

UNITED STATES
PATENT AND TRADEMARK OFFICE



Patent Trial and Appeal Board Boardside Chat:

Discretionary denials in AIA post-grant proceedings with parallel litigation

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July 7, 2022

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Question/comment submission

- To send in questions or comments during the webinar, please email:
 - PTABBoardsideChat@uspto.gov



Agenda

- Interim procedure for discretionary denials in AIA proceedings with parallel district court litigation
- PTAB's parallel litigation study on discretionary denials in AIA trials with parallel litigation for 2019-2022



Michael Tierney
Acting Deputy Chief Judge
Patent Trial and Appeal Board

Interim procedure for discretionary denials in AIA proceedings with parallel district court litigation

Parallel litigation: key cases

- The Office designated *NHK* as precedential on May 7, 2019
 - *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (Sept. 12, 2018)
 - Denying institution because (1) the prior art was previously considered and (2) co-pending district court proceeding was nearing completion
- Following *NHK*, the Office designated *Fintiv* as precedential on May 5, 2020
 - *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB March 20, 2020)
 - Setting forth six factors to consider in cases involving a parallel proceeding

The Office's Request for Comments

- The Office issued a Request for Comments (RFC) on the PTAB's current approaches in October 2020
 - Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 FR 66502 (October 20, 2020)
 - https://www.uspto.gov/sites/default/files/documents/85_fr_66502_20201020.pdf
- The Office received 822 comments from stakeholders and published a summary of the comments in January 2021
 - <https://www.uspto.gov/patents/ptab/comments-proposed-rules-discretion>



Interim guidance for denials under *Fintiv*

- Director Vidal issued interim guidance on June 21, 2022
 - https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621.pdf
- The interim guidance:
 - is based on the comments received from stakeholders, including individuals
 - reflects the Director's consideration of feedback received from all forums, e.g., Congress, academics, small and individual inventors
 - solidifies and provides further clarifications regarding current practices
 - makes clear how some of the factors will be applied so that parties have certainty and avoid wasting resources



Interim guidance for denials under *Fintiv*

- The interim guidance addresses:
 - Applicability of *Fintiv* factors 1-6 to ITC proceedings
 - *Fintiv* factor 4: *Sotera* stipulation
 - *Fintiv* factor 6: compelling merits
 - *Fintiv* factor 2: trial date
- The interim guidance became effective on June 21, 2022 and applies to all proceedings pending before the Office
- The Office is exploring potential rulemaking on proposed approaches through an Advanced Notice of Proposed Rulemaking



Fintiv factors

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



Applicability of *Fintiv* to ITC proceedings

- The PTAB will no longer discretionarily deny petitions based on applying *Fintiv* to a parallel U.S. International Trade Commission (ITC) proceeding
- Reasons:
 - Each of the *Fintiv* factors is directed to district court litigation, not to ITC proceedings
 - The ITC lacks authority to invalidate a patent and its invalidity rulings are not binding on either the Office or a district court
 - An ITC determination cannot conclusively resolve an assertion of patent invalidity
 - Denying institution because of a parallel ITC investigation does not minimize potential conflicts between PTAB proceedings and district court litigation



Sotera stipulation (*Fintiv* factor 4)

- PTAB will not discretionarily deny institution of an IPR or PGR where there is a stipulation not to pursue in a parallel district court proceeding the same grounds as in the petition or any grounds that could have reasonably been raised in the petition
 - *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020)
- Reasons:
 - Mitigates concerns of potentially conflicting decisions and duplicative efforts between the district court and the PTAB
 - The grounds before the PTAB will differ from those in the district court and will not be resolved in the district court litigation



Compelling merits (*Fintiv* factor 6)

- Compelling meritorious challenges will be allowed to proceed at the PTAB, even where district court litigation is proceeding in parallel
- Compelling merits:
 - Challenges in which the evidence, if unrebutted in trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence
 - The compelling evidence test affirms the PTAB's current approach of declining to deny institution under *Fintiv* where the evidence of record so far in the case would plainly lead to a conclusion that one or more claims are unpatentable.
 - More demanding than the "reasonable likelihood" and the "more likely than not" standards for institution of an IPR or PGR, respectively. See 35 U.S.C. §§ 314(a), 324(a)

Compelling merits (*Fintiv* factor 6)

- Reasons:
 - Consistent with PTAB's current approach on institution in view of strong evidence on the merits even when other factors weigh in favor of discretionary denial
 - Need to balance competing concerns of avoiding potentially conflicting outcomes and overburdening patent owners with strengthening the patent system by eliminating weak patents
 - Consistent with the authority given by Congress to revisit issued patents
 - PTAB proceeding continues even when the parallel proceeding settles or fails to resolve the patentability question
 - The patent system and the public good benefit from instituting compelling unpatentability challenges
- PTAB may still deny institution for proceedings where abuse has been demonstrated



