

United States Patent and Trademark Office

**Request for Comments on Discretion to Institute Trials
Before the Patent Trial and Appeal Board**

Docket No. PTO-C-2020-0055

COMMENTS OF APPLE INC.

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I. INTRODUCTION

Technological innovation is a primary engine of the country’s prosperity and global leadership. An essential ingredient for technological innovation is a robust, balanced patent system that protects valid inventions but not invalid ones. By the end of the 2000s, however, it was widely recognized that the patent system was flawed because dubious patents were too easy to obtain and too hard to challenge.

In 2011, Congress stepped in and enacted the Leahy-Smith America Invents Act (“AIA”), 35 U.S.C. §§ 311-319, revamping the administrative procedures for contesting the validity of granted patents. Inter partes review (“IPR”) and post-grant review were designed to be more efficient alternatives to litigation for improving patent quality. The AIA was carefully crafted to balance the competing interests in the patent system: It allows the U.S. Patent and Trademark Office (“USPTO” or “Office”) to institute a post-grant proceeding only if the petition is based on certain grounds, has a reasonable likelihood of success, and is filed within a specified period; it establishes mechanisms to prevent unnecessarily duplicative challenges; and it empowers the Office to sanction parties that abuse the process.

Initially, the AIA appeared to be achieving Congress’s goals. Legitimate post-grant administrative challenges to illegitimate patents could be pursued successfully, resulting in the cancellation of a modest but meaningful number of patents. Over the past few years, however, the Office has adopted standards for refusing to institute IPR or post-grant review based on non-statutory discretionary factors. These standards—set forth in various precedential decisions, including in *General Plastic Industrial Co. v. Canon Kabushiki Kaisha*, No. IPR2016-01357, 2017 WL 3917706 (P.T.A.B. Sept. 6, 2017), *Valve Corp. v. Electronic Scripting Prods., Inc.*, Nos. IPR2019-00062, -00063, -00084, 2019, WL 1490575 (P.T.A.B. Apr. 2, 2019) (*Valve I*), *Valve Corp. v. Electronic Scripting Prods., Inc.*, Nos. IPR2019-00064, -00065, -00085, 2019 WL 1965688 (P.T.A.B. May 1, 2019) (*Valve II*), *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, 2018 WL 4373643 (P.T.A.B. Sept. 12, 2018), and *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, 2020 WL 2126495 (P.T.A.B. Mar. 20, 2020)—have markedly diminished the availability of IPR and post-grant review. Under these standards, the Patent Trial and Appeal Board (“Board”) has denied numerous petitions that met all the statutory requirements and were not considered abusive.

Many of those denied petitions were filed by Apple. As one of the world’s leading technology innovators, Apple depends on a well-functioning patent system. The company both holds thousands of patents and frequently turns to IPR and post-grant review to contest questionable patents that Apple has been accused of infringing. Thus, Apple has been harmed by the Office’s recent efforts to restrict access to post-grant proceedings under the AIA beyond what the AIA itself envisions, thwarting Congress’s goals in enacting the AIA.

Accordingly, Apple submits this response to the Office’s Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board (“RFC”), 85 Fed. Reg. 66,502 (Oct. 20, 2020). Apple appreciates the Office’s invitation to comment on how to address the Office’s exercise of discretion to deny petitions for post-grant proceedings to review patentability. In Apple’s view, the Office should promulgate a regulation rescinding the standards adopted in *General Plastic* (as extended by *Valve I* and *Valve II*), *NHK*, and *Fintiv* and

prohibiting the Board from declining to institute IPR or post-grant review based on the non-statutory factors identified in those decisions unless they indicate that the petition is genuinely a tool to harass the patent owner or otherwise an abuse of the process. Unusual and extreme cases that abuse the Office's processes should be handled under standards that target such cases, not under standards that empower the Board to deny petitions on vague and sweeping discretionary grounds.

As detailed below, the AIA and existing regulations already promote efficient review of granted patents while guarding against harassment. The AIA itself contains numerous rules that Congress deliberately set forth to create an efficient and fair review system. Congress also allowed the Office to promulgate regulations sanctioning abusive conduct, which the Office has already done. The Office has cited no reason to conclude that the current statutory and regulatory framework is insufficient to achieve an efficient and fair review system. Thus, the additional discretionary grounds for non-instituting that the Office has recognized serve only to foreclose legitimate challenges to patents that should never have issued, undermining Congress's intent in enacting the AIA.

The Office has no authority or warrant to do that. In the AIA, Congress extensively delineated the rules for instituting—including when the Office *must* deny institution and when it *may* do so. The AIA affords the Office no power to adopt additional grounds for non-instituting unrelated to genuine abuse. Serial petitions are almost always made necessary because of some decision by the patent owner, such as asserting a large number of claims in the relevant patent or suing a large number of defendants for infringement. It can hardly be deemed abusive for defendants—particularly different defendants—to file multiple petitions in such circumstances.

The *General Plastic* standard (particularly as extended in *Valve I* and *Valve II*) fails by allowing non-institution of serial petitions even absent evidence of abuse. Similarly, given that parallel petitions typically are necessitated by the Office's stringent limits on the length of petitions in the face of sometimes numerous complex and lengthy patent claims or a patent owner's decision to accuse multiple parties of infringing the same patent, it is generally inappropriate to reject a petition because the same petitioner or a different one previously filed a petition challenging the same patent claims. Further, because the Office's standards for denying serial and parallel petitions apply even where the petitioners are brought by different entities, their combined effect is extreme and destructive of the well-functioning patent system that Congress sought to promote: they encourage each defendant accused of infringement to race to file an IPR petition, for once one defendant petitions, all other defendants may be blocked from obtaining IPR. On top of that, the burden on the Board is not a relevant consideration for assessing the propriety of serial or parallel petitions because the Board can and does charge fees calibrated to cover its costs. To the extent Congress may have had concerns that, in the early days of the AIA, the Board would need discretion to deny petitions so that it would not be overwhelmed by filings and unable to meet its statutory deadlines, any such concerns have long since been rendered obsolete by the massive expansion of the Board from 100 Administrative

Patent Judges (“APJs”) in 2011, when the AIA was being debated, to as many as 274 APJs by 2017.¹

For its part, the *Fintiv* standard for non-instituting where there is a parallel infringement lawsuit (or ITC proceeding) is foreclosed by the text, structure, and purpose of the AIA, which all show that Congress intended IPR to be available even where there is a parallel suit pending, as long as the IPR petition was filed within one year of the suit’s start. Additionally, the *Fintiv* standard is arbitrary and capricious—not to mention poorly conceived policy—because it does not actually promote its ostensible goal of efficiency, depends on speculation about the litigation that the Board is in no position to make, and is too vague to support consistent outcomes. Indeed, the *Fintiv* standard undermines the integrity of the patent system and the standard’s goal of efficiency by encouraging forum shopping for the purpose of blocking well-conceived and legitimate IPRs. It would be better for the Board to rely on district courts to stay their proceedings pending the outcome of the administrative review.

In short, as explained below, the Office should rescind rather than codify the standards articulated in *General Plastic* (as extended by *Valve I* and *Valve II*), *NHK*, *Fintiv*, and related precedential decisions.

