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Client Alert Commentary

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USPTO Seeks Comments on PTAB's Discretionary Denials of Review

The USPTO may issue new rules on the current practices found in its "precedential" PTAB decisions.

Key Points:

- The PTAB often denies IPR and PGR petitions for reasons other than the merits of the petition, such as the advanced stage of a parallel district court case.
- The USPTO is seeking comments on its current practices for deciding when to deny IPR and PGR petitions.

The Patent Trial and Appeal Board (PTAB)'s use of discretionary denials — denial of review of a patent for reasons other than the petition's merits — has increased markedly over the past few years.[1] The PTAB's stated goals have been to increase fairness and consistency,[2] but some frequent petitioners are challenging the propriety of the PTAB's current practices in the US Court of Appeals for the Federal Circuit[3] and in district court.[4]

With attention focused on these issues, the United States Patent and Trademark Office (USPTO) is "considering the codification of its current [discretionary denial] policies and practices, or the modification thereof" through rulemaking.[5] To that end, the USPTO is seeking "focused public comments on appropriate considerations" for discretionary denials.[6] Comments are due by November 19, 2020.

The Increased Importance of Discretionary Denials of IPRs and PGRs

The Director of the USPTO is not obligated to grant meritorious petitions to challenge patent validity in an Inter Partes Review (IPR) or Post Grant Review (PGR). The statute instead provides the Director with the discretion to institute IPR/PGR based on a meritorious petition: "[t]he Director **may not authorize** an [IPR or PGR] to be instituted **unless**" the petitioner demonstrates "a reasonable likelihood" of prevailing on the merits.[7]

The Director has delegated the decision of whether to institute IPRs and PGRs to the PTAB,[8] but has not promulgated regulations establishing when the PTAB should deny institution for reasons other than the merits. Similar to the statute, the regulation simply states that the PTAB "**shall not institute** … **unless** the Board decides" that the petition demonstrated a "reasonable likelihood" of prevailing on the merits.[9] To date, rather than promulgating detailed rules, the Director has provided guidance to PTAB panels by designating certain PTAB decisions as "Precedential" (binding on subsequent PTAB panels) or "Informative" (not binding, but "set forth [PTAB] norms").[10]

For example, the PTAB's precedential *General Plastic* decision "recognize[d] the potential for abuse of the review process by repeated attacks on patents." This decision set forth seven non-exclusive factors the PTAB weighs when deciding whether to institute an additional "follow-on" petition filed by the same party.[11] The USPTO further restricted serial petitions with its precedential *Valve* decisions, explaining that the *General Plastic* framework can also be applied when, for example, co-defendants coordinate serial attacks against the same patent.[12]

Perhaps the most controversial and hotly contested discretionary denial rationale involves parallel proceedings. For example, a defendant accused of patent infringement in district court may file a petition seeking IPR of the asserted patent within a year of being served with the infringement complaint.[13] Even if the defendant does not use its entire statutory one-year time period for filing an IPR petition, faster-moving district courts may get to trial sooner than the PTAB will complete the IPR proceeding.

Faced with this situation in the precedential *NHK Spring* case, the PTAB denied institution because the parallel "district court proceeding [would] analyze the same [invalidity] issues" and hold trial before the PTAB would issue its final decision.[14] The Director later sought to balance "considerations such as system efficiency, fairness, and patent quality," when deciding whether to deny institution under *NHK Spring* by establishing a six-factor test in its precedential *Apple Inc. v. Fintiv* order.[15] The six *Fintiv* factors include:

> (1) Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted
>
> (2) Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision
>
> (3) Investment in the parallel proceeding by the court and the parties
>
> (4) Overlap between the issues raised in the petition and in the parallel proceeding
>
> (5) Whether the petitioner and the defendant in the parallel proceeding are the same party
>
> (6) Other circumstances that impact the Board's exercise of discretion, including the merits[16]

Much of the Director's guidance for discretionary denials is relatively recent. For example, the decision in *NHK Spring* was issued on September 12, 2018, and was designated precedential on May 7, 2019. The decision in *Fintiv* was issued on March 20, 2020, and was designated precedential on May 5, 2020.

Coincident with the increase in guidance, the PTAB has increased its use of discretionary denials. The PTAB has reportedly issued the same total number of discretionary denials in the first half of 2020 that it did in all of 2019. Discretionary denials under the *NHK*/*Fintiv* rationale alone accounted for 30% of all denials in 2020 for any reason, including the merits.[17] And although the PTAB's decisions on whether to institute are "final and not appealable," several parties are challenging the propriety of the PTAB's *NHK*/*Fintiv* test via a petition for a writ of mandamus filed at the Federal Circuit[18] and in an Administrative Procedure Act challenge in district court.[19]

Given this prevailing climate, the USPTO released its "Request for Comments on Discretion to Institute Trials Before the [PTAB]" discussed in the next section.[20]

The USPTO's Request for Comments

On October 20, 2020, the USPTO announced that it "is considering the codification of its current policies and practices [for instituting IPRs and PGRs], or the modification thereof, through rulemaking and wishes to gather public comments on the Office's current approach and on various other approaches suggested to the Office by stakeholders."[21]

The request first establishes several categories of discretionary denials, namely "serial petitions" (*General Plastic* and *Valve*, discussed above), "parallel petitions" (which currently require a separate statement by the petitioner ranking the petitions that it filed on the same day), and proceedings in other tribunals (*NHK Spring* and *Fintiv*).