Trial date (*Fintiv* Factor 2)

- The proximity to trial will not alone outweigh all of the other *Fintiv* factors
- Reason: Scheduled trial dates are unreliable and often change
- PTAB will look to the most recent statistics on median time-to-trial for civil actions in the relevant district court
 - <https://www.uscourts.gov/statistics/table/na/federal-court-management-statistics/2022/03/31-1>
- PTAB will also consider:
 - The number of cases before the judge in the parallel litigation
 - The speed to trial of other cases before the judge



Summary of interim guidance

- PTAB will *not* deny institution of an IPR or PGR under *Fintiv* when
 - A request for denial under *Fintiv* is based on a parallel ITC proceeding
 - A petitioner stipulates not to pursue in a parallel district court proceeding the same grounds as in the petition or any grounds that could have reasonably been raised in the petition
 - A petition presents compelling evidence of unpatentability
- PTAB will consider the speed with which the district court case may come to trial based on recent time-to-trial statistics and other evidence
- PTAB may deny institution for other reasons under §§ 314(a), 324(a), and 325(d).



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- **Designed to:**
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 - Encourage a diverse group of advocates to develop their skills before the PTAB
- **To qualify, a patent agent or attorney must have:**
 - Three or fewer substantive oral arguments in any federal tribunal, including PTAB

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Michael Kim, Vice Chief Judge
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PTAB Parallel Litigation Study

(Data from Jan. 1, 2019 through Dec. 31, 2021)

Parallel litigation: overview

- **Parallel litigation:** a scenario in which petitioner, patent owner, and the patent at issue are simultaneously engaged in a PTAB proceeding and litigation in another venue.
- The vast majority of petitioners (about 80% or higher) have been sued by patent owners in another venue prior to filing their petitions.



Parallel litigation: key cases



Parallel litigation: methodology

- All Decisions on Institution (DIs) and patent owner preliminary responses (POPRs) in each *inter partes* review (IPR), covered business method review (CBM), and post grant review (PGR) in the indicated time periods during Fiscal Years 2019 through 2022 (FY19–22) were reviewed to capture information regarding the *NHK/Fintiv* issue.
- The appendix (a separate document posted with this presentation) includes definitions and further methodology details.

Parallel litigation study: topics

- Issue frequency
- Outcomes
- Stipulations
- Venue

Link to study

- https://www.uspto.gov/sites/default/files/documents/ptab_parallel_litigation_study_20220621.pdf