II. APPLE’S INTEREST

Apple is an iconic American technology company. For more than four decades, Apple has continually redefined personal computers, mobile and wearable devices, music distribution, and other categories of consumer electronics, software, and online services. Apple employs more than 90,000 people in the United States and supports about 2.4 million jobs here. Last year, Apple paid more than \$60 billion to more than 9,000 domestic suppliers across the country, including at manufacturing locations in 36 states.

As both a patent owner and a frequent defendant in patent-infringement suits, Apple has a strong interest in encouraging even-handed rules that are fair to patent owners and petitioners alike. At the heart of Apple’s success is its research and development. Apple invests billions of dollars annually in U.S. research and development, and it owns more than 22,000 U.S. patents. Apple thus has a strong interest in robust protection for patents. Apple, however, is also a frequent target of baseless patent-infringement charges, often brought by non-practicing entities hoping to use the patent system not to protect their own inventions but merely to extract monetary concessions from Apple and other successful innovators. Accordingly, Apple relies heavily and successfully on the post-grant procedures established by the AIA to obtain review of weak patents that should not have been granted. In fact, Apple has filed more petitions for

¹ USPTO, “State of the Board” (June 29, 2017), <https://www.uspto.gov/sites/default/files/documents/PTAB%20Judicial%20Conference%20June%2029%202017.pdf>.

review under the AIA than any other entity,² and about one-third of its petitions have resulted in the partial or complete cancellation of the patent.³

IPR provides substantial benefits to the patent system compared to litigation. IPR offers more specialized review of technical patentability issues: whereas patent-validity issues in infringement suits are decided by lay jurors, IPRs are decided by administrative patent judges with “technical expertise and experience,” who “contribute to the public confidence by providing more consistent and higher quality final written decisions” on patentability. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1336 (Fed. Cir. 2019); see § 6(a) (“administrative patent judges shall be persons of competent legal knowledge and scientific ability”).⁴ IPR tends to be faster and less costly than litigation, in large part because of the limited grounds that can be presented, § 311(b); see §§ 102, 103, the limited scope of discovery, § 316(a)(5); 37 C.F.R. § 42.51, and the strict deadlines for reaching decisions, §§ 314(b), 316(a)(11); 37 C.F.R. §§ 42.100, 42.107.

The availability of IPR as an efficient alternative to litigation for resolving patent disputes has saved Apple substantial amounts of money and countless hours of Apple’s engineers’ time that would otherwise be needed to support the litigation. Since 2013, district courts have granted Apple’s request to stay the proceedings pending IPR in 86 cases (78% of the times that Apple requested a stay). Those savings in money and engineers’ time enable Apple to invest more in its research and development, to the benefit of consumers, shareholders, employees, and the industries that support Apple’s manufacture, distribution, and sale of its products.

The discretionary standards for denying institution of IPR established in *General Plastic*, *NHK*, and *Fintiv* have markedly reduced the availability of IPR to Apple and other innovators. *General Plastic* was designated precedential at the end of the Office’s fiscal year 2017; the number and rate of institutions declined appreciably the following fiscal year. USPTO, Trial Statistics at 6 (Sept. 2020).⁵ *Valve I*, *Valve II*, and *NHK* were designated precedential in fiscal year 2019, and the following fiscal year the number and rate of institutions again declined appreciably. *Id.* And the effects of *Fintiv*, which was designated precedential a few months ago, have already been felt: Apple alone has already had many IPR petitions denied under *Fintiv*.

Accordingly, Apple opposes discretionary institution standards like those adopted in *General Plastic* (and extended by *Valve I* and *Valve II*), *NHK*, and *Fintiv*. They limit Apple’s ability to efficiently challenge weak patents, forcing Apple to divert substantial resources away from research and development and into often baseless infringement litigation. Moreover, as detailed below, these standards perversely encourage patent owners to forum shop to

² Unified Patents, “Top Parties,” <https://portal.unifiedpatents.com/ptab/analytics/case-level/top-parties>.

³ Lex Machina, “PTAB Trials” for Apple Inc., https://law.lexmachina.com/party/ptab?id=2273&filing_date-from=2012-09-16&filters=true&view=analytics&tab=ptab_trial_flow&cols=127.

⁴ Unless indicated, citations of the U.S. Code are for title 35.

⁵ https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf.

strategically block IPR and encourage infringement defendants to hastily prepare suboptimal IPR petitions in an effort to avoid denial under *Fintiv*—all of which disserves the patent system, the parties, and the Office.

III. CONGRESS ENACTED THE AIA TO PROVIDE EFFICIENT ALTERNATIVES TO LITIGATION FOR REVIEWING PATENTABILITY

The patent system has long been vital to the country’s economic growth. The system works, however, only if it both protects valid inventions and avoids invalid ones—by not issuing them in the first place and by providing effective means to cancel them if issued.

A decade ago, Congress recognized that the system was not adequately serving either patent owners or accused infringers. On the one hand, there was a “growing sense that questionable patents [were] too easily obtained and [were] too difficult to challenge.” H.R. Rep. No. 112-98, at 39-40 (2011); *see id.* at 46 (noting that in 5-year period, USPTO had “issued 900,000 patents and received only 53 requests for inter partes reexamination”); *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018). Infringement defendants faced vexatious litigation based on dubious patents (often asserted by non-practicing entities), but existing post-grant proceedings were too slow and too one-sided in favor of the patent owner. *See* H.R. Rep. No. 112-98 at 45-46 (restrictions on post-grant process “ma[d]e it a less viable alternative to litigation for evaluating patent validity than Congress intended”). On the other hand, patent owners were vulnerable to repetitious administrative challenges to their patents, so long as each new challenge was made by a different entity or presented a slightly different argument. *See id.* at 47.

To address these issues and “improve patent quality,” Congress revamped the post-grant procedures in the AIA. H.R. Rep. No. 112-98 at 40. The AIA promotes “a more efficient and streamlined patent system” by providing “cost effective alternatives to litigation,” *id.*, at 40, 48, for “weed[ing] out bad patent claims,” *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020); *see* H.R. Rep. No. 112-98 at 46-47. These mechanisms—inter partes review and post-grant review—were intended to “limit unnecessary and counter productive litigation costs,” H.R. Rep. No. 112-98 at 40; *id.* at 39-40 (“the Committee’s attention” is “focused ... on ... reducing unwarranted litigation costs”), while relying on “the expertise of the Patent Office on questions of patentability,” 157 Cong. Rec. S1352 (daily ed. Mar. 8, 2011) (statement of Sen. Udall).

The AIA has functioned as well as—or better than—intended. The AIA reduced litigation costs without impeding innovation. The number of patent applications filed and the number of patents granted have grown steadily every year since the AIA took effect: applications have increased by more than 15% and grants have increased by more than 40%, from about 275,000 grants in 2012 to about 390,000 grants in 2019. USPTO, *U.S. Patent Statistics Chart*.⁶ Meanwhile, since the AIA took effect about 12,000 petitions for review of an already-granted patent have been filed under the AIA, leading to the invalidation of one or more patent claims in about 2,700 cases. USPTO, *Trial Statistics* at 10-11;⁷ *see also Boardside Chat: New*

⁶ https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm.

⁷ https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf.

