IPR tricks of the trade: Director Vidal implements changes to discretionary institution policies at PTAB

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Kathi Vidal has implemented significant policy changes for the Patent Trial and Appeal Board (PTAB) since becoming Director of the U.S. Patent and Trademark Office approximately four months ago. One of those changes included a clarification of the circumstances in which the PTAB may exercise its discretion to deny institution of a petition for *inter partes* review (IPR) or post-grant review (PGR) of a patent that is involved in parallel litigation in U.S. federal district court or the International Trade Commission (ITC).

In May 2020, the PTAB designated precedential *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 ("*Fintiv*"), which sets forth several factors PTAB judges consider when deciding to exercise discretion to deny institution of a petition if the challenged patent is involved in parallel litigation. The factors include, for example, whether the trial date in the parallel litigation would occur before the PTAB would issue a final written decision, and the amount of overlap in invalidity issues between the petition and the invalidity grounds raised in the parallel litigation.

On June 21, 2022, Director Vidal issued a binding guidance memorandum that clarifies "the PTAB's current application of Fintiv *to discretionary institution when there is parallel litigation."*

The PTAB's *Fintiv* policies have been controversial and have led to several legal challenges by parties that file petitions. One argument against *Fintiv* is that the PTAB may deny institution of a petition based on an earlier scheduled trial date in a parallel proceeding, but that trial date may be rescheduled to occur after the PTAB would have issued a final written decision.

On June 21, 2022, Director Vidal issued a binding guidance memorandum ("Guidance") that clarifies "the PTAB's current application of *Fintiv* to discretionary institution when there is parallel litigation." The guidance indicates that PTAB judges may not discretionarily deny a petition under *Fintiv* when:

(1) the petition presents compelling evidence of unpatentability;

(2) the request for discretionary denial is based on a parallel ITC proceeding; or

(3) the petitioner stipulates not to pursue in a parallel district court proceeding invalidity grounds that the petitioner raised or reasonably could have raised in the petition (i.e., a *Sotera*-type stipulation).

Director Vidal's Guidance has provided clarity to parties on when the PTAB may exercise its discretion to deny institution under Fintiv. *Director Vidal indicated that the USPTO is also considering rulemaking on discretionary institution policies.*

In addition, in response to concerns about the unreliability of trial dates in parallel litigation, the Guidance explains that parties may present "evidence regarding the most recent statistics on median-time-to trial for civil actions in the district court in which the parallel litigation resides," and "the number of cases before the judge in the parallel litigation and the speed and availability of other case dispositions."

Director Vidal's Guidance has provided clarity to practitioners on the PTAB's application of *Fintiv* when there is parallel litigation. For example, after the Guidance was issued, the PTAB has declined to deny institution when the petitioner provides a broad stipulation to avoid overlap (e.g., IPR2022-00453, Paper 10 (Aug. 3, 2022)), and when there is a parallel ITC proceeding (e.g., IPR2022-00404, Paper 10 (July 22, 2022)).

The PTAB has also begun issuing institution decisions addressing the Guidance's "compelling evidence of unpatentability" scenario when the PTAB may not discretionarily deny a petition. For example, the PTAB recently declined to deny institution under *Fintiv* based on its determination the prior art cited by the petitioner "plainly shows" the claim limitations that led to allowance of the patent. E.g., IPR2022-00426, Paper 16 (July 12, 2022).

In another example, the PTAB found that the prior art cited by the petitioner taught all the claim limitations. As such, the PTAB indicated that the petition presented "compelling evidence of unpatentability" and declined to deny institution under *Fintiv*. IPR2022-00221, Paper 10 (Aug. 1, 2022).

In applying the Guidance, the PTAB has also applied median-time-to-trial statistics when the patent owner argues for discretionary denial based on an earlier trial date in a parallel proceeding. For example, one patent owner argued for discretionary denial when the district court trial was scheduled to occur one month before the PTAB would issue a final written decision.

Instead of relying on that scheduled trial date, the PTAB noted that the district court had a median-time-to-trial of 27.2 months. Applying the median-time-to trial statistics, the PTAB found that the parallel trial "would occur about three months after the [PTAB's] Final Written Decision is due," and declined to deny institution under *Fintiv*. IPR2022-00367, Paper 10 (July 14, 2022).

Director Vidal's Guidance has provided clarity to parties on when the PTAB may exercise its discretion to deny institution under *Fintiv*. Director Vidal indicated that the USPTO is also considering rulemaking on discretionary institution policies. In the interim, practitioners should monitor how the PTAB's discretionary institution policies continue to evolve in view of the Guidance.

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