NHK/Fintiv issue frequency

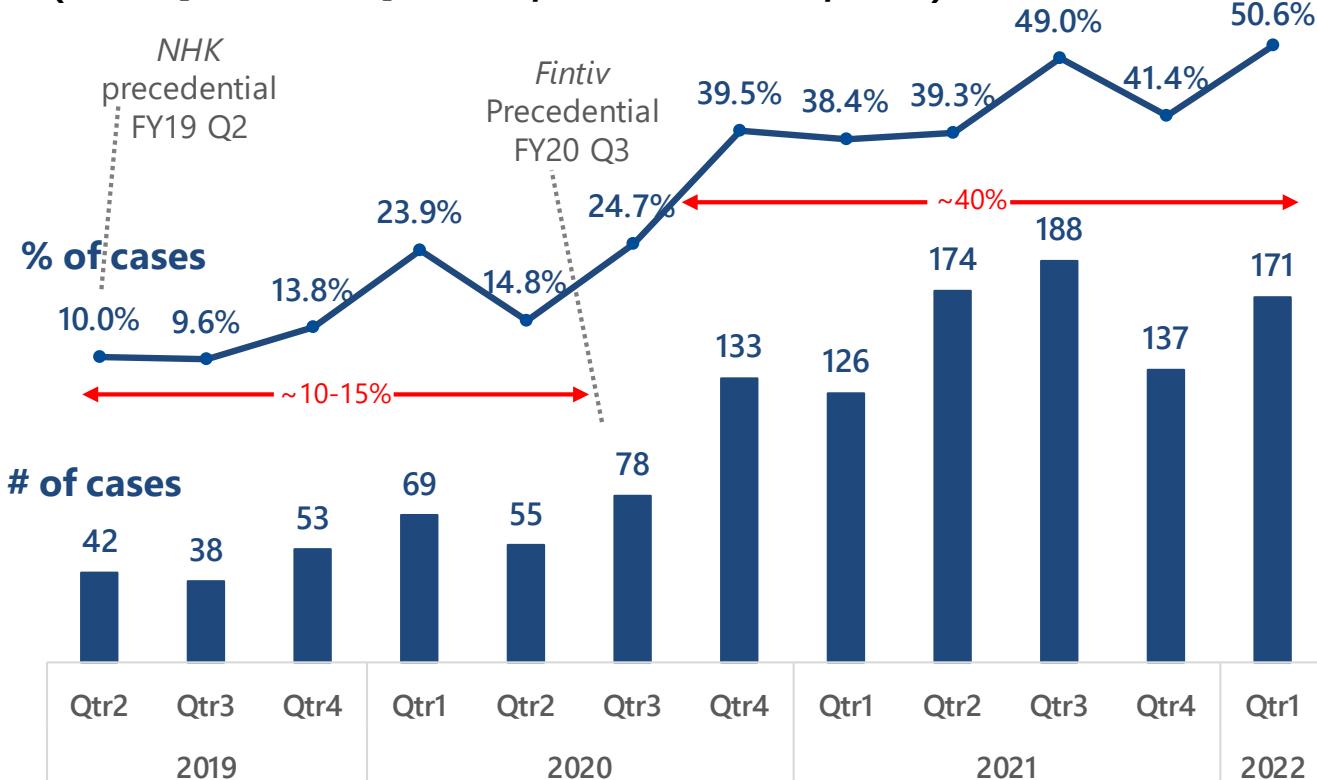
NHK/Fintiv issue frequency: summary

- After *NHK* was designated precedential (FY19 Q2):
 - *NHK* was raised in about 10-15% of cases.
- After *Fintiv* was designated precedential (FY20 Q3):
 - *NHK/Fintiv* was raised in about 40% of cases.



NHK/Fintiv issue frequency

(FY19 Q2 to FY22 Q1: Jan. 1, 2019 to Dec. 31, 2021)



After *Fintiv* was designated precedential, parallel litigation was raised in about 40% of all cases, regardless of whether ultimately there was an institution.

In this graphic, the bars show the number of cases where NHK/Fintiv was raised, and the line shows the percent of all cases in which NHK/Fintiv was raised.