Developments at 15 (June 11, 2020).⁸ Over the same period, more than 1,600 lawsuits have been stayed pending IPR, reflecting about 75% of the cases in which such a stay was requested. Thus, the AIA has provided a meaningful but ultimately quite modest path to patent invalidation—and a reliable path at that, with the Federal Circuit largely affirming the Board’s decisions.

IV. THE AIA AND EXTANT REGULATIONS ALREADY PROMOTE EFFICIENT REVIEW OF PATENT VALIDITY WHILE GUARDING AGAINST ABUSE

The Office has sought to justify its discretionary standards for denying petitions—articulated in precedential decisions such as *General Plastic*, *NHK*, and *Fintiv*—on the grounds that they promote the efficient and fair review of patent validity while guarding against the system being used to harass patent owners or otherwise abused. The Office’s Request for Comment reiterates those concerns. *See RFC* at 66,503-66,505. To be sure, Congress wanted (as discussed) the AIA to provide an efficient system for weeding out bad patents, but did not want the AIA’s procedures “to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent.” H.R. Rep. No. 112-98 at 48. To achieve those ends, Congress built into the AIA adequate and appropriate features to promote efficiency while deterring abuse.

For example:

- An IPR petitioner must pay a substantial fee to pursue IPR. *See* §§ 311(a), 312(a)(1); 37 C.F.R. § 42.15(a).⁹
- An IPR petitioner can challenge a patent claim “only” on certain limited “grounds.” § 311(b).
- IPR may be instituted only if the petitioner shows “there is a reasonable likelihood that [it] would prevail with respect to at least 1 of the claims challenged in the petition.” § 314(a).¹⁰
- The Director may decline to institute IPR because “the same or substantially the same prior art or arguments previously were presented to the Office.” § 325(d).
- Accused patent infringers are barred from petitioning more than one year after being served with the infringement complaint. § 315(b).

⁸ https://www.uspto.gov/sites/default/files/documents/PTAB_boardside_chat_new_trial_stats_sas_and_operational_faqs_06_11_2020.pdf.

⁹ This comment generally discusses, and cites statutory provisions relating to, IPR, but the comment generally applies equally to post-grant review given the parallel statutory provisions. *See* §§ 321-329.

¹⁰ Or, in the case of post-grant review, the petition may be granted if it “raises a novel or unsettled legal question that is important to other patents or patent applications.” § 324(b).

- Parties that file a civil action challenging the validity of a patent claim are barred from later petitioning for IPR, and if they file the civil action on or after petitioning for IPR, the civil action is “automatically stayed.” § 315(a).
- If another proceeding or matter involving the patent is before the Office during the pendency of the IPR, the Director may “determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.” § 315(d).
- The Director may “join” an IPR petitioner to another pending IPR involving the same patent. § 315(c).
- An IPR petitioner that obtains an FWD is subsequently barred from challenging the same patent—whether in another proceeding before the Office, in district court litigation, or in the ITC—on “any ground” that it “raised or reasonably could have raised during” the prior IPR. § 315(e).
- Most of these restrictions apply not only to the IPR petitioner itself but also to the real party in interest and those in privity with the petitioner.

Moreover, to the extent that Congress believed these statutory rules might not suffice to prevent abuse, Congress directed the Office to promulgate “regulations . . . prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding.” § 316(a)(6); *see* H.R. Rep. No. 112-98 at 48 (Congress “intends for the USPTO to address potential abuses and current inefficiencies under its expanded procedural authority”); *see also* § 2(b)(2) (Director “may establish regulations” that “shall govern the conduct of proceedings in the Office”). And the Office has already performed this duty, promulgating regulations that effectively deter abuse of IPR. The Office’s existing regulations prohibit “[e]ngaging in dilatory tactics,” “[a]buse of process,” and “[a]ny other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.” 37 C.F.R. § 42.12(a)(4), (6)-(7). The regulations impose substantial sanctions for violations, including “dismissal of the petition” and “judgment in the trial.” *Id.* § 42.12(b)(8). Further, these regulations are layered atop general regulations the Office has issued that require every party to “certify[]” that any paper it submits to the Office “is not being presented for any improper purpose, such as to harass someone or to cause unnecessary delay or needless increase in the cost of any proceeding before the Office,” *id.* § 11.18(b)(2), subject to significant sanctions, including “[t]erminating the proceedings,” *id.* § 11.18(c).

The Office has cited no basis to believe that existing statutory and regulatory rules have been inadequate to promote efficiency while deterring abuse. The Office, therefore, has no cause to adopt standards such as those articulated in *General Plastic* or *Fintiv*, whether through precedential Board decisions or regulations. Nor do those standards do a good job of promoting efficiency. They assume that the final written decision or court judgment in the overlapping proceeding will issue before the final written decision on the petition at issue. That assumption frequently proves incorrect—the other proceeding may be delayed substantially, and in fact it

might never reach a final determination. The practical effect of such standards is not to promote efficiency or deter abuse but rather to restrict the availability of IPR, depriving good-faith petitioners pursuing legitimate challenges of the Office’s expert review that Congress intended to provide.

In addition, the Office has not cited any authority that it is *permitted* to adopt standards that—like those in *General Plastic*, *NHK*, and *Fintiv*—put a thumb on the scale against granting legitimate petitions for review that satisfy all statutory requirements for institution. The Office invokes §§ 314(a), 316(a), and 316(b), but those provisions do not suffice. Section 314(a) provides the Director with discretion only in evaluating whether “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition” (or, in the case of post-grant review, whether the petition raises an important “novel or unsettled legal question,” § 324(b)). In remarking on the Director’s discretion under § 314(a) in *Cuozzo Speed Techs., LLC v. Lee*, the Supreme Court had no occasion to consider or address whether the Director’s discretion was any broader. 136 S. Ct. 2131, 2140 (2016). Section 316(b) instructs the Director to consider “the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter”—*not* as independent factors whenever taking any action, but *only* when promulgating the specific types of regulations that § 316(a) instructs the Director to issue. And the only type of regulation addressed in § 316(a) that the Office mentions is one “setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a).” § 316(a)(2). But that type of regulation is limited because, again, the grounds specified in § 314(a) is whether the petition has a “reasonable likelihood” of success.

In any event, whatever discretion those provisions of the AIA (or others, such as §§ 315(d) and 325(d)) might confer upon the Director to deny institution of petitions, the Director must exercise that discretion within statutory bounds. *Utility Air Regulatory Grp. v. EPA*, 573 U.S. 302, 326 (2014); *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1361 (Fed. Cir. 2008) (“An agency cannot, for example, exercise its inherent authority in a manner that is contrary to a statute.”). As explained below, the *Fintiv* framework contradicts the text, structure, and purpose of the AIA and therefore is impermissible. Similarly, as explained below, the *General Plastic* framework thwarts Congress’s intent to provide efficient, expert administrative processes to cancel patents that should never have issued. Both frameworks can be strategically exploited by patent owners to protect their patents, however weak, from the scrutiny Congress deemed essential for a robust patent system.

