sued to have any chance of the Board's final written decision occurring before the scheduled trial in the parallel proceeding. But Congress intended petitioners to have an entire year to consider the patent and the prior art. As Senator Kyl explained, it can be "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." 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011). In fact, during reconciliation, the House and Senate bill managers extended the filing deadline to one year from the six-month deadline in the Senate's version. *Id.* There was no exception for infringement cases filed in fast-moving jurisdictions, and for good reason. Access to the AIA by a defendant should not hinge on the patent owner's choice of venue.

Furthermore, even with respect to the more substantive issue of overlap set forth in factor (4), *Fintiv* has arbitrarily elevated a specific policy concern of avoiding “conflicting decisions” even though Congress *removed provisions* that previously prevented inconsistent results. *Fintiv* at 12. Prior to the AIA, a final judgment in a parallel proceeding that the patent was not invalid would *terminate* any pending pre-AIA inter partes reexamination involving the accused infringer. *See* 35 U.S.C. § 317(b) (2006). That provision was not maintained in the AIA for either IPR or PGR. *See* H.R. REP. No. 112-98, pt. 1, at 145 (2011). Thus, before the AIA, it was impossible to have inconsistent findings between district courts and the PTAB (or BPAI). After the AIA, however, inconsistent results were clearly contemplated and allowed. Congress was not concerned with the potential for conflicting decisions and therefore did not empower the Office deny petitions in consideration thereof, as *Fintiv* now does under factor (4).

The general disconnect between *NHK Spring / Fintiv* and Congressional intent is illustrated by Administrative Patent Judge Crumbley’s dissent in *Cisco Systems, Inc. v. Ramot at Tel Aviv University*, IPR2020-00123, Paper 13 (P.T.A.B. May 15, 2020). In that decision, the majority determined that *Fintiv* required denying institution, but Judge Crumbley disagreed because the petitioner “did exactly what Congress envisioned.” *Id.*, dissent at 13. “[U]pon being sued for

infringement, and having received notice of the claims it was alleged to infringe, [petitioner] diligently filed a Petition with the Board, seeking review of the patentability of those claims in the alternative tribunal created by the AIA.” *Id.* That should have been enough for the Board to consider the petition on its merits, but the Office instead denied the petition for reasons that can trace no lineage back to the statute.

NHK Spring / Fintiv add unpredictability and complexity to AIA proceedings that were expressly structured to be a streamlined alternative to litigation. Where Congress has chosen a clear one-year deadline, *Fintiv* creates a nebulous six-factor test whereby neither patent owners nor petitioners can predict whether the Board will even look at the merits of a petition. While there are benefits associated with case-by-case, fact-specific analyses, the fact remains that Congress already decided against such analyses in Section 314(b) in favor of a predictable and streamlined process. The Office therefore exceeds its statutory authority in promulgating *NHK Spring* and *Fintiv*-based rules.

II. The Office should adopt a framework that fairly balances concerns of patent owners and petitioners if any rules are to be promulgated.

For the reasons outlined in Section I, the Office should not promulgate any rules that codify *Fintiv* considerations. Given its contravention of Congressional intent, *Fintiv* should be withdrawn as a precedential decision. But if the Office is to

promulgate any rules, they should represent a fair and predictable framework under which patent owners and petitioners can operate. We propose a framework to that effect. In our framework, the Board should first determine whether the petitioner has stipulated to not pursue in any parallel proceeding any grounds that the Board institutes review on. If the petitioner has filed any such stipulation, then the analysis should conclude and the petition should not be denied due to a parallel proceeding. If the petitioner has not filed any such stipulation, the Board may consider the specific facts of the case to evaluate whether institution unfairly prejudices either party.

A. The proposed framework is fair to both patent owners and petitioners.

While we recognize that *Fintiv* attempts to remedy a perceived unfairness in forcing a patent owner to litigate the same invalidity issue in both the PTAB and a parallel proceeding, statutory estoppel already addresses that unfairness. To the extent that statutory estoppel leaves open a short window of time (e.g., before a final written decision) where the patent owner may have to litigate the same invalidity issues in both the PTAB and the district court, the proposed framework bridges this gap. A petitioner that wishes to avail itself of AIA proceedings can do so, and a patent owner will not be forced to litigate invalidity in front of the Office while litigating redundant issues in a parallel proceeding. Under this proposed

framework, patent owners can elect their venue, and that election will not unilaterally eliminate petitioner's access to AIA proceedings based purely on timing factors such as that set forth by *Fintiv*.