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NHK/Fintiv outcomes

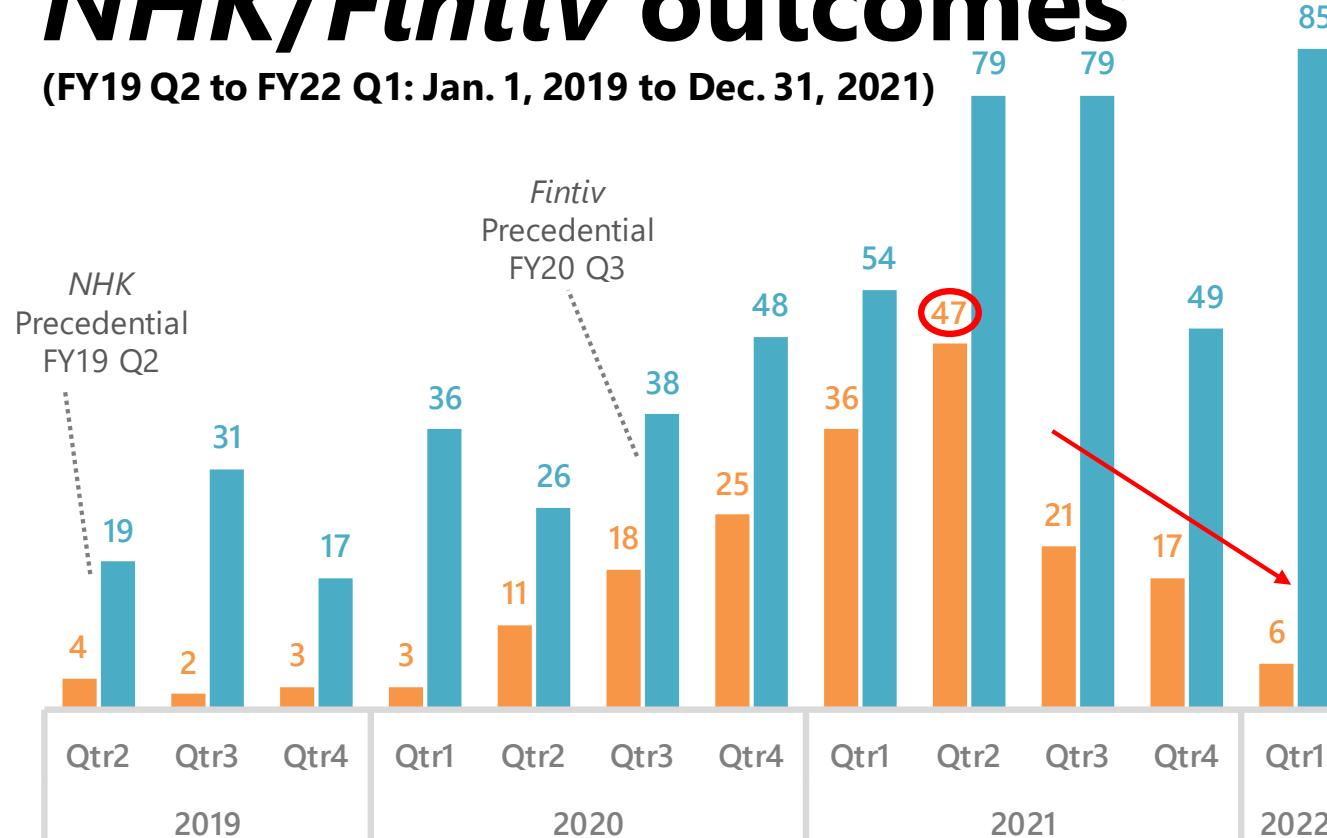
NHK/Fintiv outcomes: summary

DIs denying institution (at least in part) because of *NHK/Fintiv*:

- Were about 1% of all outcomes in FY19 Q2 to Q4.
- Were about 4% of all outcomes in FY20.
- Peaked at about 11% of all outcomes in a quarter in FY21 Q1 and Q2.
- Fell to about 2% of all outcomes in a quarter by FY22 Q1.

NHK/Fintiv outcomes

(FY19 Q2 to FY22 Q1: Jan. 1, 2019 to Dec. 31, 2021)