V. SERIAL PETITIONS (QUESTIONS 1 AND 2)

In *General Plastic*, the Board set forth a multi-factor test to assess whether a serial petition should be denied. *Valve* clarified that *General Plastic* applies to later petitions filed by a second party if there is a close relationship between that party and the first petitioner. In its November 2020 update to PPAC, the Board defined “serial petitions” as petitions filed by the same petitioner that challenge the same patent and are filed more than 90 days apart,¹¹ but *General Plastic* and *Valve* are not limited to same petitioners or to petitions filed more than 90

¹¹ PTO, “PTAB PPAC Update,” at 9 (Nov. 19, 2020) (“November PPAC Update”), https://www.uspto.gov/sites/default/files/documents/20201119_PPAC_PTAB_Update.pdf.

days apart. For purposes of these comments, we treat “serial petitions” as encompassing later-filed petitions challenging the same patent, even if filed by a different party and even if filed less than 90 days after the first petition challenging the same patent.

The evidence suggests that serial petitions do not present a true problem, particularly when filed by different petitioners. As the Office itself has recognized, it is “very unusual” for serial petitions to be filed, and when that happens, it is “[d]riven by extreme conditions” created by the *patent owner*, such as a “[l]arge numbers of claims [or] defendants.” USPTO, *Chat with the Chief: An Analysis of Multiple Petitions in AIA Trials* at 37 (Oct. 24, 2017).¹² The most recent PPAC update confirms this: serial petitions were attempted in only 7% of cases in 2016 and 2017.¹³ The Office has cited no evidence that *different* petitioners have used serial petitions to harass the patent owner or otherwise abuse the process. Congress invited patent challenges in proceedings before the Office; to deny petitions merely because they were filed in series—and particularly where they were filed by different petitioners in response to the patent owner’s or the Office’s actions—would thwart Congress’s intent.

Beyond that fundamental problem with the Office’s approach to serial petitions, the *General Plastic* factors are flawed because they do not adequately account for the AIA’s purpose of preserving the integrity of the patent system by providing an efficient alternative for the cancelation of bad patents. Nowhere do the factors consider the strength of the merits for canceling the patent at issue. And because the factors are non-exclusive and each factor carries no specific weight, they provide relatively little guidance to would-be petitioners and patent owners. Further, the detrimental effects of the *General Plastic* standard were exacerbated greatly when that standard was extended in *Valve I* to serial petitions filed by *different* petitioners.

Factor 1—whether a petitioner previously filed a petition directed to the same claims of the same patent—is often dispositive and has the effect of foreclosing the petitioner from filing a new petition with new or different prior art in response to issues raised by the patent owner in prior proceedings. Consequently, factor 1 makes canceling a bad patent more difficult even if there is strong evidence for doing so. For example, in *Apple Inc. v Corephotonics Ltd.*, the Board denied institution of a second petition that presented a completely new reference, argued anticipation (as opposed to obviousness in the first petition), and was filed merely six weeks (less than 90 days) after the first petition. No. IPR2018-01356, 2019 WL 462483, at *3 (P.T.A.B. Feb. 5, 2019). The Board focused on the overlap of challenged claims and denied the second petition without commenting on the merits of the second petition. *See id.*

To similar effect is Factor 2—whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it. Its broad “should have known standard” effectively estops a petitioner from filing a second petition regardless of its merits. *See, e.g., Apple Inc. v. Qualcomm Incorporated*, No. IPR2019-00112, 2019 WL 1575164, at *3 (P.T.A.B. Apr. 11, 2019) (denying institution where petitioner

¹² https://www.uspto.gov/sites/default/files/documents/Chat_with_the_Chief_Boardside_Chat_Multiple_Petition_Study_20171024.pdf.

¹³ *Id.* at 13.

explained that it had been awaiting answers to interrogatories but did not explain when it became aware of the reference). In light of *Fintiv*, petitioners are incentivized to file early (to avoid having institution denied in light of related trial proceedings), but filing early runs the risk that they will miss prior art that they “should” have been able to locate had they had more time. To the extent that the Director is concerned that a specific petition constitutes harassment, the remedy should be against the filing party via the existing sanction mechanisms discussed above, and not at the expense of allowing a questionable patent to stand, which simply exchanges one abuse for another.

Factors 3 and 4 consider whether at the time of filing of the second petition the petitioner already received the patent owner’s preliminary response to the first petition or received the Board’s decision on whether to institute review in the first petition, and the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition. These factors make the test more confusing and less predictable. Both factors rest on the assumption that the purpose of the second petition is to fix a “mistake” by the petitioner in the initial petition. But as already noted, most serial petitions are necessitated by the patent owner’s or the Office’s actions, and the Office cites no evidence that the “mistake” to be fixed is the petitioner’s rather than the patent owner’s (e.g., a misrepresentation in responding to the initial petition) or the Board’s (e.g., a misapprehension of the issues). Moreover, the Board has evaluated these factors in unreasonable ways. For example, in *Apple Inc. v. Zomm, LLC*, the Board found that Factor 4 favored denial because it deemed a three-month delay too long, notwithstanding the petitioner’s evidence of diligence after finding the new reference. No. IPR2019-01030, 2019 WL 6999540, at *6 (P.T.A.B. Nov. 14, 2019). The Board thus ignored the practical realities of managing parallel litigations and multiple IPRs, concluding that, regardless of the practical exigencies facing a petitioner, three months is simply too long to prepare an IPR petition.

Factor 5—whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent—is too vague. What constitutes an “adequate” explanation could vary from panel to panel. It is not clear why a petitioner that takes the time to thoroughly canvass the prior art should be required to explain why it waited to file than a petitioner that hastily assembled a petition hastily to avoid a *Fintiv* problem. For example, in *Apple v. Zomm* the Board determined that Factor 5 weighed against the petition because, the Board said, the petitioner had not “fully” explained its three-month delay in petitioning, though the petitioner did point out that several filings were prepared and filed in the related district court case—again disregarding the exigencies facing the petitioner. *See id.* Further, in *Apple Inc. v. Immersion Corporation*, the Board dismissed the petitioner’s reasoning, asserting there was no explanation why “Petitioner could not have filed the petitions at the same time and simultaneously.” No. IPR2017-01310, 2017 WL 5067484, at *5 (P.T.A.B. Nov. 2, 2017).

Factors 6 and 7 account for the finite resources of the Board and the requirement under § 316(a)(11) to issue a final determination not later than one year after the date on which the Director notices institution of review. These factors are inappropriate grounds to deny institution. The deadline for issuing a decision is a constraint on how the Board must conduct the review, not an excuse to avoid doing it in the first place. And the Board’s resources are irrelevant because they are necessarily sufficient. IPR fees are designed by the Office to cover

the cost of review. *See* 85 Fed. Reg. 46,932, 46,932, 46,945-46,946 (Aug. 3, 2020) (revising fees to “provide the Office with a sufficient amount of aggregate revenue to recover the aggregate cost of patent operations in future years”); 37 C.F.R. § 42.15(a)(2). With respect to Factor 7 in particular, the existing AIA scheme already prevents a petitioner from spacing out its petitions by too much in hopes of circumventing the time limit on an FWD set pursuant to §316(a)(11). Specifically, §315(e)(1) provides that a petitioner (or its RPI or privy) “may not request *or maintain* a proceeding before the Office” on “any ground” that the petitioner could reasonably have raised in a petition that reached FWD (emphasis added). Thus, the AIA (and the implementing regulation, 37 C.F.R. § 42.73(d)(1)) already deter petitioners from using serial petitions to avoid §316(a)(11).