The request culminates in questions that "are a preliminary guide to aid the USPTO in collecting relevant information to assist in modifications, if any, to its current practices, and in the development of any possible rulemaking on this subject." The questions are in the same form for each topic:

> **Serial Petitions** [*General Plastic*]
>
> 1. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *General Plastic*, *Valve I*, *Valve II* and their progeny, for deciding whether to institute a petition on claims that have previously been challenged in another petition?
>
> 2. Alternatively, in deciding whether to institute a petition, should the Office (a) altogether disregard whether the claims have previously been challenged in another petition, or (b) altogether decline to institute if the claims have previously been challenged in another petition?
>
> **Parallel Petitions**
>
> 3. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in the Consolidated Trial Practice Guide, for deciding whether to institute more than one petition filed at or about the same time on the same patent?
>
> 4. Alternatively, in deciding whether to institute more than one petition filed at or about the same time on the same patent, should the Office (a) altogether disregard the number of petitions filed, or (b) altogether decline to institute on more than one petition?
>
> **Proceedings in Other Tribunals** [*NHK Spring* / *Fintiv*]
>
> 5. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *Fintiv* and its progeny, for deciding whether to institute a petition on a patent that is or has been subject to other proceedings in a U.S. district court or the ITC?
>
> 6. Alternatively, in deciding whether to institute a petition on a patent that is or has been subject to other proceedings in district court or the ITC, should the Office (a) altogether disregard such other proceedings, or (b) altogether decline to institute if the patent that is or has been subject to such other proceedings, unless the district court or the ITC has indicated that it will stay the action?

The request ends with a catch-all question, reflecting the USPTO's request for "comments from the public on any issues believed to be relevant to these topics."

> **Other Considerations**
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> 7. Whether or not the Office promulgates rules on these issues, are there any other modifications the Office should make in its approach to serial and parallel AIA petitions, proceedings in other tribunals, or other use of discretion in deciding whether to institute an AIA trial?

Comments are due by November 19, 2020, and may be submitted through the Federal Rulemaking Portal at https://www.regulations.gov.

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Endnotes

1 See, e.g., Unified Patents, *PTAB Discretionary Denials: In the First Half of 2020, Denials Already Exceed All of 2019* (July 27, 2020), available at https://www.unifiedpatents.com/insights/2020/7/27/ptab-discretionary-denials-in-the-first-half-of-2020-denials-already-exceed-all-of-2019 ("*PTAB Discretionary Denials: First Half of 2020*").

2 USPTO, *Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board*, 85 Fed. Reg. 66502, 66504-05 (October 20, 2020), available at https://www.federalregister.gov/documents/2020/10/20/2020-22946/request-for-comments-on-discretion-to-institute-trials-before-the-patent-trial-and-appeal-board ("Request for Comments").

3 *In re Cisco Systems, Inc.*, No. 20-148 (Fed. Cir.).

4 *Apple Inc. v. Iancu*, No. 5:20-cv-06128 (N.D. Cal.).

5 Request for Comments at 66503.

6 *Id*.

7 35 U.S.C. §§ 314(a), 324(a).

8 37 C.F.R. §§ 42.108, 42.208.

9 37 C.F.R. §§ 42.108, 42.208.

10 PTAB Standard Operating Procedure 2 (Rev. 10), available at https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf

11 *General Plastic Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, 2017 WL 3917706, at *7-8 (P.T.A.B. Sept. 6, 2017).

12 *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00062, 2019 WL 1490575 (PTAB Apr. 2, 2019) (*Valve I*) and Valve Corp. v. Elec. Scripting Prods., Inc., 2019 WL 1965688 (PTAB May 1, 2019) (*Valve II*).

13 35 U.S.C. § 315(b).

14 *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, 2018 WL 4373643 (PTAB Sept. 12, 2018).

15 *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, 2020 WL 2126495 (PTAB Mar. 20, 2020).

16 *Fintiv*, 2020 WL 2126495, at *2-3.

17 *PTAB Discretionary Denials: First Half of 2020*.

18 *In re Cisco Systems, Inc.*, No. 20-148 (Fed. Cir.).

19 *Apple Inc. v. Iancu*, No. 5:20-cv-06128 (N.D. Cal.).

20 Request for Comments.

21 Request for Comments at 66503.