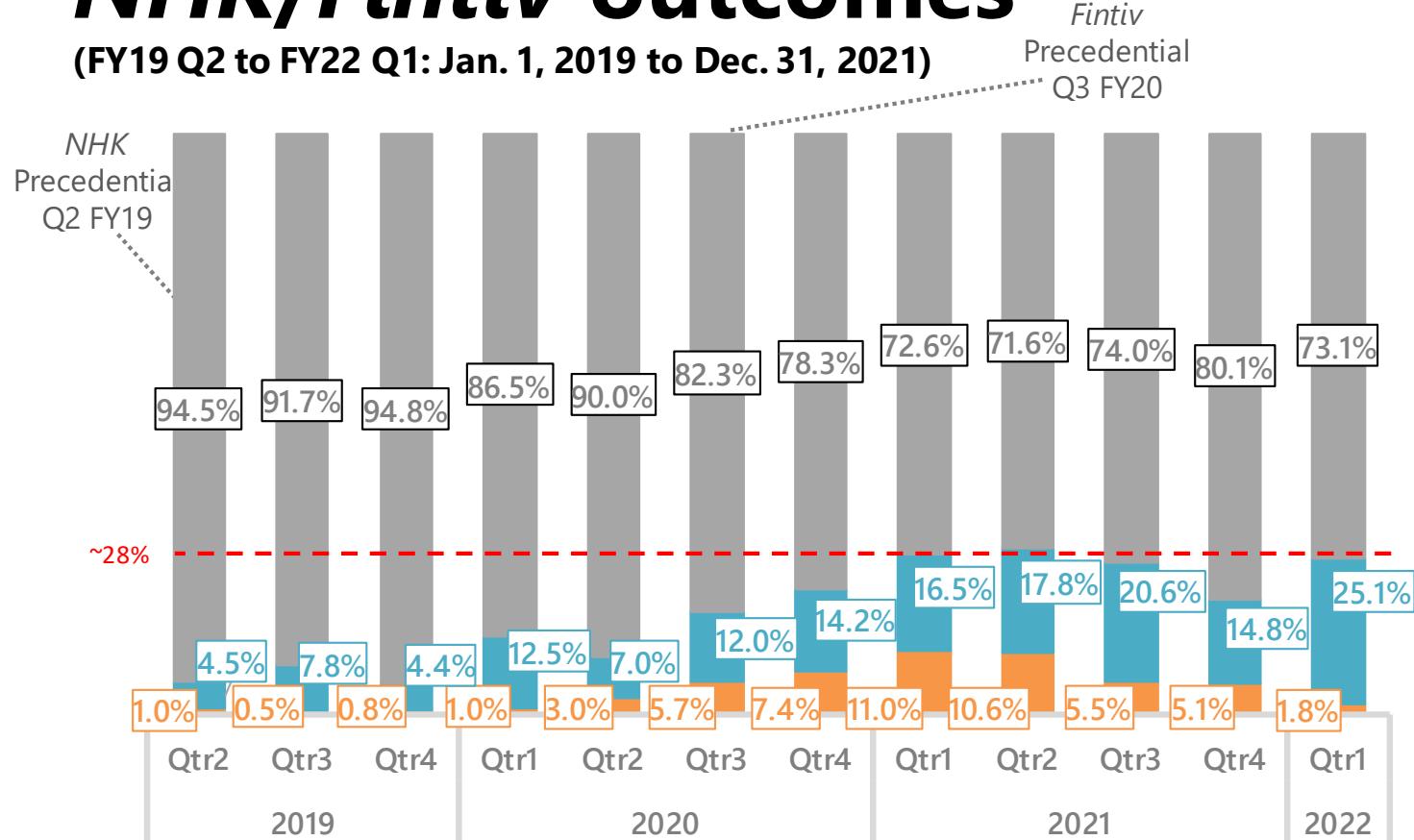


NHK/Fintiv denials peaked in FY21 Q2 and dropped significantly afterwards.

This graphic shows the outcomes of DIs that analyze NHK/Fintiv; specifically, the number of **NHK/Fintiv denials (orange)** versus the number of **NHK/Fintiv institutions (light blue)**.

NHK/Fintiv outcomes

(FY19 Q2 to FY22 Q1: Jan. 1, 2019 to Dec. 31, 2021)



Most cases
do not
address
NHK/Fintiv.

This graphic shows the percentage of cases that are **NHK/Fintiv denials (orange)** and **NHK/Fintiv institutions (light blue)** versus all other DIs and pre-DI terminations (gray).

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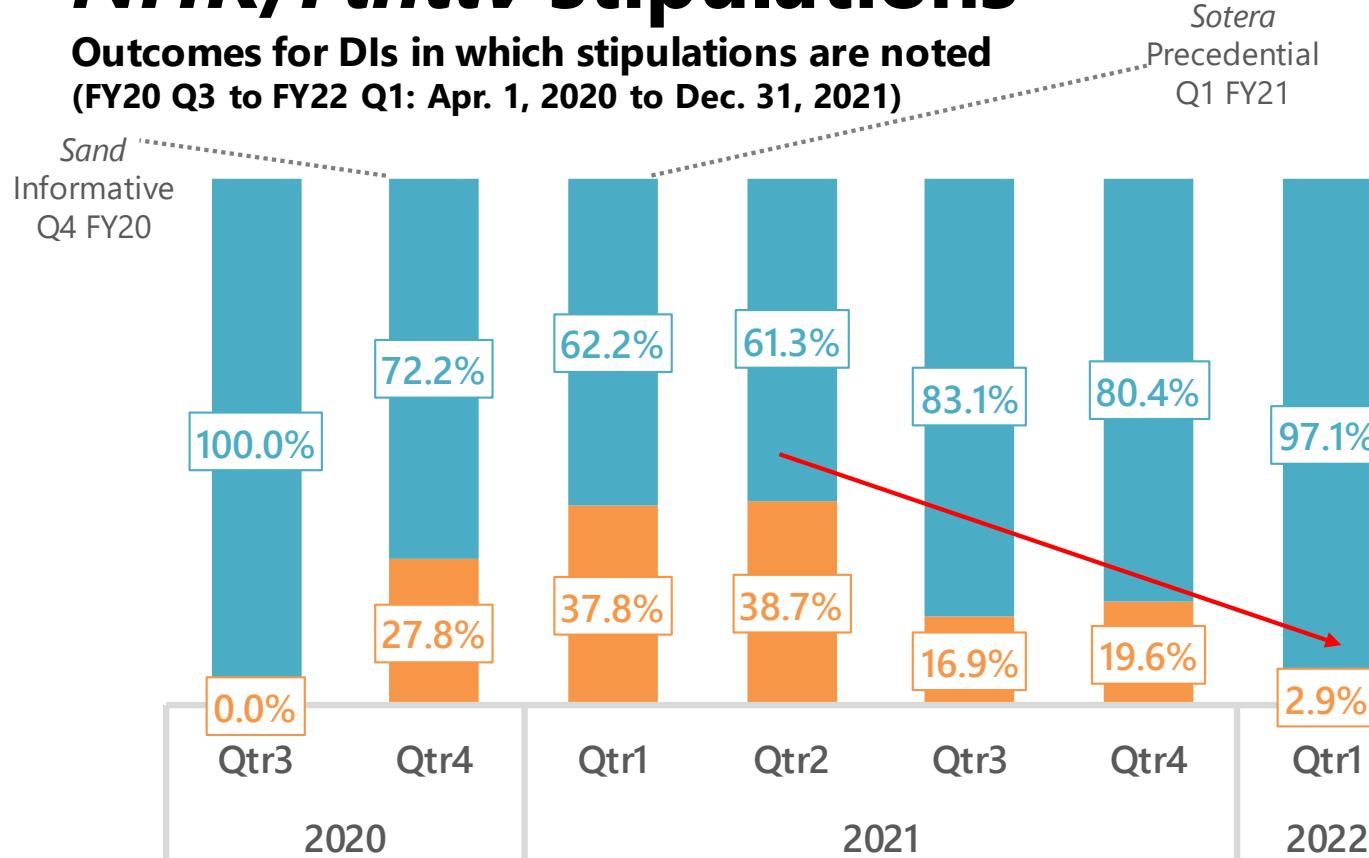
Stipulations in an *NHK/Fintiv* analysis