The *Valve I* and *Valve II* decisions heighten the problems with the *General Plastic* standard. Their extension of the *General Plastic* rule to (1) entities that have some kind of connection to the initial petitioner and (2) petitioners that were merely joined to an existing IPR proceeding expands the number of scenarios where a patent that should not have issued is protected from the review Congress envisioned because of some procedural ground the patent owner invokes. Moreover, *Valve I* and *Valve II* have no carve-out for one of the most common serial-petition situations: where a patent owner files civil suits against multiple defendants. This only increases the likelihood of a race to be the first to file a petition at the Board (with a likely corresponding compromise in the quality of the petition). At best, the *Valve I* and *II* cases are a tacit requirement for petitioners to coordinate filings or face the prospect of being unable to pursue an AIA petition. The AIA provides no basis for such a result, and it is inequitable to allow a patent owner to bring multiple suits against any number of entities while permitting only one very limited petition in response. Finally, this rule again extends estoppel past the bounds Congress originally contemplated in the AIA; § 315(e) clearly assumes that estoppel will only spring from an FWD that is entered against a petitioner (or RPI or privy).

In the end, denying serial petitions in situations where Congress did not authorize it—which is to say, most circumstances in which *General Plastic* is applied—is rarely, if ever, permitted or appropriate.

VI. PARALLEL PETITIONS (QUESTIONS 3 AND 4)

In a July 2019 update to the Trial Practice Guide, the Board codified its policy toward parallel petitions, which it defined as two or more petitions challenging the same patent filed at or about the same time.¹⁴ In its November 2020 update to PPAC, the Board defined “parallel petitions” as petitions filed by the same petitioner that challenge the same patent and are filed

¹⁴ *See* USPTO, Trial Practice Guide Update at 26 (July 2019), <https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf> (“Two or more petitions filed against the same patent at or about the same time (e.g., before the first preliminary response by the patent owner) may place a substantial and unnecessary burden on the Board and the patent owner and could raise fairness, timing, and efficiency concerns.”); *see also* USPTO, Trial Practice Guide Update at 59 (Nov. 2019), <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf>.

less than 90 days apart,¹⁵ but the guidance codified in the Trial Practice Guide is not limited to same petitioners or to petitions filed less than 90 days apart.¹⁶ Consistent with the Trial Practice Guide, for purposes of these comments, we treat “parallel petitions” as encompassing petitions filed “at or about the same time” even if filed by a different party.

It is generally not appropriate to decline to institute a petition because of the pendency of a parallel petition. Almost all parallel petitions, whether filed by the same petitioner or a different one, stem from one of five legitimate circumstances: (1) the Board’s own stringent rules limiting the length of petitions, particular given that *patent owners* often assert numerous complex claims, (2) the *patent owners*’ decisions to accuse multiple parties of patent infringement, (3) the patent owners’ decisions to add claims in litigation, (4) the need to address alternative claim constructions; or (5) the need to present alternative references based on a disputed or uncertain priority date. The Board itself recognizes that “[o]ver 2/3 of parallel petitions [in FY20] were to cover non-overlapping claim sets on the same art” and “[a]bout 1/3 of parallel petitions were to cover uncertain prior art status.”¹⁷ Thus, the presence of parallel petitions will rarely reflect an attempt to abuse the IPR process. Moreover, petitions challenging different *claims* should not be considered “parallel” at all—otherwise, there might not even be *one* bite at the apple. Such situations certainly cannot involve an abusive attempt to get *more than one* bite at the apple.

First, multiple petitions are often filed by the same petitioner simply because the Office’s strict word limits for petitions prevent petitioners from adequately addressing the patent claims at issue, particularly when the patent owner has asserted complicated or numerous claims—factors entirely outside the petitioner’s control. Petitioners are required to file lengthy petitions that fully elaborate their arguments for canceling the challenged patent. A petition must include not merely notice of the challenge but also a “full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence including material facts, and the governing law, rules, and precedent.” 37 C.F.R. § 42.22(a)(2); *see also id.* § 42.21(a), (c); 35 U.S.C. § 312(a)(3) (“A petition ... may be considered only if ... the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim”). Yet, the Board has set strict limits on the length of petitions. *See* 37 C.F.R. § 42.24(a)(1). Because of some patents’ complexity or high number of weak or lengthy claims, it is commonly impossible to adequately present all legitimate grounds for cancelation in a single petition; filing parallel petitions is the only solution.

¹⁵ November PPAC Update at 9.

¹⁶ USPTO, Trial Practice Guide Update at 26 (July 2019), <https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf> (“Two or more petitions filed against the same patent at or about the same time (e.g., before the first preliminary response by the patent owner) may place a substantial and unnecessary burden on the Board and the patent owner and could raise fairness, timing, and efficiency concerns.”); *see also* USPTO, Trial Practice Guide Update at 59 (Nov. 2019), <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf>.

¹⁷ November PPAC Update at 20.

Second, multiple petitions are often filed by different petitioners because the *patent owner* decided to accuse multiple parties of infringing the same patent—often at different times, leaving the later defendant no choice but to petition later. The Board should never deny a petition solely because another party previously filed a petition challenging the same claims of the same patent. When more than one party is accused of infringement, each accused infringer may understandably want to ask the Office to cancel the patent. Much like joint defendants in a lawsuit, each accused infringer may need its own petition to articulate its distinct interests and distinct views on the patent’s validity, such as which prior art is strongest or which expert to retain. The fate of one accused infringer should not depend on whether another accused infringer was quicker to petition. Speed to file is not a predictor of high quality or completeness of the arguments; indeed, if anything, the pressure to file first encourages the filing of hastily conceived petitions, as Congress understood when it decided to allow accused infringers one year to petition. § 315(b); *see* 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl) (one-year period “afford[s] [infringement] defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation” before having to file IPR petition).

To be sure, the Office permits petitioners to explain why the Board should institute multiple petitions. RFC at 65,505. But in practice, the Board has overzealously constricted its docket by denying petitions challenging the same patent filed by second, third, and fourth petitioners without finding that the petition lacked a “reasonable likelihood” of success or was filed for an improper purpose. *See, e.g., NetApp, Inc. v. Realtime Data LLC*, 2017 Pat. App. LEXIS 13030 (P.T.A.B. November 14, 2017) (denying institution without comment on the merits, based on alleged redundancies with earlier petition by different petitioner sued by same patent owner in separate lawsuit). The Office’s reasons for denying petitions more aggressively are unconvincing.

The Office says that instituting additional petitions “may place a substantial and unnecessary burden on the Board and the patent owner.” RFC at 66,505. That cannot justify the Board’s increased reliance on discretionary denials since 2017 because the number of AIA petitions filed annually during this period has been appreciably lower. *See* USPTO, *Trial Statistics* at 6.¹⁸ Moreover, any burden on the Board is offset by the fees it charges, which (again) are computed to reflect the expected cost to the Board of conducting a trial. *Supra* pp.10-11. In any event, instituting parallel petitions is unlikely to result in substantial unnecessary costs to the Board: If the additional petition rehashes the arguments presented in the primary petition, then the Board can either deny the additional petition under § 325(d), or consolidate it with the first petition and deal with both petitions in one fell swoop; if the additional petition presents distinct legitimate arguments based on alternative claim constructions or priority dates, then the merits may dictate that only one of those petitions establishes a reasonable likelihood of success. If both establish a reasonable likelihood of success, then the associated cost is one the Board should have incurred anyway but for its stringent limits on the length of petitions. And any burden on the patent owner is a byproduct of the patent owner’s own decision to assert lengthy or numerous claims or to accuse multiple parties of infringing the claims. Whatever

¹⁸ https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf.