B. The framework should fairly evaluate conduct of both patent owners and petitioners.

Under the proposed framework, if there is no stipulation, the Board may evaluate whether the petition warrants institution, but its analysis should not simply apply the current *Fintiv* factors, which are inherently and unfairly biased against petitioners.

For example, factors (1) (likelihood of a stay) and (2) (proximity to trial date) will rarely favor petitioners. The very courts that move quickly to trial are precisely the courts that do not grant stays due to PTAB proceedings. Unless a defendant files a petition for every patent challenging every claim of each patent within a month of receiving a complaint, the patent owner is already positioned to “win” on factors (1) and (2). Similarly, factor (3) (investment in parallel proceedings) also fails to account for the realities of defending a patent case. Virtually the only time where a district court “has not issued orders related to the patent at issue” is in the short period of time between the filing of the complaint and the initial scheduling conference. *Fintiv* at 10. Factor (5) (same parties) is equally blind to the realities of patent litigation. Only interested parties will ever

dedicate the resources to petitioning for inter partes review, and the vast majority of interested parties are defendants in a district court litigation. If a defendant waits until the patent owner reveals the “actual” asserted claims and patents (an eminently reasonable position given the resources required on a per-claim basis), the defendant is already guaranteed to “lose” on factors (1), (2), (3), and (5).

Furthermore, the current *Fintiv* factors fail to address any gamesmanship by patent owners. For example, a patent owner may choose a venue in a parallel proceeding specifically to preclude PTAB review under *Fintiv*. *Fintiv* fails to consider whether a patent owner has obstructed efficient PTAB review by asserting an unreasonable number of claims/patents in the parallel proceeding. *Fintiv* fails to consider whether patent owners deliberately force defendants to choose between spending resources to challenge huge volumes of claims or wholesale forgoing PTAB review of any claim.

The proposed framework should therefore free itself from the existing *Fintiv* framework and consider a fair set of factors that do not inherently favor denial or institution.

C. This framework offers fair and predictable outcomes for patent owners and petitioners.

The PTAB has already recognized that such stipulations are fair to both parties while efficiently resolving disputes and eliminate the risk of inconsistent

results. In *Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC*, IPR2019-01393, Paper 24 (P.T.A.B. June 16, 2020) (informative), the petitioner had stipulated not to pursue the same grounds in the district court. *Id.*, 12. The Board held that the stipulation “mitigates to some degree the concerns of duplicative efforts between the district court and the Board, as well as concerns of potentially conflicting decisions.” *Id.*¹

The proposed framework also provides predictability. *See* Antonin Scalia, *The Rule of Law as a Law of Rules*, 56 U. Chi. L. Rev. 1175, 1179 (1989)

¹ In a footnote, the *Sand Revolution* decision also suggested that a broader stipulation “not at issue here” to not raise any ground that “could have been reasonably raised in an IPR” “might better address concerns regarding duplicative efforts and potentially conflicting decisions.” *Id.* (note 5). This footnote, which is clearly dictum, should not carry-through to any rule the Office might promulgate because its logic is unsound. Inefficiency and inconsistent decisions could only result where the same grounds are asserted in the parallel proceeding. That parallel proceedings might come to different conclusions on different grounds is unremarkable. Inconsistent decisions can only occur when parallel proceedings come to different conclusions on the same grounds.

(“another obvious advantage of establishing as soon as possible a clear, general principle of decision: predictability”). Predictability is required for a functioning justice system, and it is paramount that parties understand why a particular decision was reached. A nebulous six-factor test that ultimately concludes with, “on the balance, the factors favor [denial of] institution,” provides no meaningful guidance to either party. The rule of law mandates that the same facts yield the same outcomes. The cornerstone of the rule of law is fairness, and fairness requires predictability.

In short, the proposed framework protects patent owners from litigating the same invalidity issues in multiple proceedings, prevents contradictory results, and provides predictability. But the framework also ensures that petitioners get a fair shot at PTAB review, even if patent owners file infringement suits in speedy jurisdictions. For these reasons, to the extent the Office decides to promulgate any rules related to *Fintiv*, the Office should adopt this framework instead of the current multi-factor *Fintiv* test.