NHK/Fintiv stipulations: summary

- After *Sand* was designated informative in FY20 Q4:
 - The number of stipulations filed increased.
- After *Sotera* was designated precedential in FY21 Q1:
 - The number of stipulations filed increased further.
 - DIs analyzing *NHK/Fintiv* and noting a stipulation frequently resulted in avoiding an *NHK/Fintiv* denial.

NHK/Fintiv stipulations

Outcomes for DIs in which stipulations are noted
(FY20 Q3 to FY22 Q1: Apr. 1, 2020 to Dec. 31, 2021)



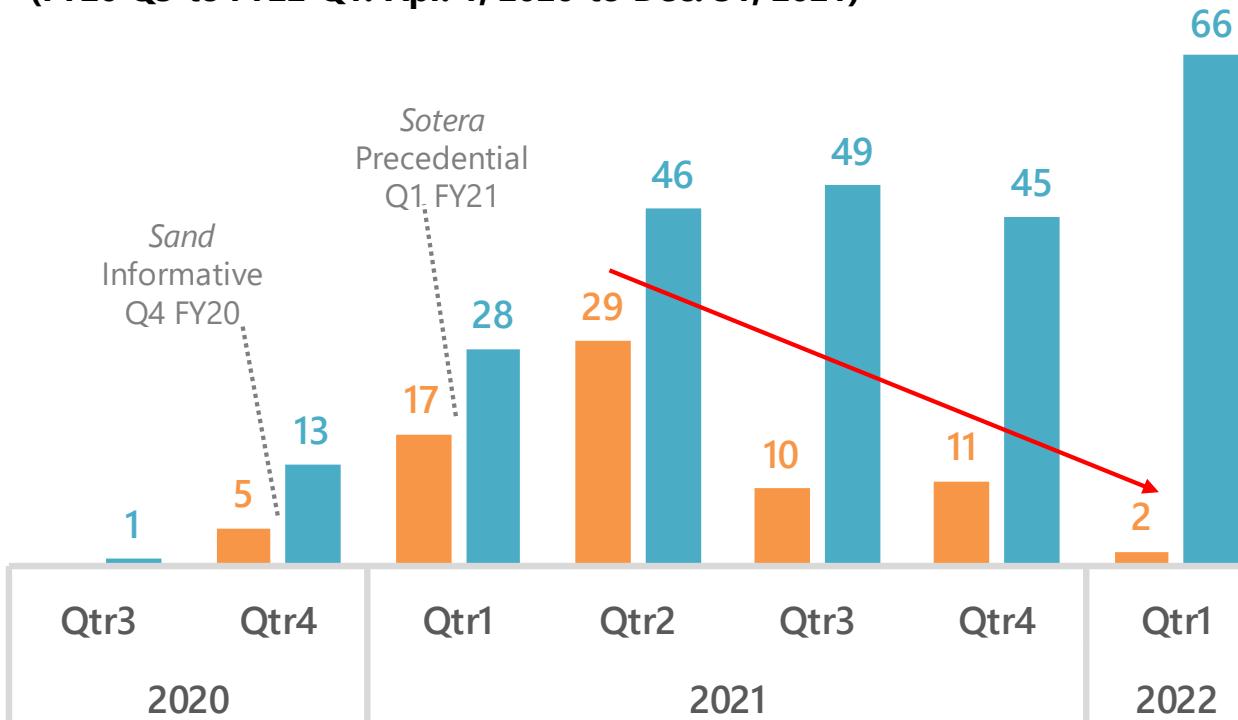
Most DIs
noting a
stipulation
did not
deny based
on
NHK/Fintiv.