“burden” patent owners may suffer in such circumstances is nothing more than the burden Congress intended when it provided for post-grant proceedings.

The Office also asserts that granting parallel petitions “could raise fairness, timing, and efficiency concerns.” RFC at 66,505. But the Office has not explained how granting multiple petitions could generally do so. They are in fact unlikely to arise to any appreciable degree. Apart from abusive petitions, there is no unfairness in instituting multiple petitions. Again, the need for multiple petitions arises because of decisions made by the patent owner (e.g., asserting a large number of claims in litigation) and the Board’s length limits. As for timing and efficiency, if the two (or more) petitions are filed close enough in time, the Board can “consolidat[e]” them or set them on the same schedule. § 315(d). The AIA also empowers the Director to “join” one petitioner to a proceeding already underway even if the later petition was filed after the earlier one was already granted. § 315(c). And it should be improper to deny institution and joinder of a substantially identical (or “me too”) petition merely because the joining petitioner would stand in to continue the proceeding if the primary petitioner settled. *Cf. Apple Inc. v. Uniloc 2017 LLC*, No. IPR2020-00854, 2020 WL 6323533, at *1-2 (P.T.A.B. Oct. 28, 2020). Allowing joinder of an “understudy” petitioner does not burden the patent owner or the Board because that petitioner remains “inactive” unless and until the original petitioner settles, and the me-too petition is by definition as likely to succeed as the original petition.

In sum, parallel petitions are rarely a genuine effort to abuse the process, and absent such abuse, there is no sound reason to deny a parallel petition.

VII. PROCEEDINGS IN OTHER TRIBUNALS (QUESTIONS 5 AND 6)

The Office cannot and should not adopt a standard for denying institution based on factors like those articulated in *Fintiv*. In fact, the Office should instead adopt a rule barring non-institution based on such factors. The *Fintiv* framework exceeds the Director’s statutory authority, promotes arbitrary and capricious decisions, and in any event is ill-conceived.

A. The *Fintiv* Framework Exceeds the Director’s Authority

Under the AIA, the Director has no authority to deny IPR petitions that meet the statutory requirements based on parallel infringement litigation. Section 314(a) permits the Director to determine whether “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged.” That phrasing is not an invitation to create grounds for denying institution that conflict with other aspects of the statute. Nor does the word “may” in § 314(a) reflect a grant of general discretion; that provision actually says that the Director “may *not*” institute “*unless*” he finds a sufficient likelihood of success, thus merely defining a precondition for institution without indicating any more about the bases for instituting or not. § 314(a).

More generally, whatever discretion the Director might have to deny institution, he cannot exercise that discretion in a manner that violates or exceeds his authority under the AIA or that undermines Congress’s intent. The AIA’s text, structure, and purpose show that Congress withheld the authority to deny institution based on parallel infringement litigation. For example, § 315(b)—which permits an infringement defendant to file an IPR petition within one year of

being served with the infringement complaint—makes clear that Congress intended IPR to be available when parallel litigation is pending. Because statutorily defined time limitations inherently “take[] account of delay,” other “case-specific circumstances”—like the *Fintiv* factors—“cannot be invoked to preclude adjudication of a claim ... brought within the [statutory] window.” *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663, 667, 677-680, 685 (2014).

The AIA’s structure confirms that the Director lacks authority to adopt and apply the *Fintiv* framework. Various provisions specify how the Director may or must handle parallel proceedings, showing that Congress carefully considered how to promote both efficiency and the purposes of IPR in the face of parallel proceedings and intended for IPR to be available even when parallel infringement litigation is pending. *See, e.g.*, §§ 315(a), (d), 325(d). But none of those provisions grants the Director discretion to reject IPR due to a parallel lawsuit. Thus, Congress “knew how to draft the kind of statutory language that [the Director] seeks to read into” the AIA. *State Farm Fire & Cas. Co. v. United States ex rel. Rigsby*, 137 S. Ct. 436, 443-444 (2016). “[H]ad Congress intended to” grant the Director the discretion he has asserted in the *Fintiv* framework, Congress “would have said so.” *Id.*

Finally, by treating overlap as a reason to deny institution, the *Fintiv* framework contravenes a central purpose of IPR, namely, providing an efficient alternative to litigation for resolving the same issues that the challenger could otherwise have brought only in litigation, *see* H.R. Rep. No. 112-98 at 48; *Thryv*, 140 S. Ct. at 1374-1375. In allowing infringement defendants to file IPR petitions within one year of the start of the lawsuit, § 315(b), and encouraging them to assert their strongest defenses in their IPR petitions to show their reasonable likelihood of success, § 314(a), Congress created a system in which overlap between the IPR and infringement litigation would be inevitable.

Indeed, in crafting the one-year limitation under § 315(b), Congress consciously addressed the potential for “burdensome overlap between [IPR] and patent infringement litigation.” *Thryv*, 140 S. Ct. at 1374-1375. Congress obviously could have eliminated overlap altogether, as *Fintiv* seeks to, but it did not want to. Recognizing the value in “afford[ing] [infringement] defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation” before having to file an IPR petition, it set a one-year limitations period. 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl). Otherwise, accused infringers would have to choose either to forgo IPR despite meritorious arguments or to file overbroad or underdeveloped IPR petitions before the issues in litigation have crystallized. Congress even rejected a six-month deadline. *Id.*; *see* S. 23, 112th Cong. sec. 5(a), § 315(b) (2011) (engrossed). Congress thus weighed the various interests and struck a balance, and the Director has no power to disagree. *Cent. United Life Ins. Co. v. Burwell*, 827 F.3d 70, 73 (D.C. Cir. 2016) (“Disagreeing with Congress’s expressly codified policy choices isn’t a luxury administrative agencies enjoy.”).

Denying institution where there is overlap with infringement litigation also yields absurd results Congress could not have intended. If an infringement defendant holds back an issue from its litigation defense to avoid overlap, the defendant will likely be deemed to have forfeited that defense for purposes of the litigation—a steep price the defendant should not be forced to pay for the mere possibility of persuading the Board to institute IPR. Yet if the defendant instead holds back an issue from its IPR petition, it will be unable to have the patent invalidated by the Board

on that ground and simultaneously weaken the petition’s likelihood of success—perversely reducing the chances of securing IPR at all. *See* § 314(a); *Fintiv*, 2020 WL 2126495 [Paper 11 at 14-16]. Congress could not have intended such a self-defeating conception of IPR.

