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USPTO Issues Guidance on Discretionary Denials by PTAB

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Last week the new USPTO Director, Katherine Vidal, issued an interim procedure for the Patent Trial and Appeal Board (PTAB) that oversees post-grant proceedings.¹ This new interim procedure takes effect immediately.

We expect this interim guidance to have a significant practical effect.

Highlights

The new procedure aims to provide clarity on the PTAB's exercise of its discretionary authority to deny institution of a post-grant proceeding when there is parallel litigation. Indeed, the new guidance sets out additional bright lines for applying the PTAB's six *Fintiv* factors in a number of common situations.² These situations relate to compelling evidence on the merits, presence of certain stipulations, ITC proceedings, and district court trial date calculations.

First, the PTAB will not discretionarily deny institution where a petition presents "compelling evidence" of unpatentability.³ While compelling is a high standard, the Board will not be able to simply use its discretionary authority to deny when compelling evidence is present. This assumes no other abuse of practice, such as excessive serial or late presented petitions, has occurred.

Second, the PTAB will not discretionarily deny institution where a petitioner stipulates it will not pursue in a parallel district court proceeding the same grounds as in the petition or any grounds that could have been reasonably raised in the petition (also called a *Sotera* stipulation).⁴ Under the new guidance, Petitioners now have an even greater incentive to make such a *Sotera* stipulation to avoid a discretionary denial by the PTAB.

Third, the guidance makes clear the PTAB will not discretionarily deny petitions based on applying *Fintiv* to a parallel International Trade Commission (ITC) proceeding.⁵ In so doing, this guidance recognizes the lack of authority of an ITC investigation to invalidate a patent and memorializes more recent PTAB practice not to consider ITC

proceedings as a basis for discretionary denial.

Finally, when looking at the district court's trial date to see if it occurs before the PTAB's likely final written decision date, the PTAB will now look at the "median time from filing to disposition of the civil trial for the district."⁶ This is a shift from the PTAB's earlier reliance on a court's trial schedule on its face and part of an effort to more realistically account for a court's workload and likely time to disposition.

Takeaways

Under this interim guidance, we expect it will be less likely that the PTAB will use its discretionary authority to deny granting trials in a number of important contexts that arise often when there is parallel district court litigation. While the guidance can be viewed in some respects as memorializing existing Board practice, it does provide more clarity to the public and other stakeholders in important bright line areas.

Parties that seek out the PTAB as a forum to resolve unpatentability through inter partes or post-grant review have more control to avoid discretionary denial. A petitioner with compelling evidence on the merits has a greater chance of substantive review before the PTAB. Petitioners seeking to avoid discretionary denial can adopt a *Sotera*-like stipulation.

Parties drafting new IPR or PGR petitions should take the interim guidance into account when evaluating *Fintiv* factors. Parties in a proceeding not yet instituted for trial may also wish to review the petition and even consider requesting additional briefing from the Board where appropriate.

Finally, the interim procedure was issued in response to a Request for Comments, and companies should look out for additional rulemaking from the USPTO on the Board's practice for discretionary denials.

¹ USPTO Memorandum by Katherine Vidal, June 21, 2022, *Interim Procedure For Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation*.

² See *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTA B Mar. 20, 2020) (designated precedential May 5, 2020). Under *Fintiv*, the PTAB decides whether to discretionarily deny a petition based on six 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) the circumstances that impact the Board's exercise of discretion, including the merits.

³ See, Memorandum, p. 2.

⁴ See, Memorandum, p. 7; *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (precedential as to § II.A).

⁵ See, Memorandum, pp. 5-7.

⁶ See, Memorandum, p. 8.