This graphic depicts the percentage of DIs analyzing NHK/Fintiv and noting a stipulation in which trial was **instituted (light blue)** or **denied (orange)**.

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NHK/Fintiv stipulations:

Outcomes for DIs in which stipulations are noted
(FY20 Q3 to FY22 Q1: Apr. 1, 2020 to Dec. 31, 2021)



After Sotera, stipulation filings increased; by Q3 of FY21, DIs noting a stipulation did not frequently deny institution based on NHK/Fintiv.

This graphic depicts the number of DIs analyzing NHK/Fintiv and noting a stipulation in which trial was **instituted (light blue)** or **denied (orange)**.

NHK/Fintiv parallel litigation venues

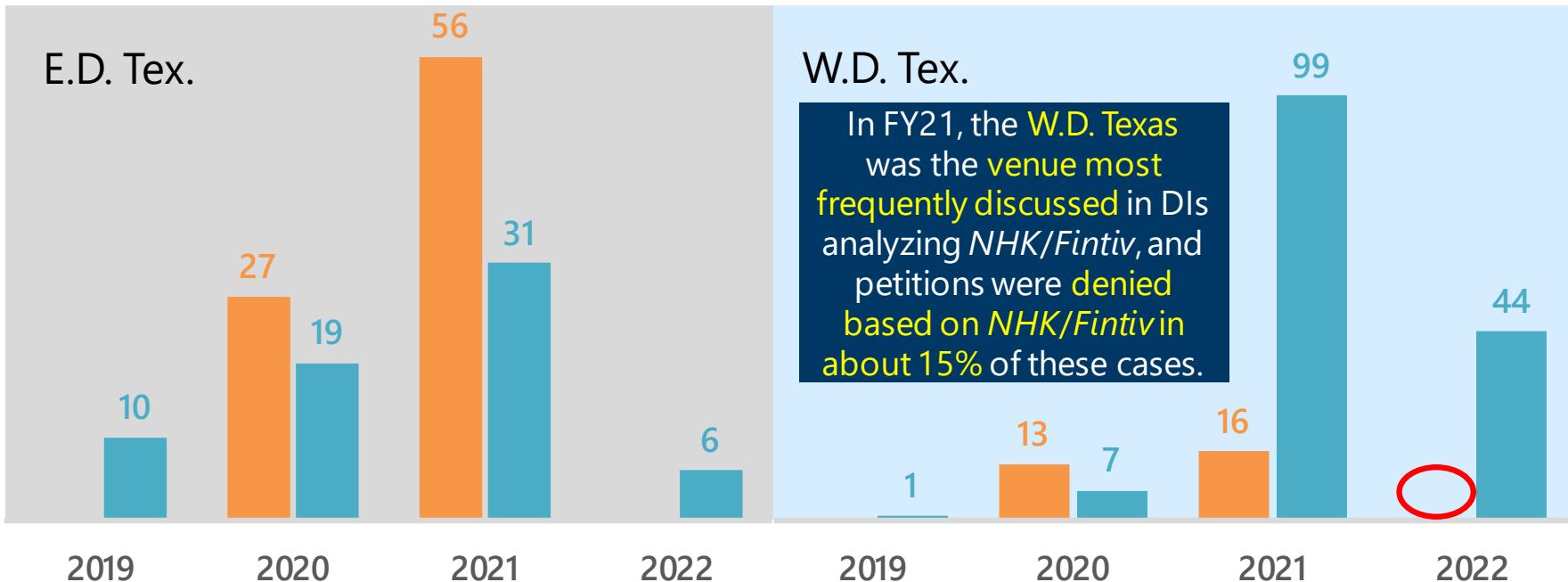
NHK/Fintiv parallel litigation venues: summary

- In about 60% of *NHK/Fintiv* analyses in the studied quarters for FY19 to FY22, in which a parallel litigation venue was identified, the identified district court was one of the Western District of Texas, the Eastern District of Texas, and the District of Delaware.
- In FY21, the Western District of Texas was the venue identified as the most frequently discussed in DIs analyzing *NHK/Fintiv*.
- In FY21, the Eastern District of Texas is the venue with the most *NHK/Fintiv* denials.