B. The *Fintiv* Framework Is Arbitrary, Capricious, and Ill-Conceived

The *Fintiv* framework is arbitrary and capricious, and therefore unlawful, in several respects.¹⁹ First, the *Fintiv* framework is not rationally connected to its ostensible purpose of promoting efficiency. On the contrary, the rule undermines that goal by, for example, pressuring infringement defendants to file premature IPR petitions and allowing infringement plaintiffs to block IPR entirely through forum shopping. Second, the framework requires the Board to make decisions based on speculation about the course of parallel litigation, producing irrational outcomes and disparities between similarly situated IPR petitioners. *See, e.g., Horsehead Resource Dev. Co. v. Browner*, 16 F.3d 1246, 1269 (D.C. Cir. 1994) (“agency actions based upon speculation are arbitrary and capricious”). And third, the *Fintiv* factors are so vague and malleable that they lead the Board to “treat similar situations differently without reasoned explanation”—a hallmark of arbitrary and capricious agency action. *Koch Gateway Pipeline Co. v. FERC*, 136 F.3d 810, 815 (D.C. Cir. 1998).

1. Promoting efficiency

The *Fintiv* framework creates incentives that undermine efficiency, thwarting both Congress’s intent and the interests the Office has claimed the rule would promote. The focus on district court trial dates compels infringement defendants to guess when to file an IPR petition in the face of uncertainty as to both the trial date and the weight the Board will give the trial date. Firm trial dates ordinarily cannot be known early in litigation. If a petitioner waits too long to seek IPR, trial might have been scheduled by the time the Board considers the IPR petition, and if the expected trial date falls before the deadline for a final written decision, the Board will treat that expectation as grounds to deny the petition. *See British Telecomms. PLC v. IAC/Interactivecorp*, No. 18-366, 2020 WL 5517283, at *8 (D. Del. Sept. 11, 2020) (Bryson, J., sitting by designation) (due to *Fintiv*, denying stay could “depriv[e] [petitioner] of its right to an effective administrative remedy notwithstanding Congress’s intent to make such a remedy available as a supplement to invalidity defenses in district court litigation”). But petitioning early, before the issues in litigation have crystallized, can result in underdeveloped or bloated IPR petitions because the petitioner lacked a reasonable opportunity to assess the asserted patent claims and focus the petition. Incentivizing premature IPR petitions not only undermines the one-year period Congress carefully crafted under § 315(b), but also causes the Board and the parties to expend resources unnecessarily, contravening the Director’s purported efficiency

¹⁹ In adopting a rule, the Office is required to “examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made. . . . [A]n agency rule [is] arbitrary and capricious if the agency has relied on factors which Congress has not intended it to consider, entirely failed to consider an important aspect of the problem, offered an explanation for its decision that runs counter to the evidence before the agency, or is so implausible that it could not be ascribed to a difference in view or the product of agency expertise.” *Motor Vehicle Mfrs. Ass’n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (quotation marks omitted).

goals. *See Cisco Sys., Inc. v. Ramot at Tel Aviv Univ., Ltd.*, No. IPR2020-00122, 2020 WL 2511246, at *10 (P.T.A.B. May 15, 2020) (Crumbley, APJ, dissenting); *Petrella*, 572 U.S. at 682-683 (“If the rule were ... ‘sue soon, or forever hold your peace,’ copyright owners would have to mount a federal case fast [The] limitations period ... avoids such litigation profusion [and] allows a copyright owner to defer suit until she can estimate whether litigation is worth the candle.”). Nor is early filing a reliable way to secure institution, as the petitioner in *Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.* learned when the Board denied institution even though the petitioner had filed its petition less than one month after being served in the parallel litigation. No. IPR-2020-00921, 2020 WL 6750120 (P.T.A.B. Nov. 16, 2020).

Basing institution decisions on the progress of parallel litigation further undermines efficiency because trial dates often shift. One study found 70% of trials in the Western District of Texas and *all* trials in the District of Delaware—the two busiest patent venues—were postponed *after* the Board denied IPR in reliance on earlier trial dates.²⁰ If the IPR petitioner is lucky, such a postponement will occur soon enough after an institution denial to seek rehearing before the 30-day deadline expires. *See* 37 C.F.R. § 42.71(d)(2); *see, e.g., Sand Revolution II, LLC v. Cont’l Intermodal Grp. – Trucking LLC*, No. IPR2019-01393, 2020 WL 3273334, at *4 (P.T.A.B. June 16, 2020) (on rehearing, reversing previous denial of institution in light of postponed trial date). Most petitioners will not be so lucky, however, because the time for rehearing will often expire before trial is postponed, *see, e.g., Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, 2020 WL 2486683, at *5 (P.T.A.B. May 13, 2020); *Google LLC v. Uniloc 2017 LLC*, No. IPR2020-00115, 2020 WL 1523248 (P.T.A.B. Mar. 27, 2020); *Uniloc 2017 LLC v. Google LLC*, No. 2:18-cv-00504, 2020 WL 3064460, at *6 (E.D. Tex. June 8, 2020), in which case the *Fintiv* framework will have irrevocably deprived the petitioner of the expeditious resolution of patentability that IPR was intended to provide.

The vagaries of district court trial dates allow infringement plaintiffs to exploit the *Fintiv* framework to foreclose IPR, defeating Congress’s intent and disserving the patent system. Some jurisdictions, such as the Eastern and Western Districts of Texas, tend to quickly set early trial dates in infringement suits—even if those dates later change, sometimes even on dates that are plainly impracticable (as when they set multiple trials on the same day). *See Intel Corp. v. VLSI Technology LLC*, No. IPR2020-00113, 2020 WL 2544912, at *1, 4 (P.T.A.B. May 19, 2020) (expected trial date weighed against institution even though three trials were impossibly set for same day). The patent plaintiffs’ bar is not ignorant of these jurisdictions’ tendencies to set unrealistically early trial dates. The *Fintiv* framework invites those plaintiffs to shop for such a forum to obtain an early (albeit notional) trial date, which they can then cite to persuade the Board to deny institution of IPR under the *Fintiv* framework. The rule thus allows infringement plaintiffs to use forum shopping to, at best, increase pressure on defendants to file premature IPR petitions, undermining § 315(b)’s carefully calibrated one-year period, and, at worst, to block IPR entirely.

²⁰ McKeown, *District Court Trial Dates Tend to Slip After PTAB Discretionary Denials*, ROPES & GRAY: PATENTS POST-GRANT (July 24, 2020), <https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/>.

Finally, the Board’s attempt to justify the *Fintiv* framework as a way to avoid “duplicative costs” by denying IPR when courts and parties have already invested substantially in litigation, *Fintiv*, 2020 WL 2126495, at *4 [Paper 11 at 9-10], makes no sense. Again, the Board’s costs are irrelevant because IPR fees are designed to cover the Board’s costs. *See supra* pp.10-11. Beyond that, the Board is in no position to speculate about the parties’ relative costs; in many cases, for example, infringement plaintiffs incur no out-of-pocket costs because their lawyer has taken the case on contingency fee, and the IPR petitioner has already calculated that it is cost-effective for it to pursue IPR. Indeed, by focusing on the investment already made in the litigation by the parties, the Board’s explanation irrationally rests on the sunk-cost fallacy. To the extent that promoting efficiency is relevant to institution decisions at all, the analysis should instead compare the *future* investment needed to complete the lawsuit to the *future* investment needed to conduct IPR—a comparison that will usually favor IPR. The Board’s speculation can only lead to arbitrary results. A better way to avoid inefficiencies from overlapping litigation and IPR is to leave that responsibility to the discretion of district court judges to decide whether to stay the litigation pending the IPR final written decision, requests for which courts ordinarily “oblige[.]” *Thryv*, 140 S. Ct. at 1379 (Gorsuch, J., dissenting). Indeed, as noted above, 75% of district court stay requests pending IPR have been granted. *See supra* p.6.