NHK/Fintiv parallel litigation venues

(FY19 Q2 to FY22 Q1: Jan. 1, 2019 to Dec. 31, 2021)

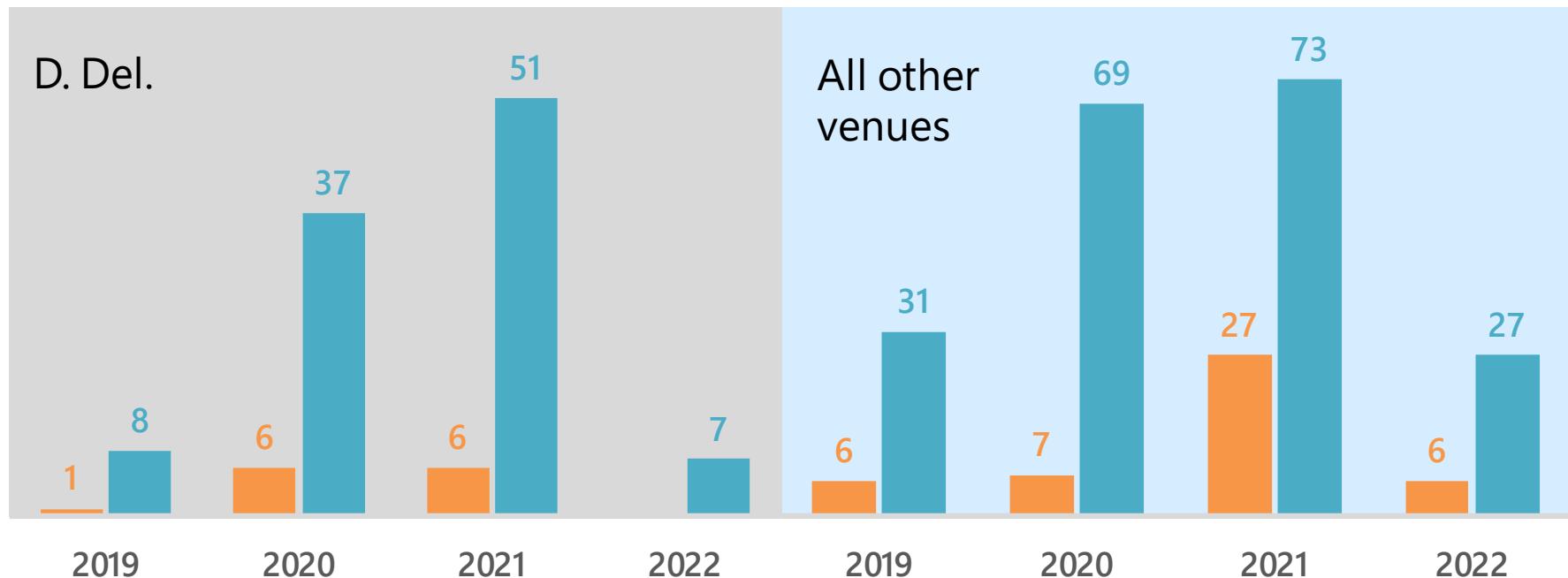


This graphic depicts the number of DIs analyzing *NHK/Fintiv* involving the **Eastern District of Texas (left)** and the **Western District of Texas (right)**, in which trial was instituted (light blue) or denied (orange).



NHK/Fintiv parallel litigation venues

(FY19 Q2 to FY22 Q1: Jan. 1, 2019 to Dec. 31, 2021)



This graphic depicts the number of DIs analyzing *NHK/Fintiv* involving the **District of Delaware (left)** and **all other venues (right)**, in which trial was **instituted (light blue)** or **denied (orange)**.



Parallel litigation: summary

- After *Fintiv* was designated precedential, discretionary denial based on parallel litigation has been raised in about half of all cases in which petitioner was sued by patent owners in another venue
- The number of cases denying institution dropped significantly after peaking during the first half of fiscal year 2021
- Stipulation filings increased after *Sotera* was designated precedential, and DIs noting stipulations frequently avoid denials based on *NHK/Fintiv*
- The majority of cases involving an *NHK/Fintiv* issue involved co-pending litigation in one of the Western District of Texas, the Eastern District of Texas, and the District of Delaware
 - The Western District of Texas was the venue most frequently discussed in DIs analyzing *NHK/Fintiv*, and, during the study period, no corresponding petitions were denied based on *NHK/Fintiv* since August 2021

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Next Boardside Chat



- July 14, 2022, at 12-1 pm ET
- Topic: PTAB Law Clerk Program
 - Learn about Patent Attorney (Law Clerk) opportunities at PTAB
 - Hear from current and former PTAB law clerks and practitioners
 - Applications open soon for one year term starting October 2023
 - Information about the application timeline and requirements
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<https://www.uspto.gov/patents/ptab/ptab-boardside-chats>