2. Litigation stays

The *Fintiv* framework requires the Board to speculate about whether, if the district court has not already entered a stay, “one may be granted” if IPR is instituted. *Fintiv*, 2020 WL 2126495, at *2-3 [Paper 11 at 6]. Rarely will there be a sound basis for the Board to judge that. *See Horsehead*, 16 F.3d at 1269 (“agency actions based upon speculation are arbitrary and capricious”). And *Fintiv* has led the Board to treat the potential for a litigation stay differently in different cases. In one case, the Board found the court’s willingness to consider a stay favored institution, *see LG Elecs., Inc. v. Bell N. Research, LLC*, No. IPR2020-00319, 2020 WL 3454962, at *8 (P.T.A.B. June 23, 2020), but in another case, the Board treated the court’s willingness to consider a stay as a neutral factor, *see Apple Inc. v. Maxell, Ltd.*, No. IPR2020-00199, 2020 WL 3401272, at *6 (P.T.A.B. June 19, 2020).

3. District court trial dates

The *Fintiv* framework also calls upon the Board to speculate about when trial will begin. The Board has baselessly guessed when a district court will hold trial. *See Intel Corp. v. VLSI Tech. LLC*, No. IPR2020-00582, 2020 WL 5846628, at *3 (P.T.A.B. Oct. 1, 2020) (denying IPR petition because, although there was no “firm trial date,” Board asserted “there is no indication that trial will occur after” FWD deadline). That is so even when trial has been scheduled because, as detailed above, district court trials are frequently rescheduled for a date after the deadline for a final written decision—regularly *after* the Board has denied institution and the time to seek rehearing has passed. *Supra* p.17. In *Fintiv* itself, for example, trial had not been scheduled when Apple filed its IPR petition; a trial date was later set but then rescheduled amid briefing on the IPR petition. *See Fintiv*, 2020 WL 2486683, at *5. Despite this moving target, the Board determined that a trial date only two months before the Board’s deadline to issue a final written decision disfavored institution of IPR and noted that “[w]e have no reason to believe that the jointly agreed-upon trial date, which already has been postponed by several months ..., will be postponed again.” *Id.* After the Board denied the petition, however, the

district court rescheduled the trial date—for a date *after* the deadline by which the final written decision would have issued if the Board had instituted IPR.

The Board has also been inconsistent in its treatment of circumstances relating to the district court trial date. For example, in *Ethicon, Inc. v. Board of Regents, University of Texas System*, where trial had been continued indefinitely, the Board said that the lack of a trial date weighed “strongly in favor of discretionary denial.” No. IPR2019-00406, 2020 WL 3088846, at *4 (P.T.A.B. June 10, 2020). Yet in *Google LLC v. Uniloc 2017 LLC*, the Board took the opposite position: “The fact that no trial date has been set weighs significantly against exercising our discretion to deny institution of the proceeding.” No. IPR2020-00441, 2020 WL 4037963, at *14 (P.T.A.B. July 17, 2020). Similarly, in *Fitbit, Inc. v. Philips North America LLC*, No. IPR2020-00828, 2020 WL 6470312, at *4 (P.T.A.B. Nov. 3, 2020), the Board treated the impendency of trial in related litigation as favoring denial of the IPR petition even though the IPR petitioner was *not* a party to the related case; but in *Dolby Laboratories, Inc. v. Intertrust Technologies Corp.*, that circumstance cut the other way, as the Board instituted IPR despite an imminent related trial date in part because the IPR petitioner was not a party to the related case, No. IPR2020-00660, 2020 WL 6106620, at *5 (P.T.A.B. Oct. 15, 2020).

4. Outcomes

The Board has also reached inconsistent decisions where, overall, the factors appeared to be the same in the two cases. For example, in *Philip Morris*, the Board denied the IPR petition because the Board expected trial to precede the final written decision by eight or nine months (through trial had not actually been scheduled), even though the petition had been filed less than one month after the complaint, no substantive orders had issued in the litigation, the petitioner stipulated that it would not pursue overlapping issues in the lawsuit, and the Board found that the petition made a “strong showing” on the merits. 2020 WL 6750120. This (patently unreasonable) decision contradicts the Board’s earlier decision *granting* the IPR petition in *Apple Inc. v. Maxell, Ltd.*, where the Board expected trial to precede the final written decision by nine months, the petitioner had also filed its petition promptly, the petitioner also stipulated it would not pursue overlapping issues in the litigation, there also had not been substantial progress in the lawsuit, and the Board also found that the petition made a strong showing on the merits. No. IPR2020-00204, 2020 WL 3401274, at *6 (P.T.A.B. June 19, 2020).

C. The *Fintiv* Framework Makes No Sense in the ITC Context

Applying the *Fintiv* framework to deny an IPR petition because of a parallel ITC investigation makes no sense. “ITC decisions do not preempt issues addressed in an *inter partes* review proceeding.” *Nichia Corp. v. Lighting Science Group Corp.*, No. IPR2019-01259, Paper 21, at 27 (P.T.A.B. Jan. 15, 2020). Congress could not have intended to permit the Director to refuse to conduct IPR of a patent because of the pendency of another proceeding that *cannot* conclusively determine the validity of that patent. Application of the *Fintiv* framework in that context is merely a pretext to thwart Congress’s clear goal to afford IPR to patent challengers.

In *Fintiv*, the Board acknowledged that “ITC final invalidity determinations do not have preclusive effect,” but still insisted on denying IPR petitions due to parallel ITC proceedings because “as a practical matter, it is difficult to maintain a district court proceeding on patent

claims determined to be invalid at the ITC.” *Fintiv*, 2020 WL 2126495, at *4. That reasoning is baseless; flies in the face of the fact that ITC determinations are not preclusive in district court litigation, *Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568-1570 (Fed. Cir. 1996); and ultimately is a non-sequitur because the pertinent issue is not whether to maintain *litigation* in the face of parallel ITC proceedings but whether to maintain *IPR* in the face of parallel ITC proceedings. It is not difficult to maintain *IPR* under such circumstances. Indeed, before *Fintiv*, several Board panels independently concluded that it makes little sense to automatically deny institution based on pending ITC proceedings. *See, e.g., Nichia Corp.*, No. IPR2019-01259, Paper 21, at 27 (granting institution despite pending ITC proceedings); *Samsung Elecs. Co. v. Bitmicro, LLC*, No. IPR2018-01410, Paper 14 at 18 (same); *Wirtgen Am., Inc. v. Caterpillar Paving Prods., Inc.*, No. IPR2018-01202, Paper 10, at 7-10 (P.T.A.B. Jan. 8, 2019) (same).

VIII. CONCLUSION

For the reasons set forth above, the Office should promulgate a regulation rescinding the standards adopted in *General Plastic*, *NHK*, and *Fintiv* (and related precedential decisions) and prohibiting the Board from declining to institute IPR or post-grant review based on the non-statutory factors identified in those decisions unless they indicate that the petition is genuinely a tool to harass the patent owner or otherwise an abuse of the process.

APPLE INC.