

# INSTITUTION DENIED: THE EVOLUTION OF DISCRETIONARY DENIALS OF INTER PARTES REVIEW UNDER 35 U.S.C. § 314(A) SINCE *APPLE INC. V. FINTIV, INC.*

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*The Leahy-Smith American Invents Act (AIA), passed by Congress in 2011, dramatically altered the landscape of patent litigation through the creation of new administrative post-grant proceedings for adjudicating patent validity disputes. One of these administrative proceedings, inter partes review (IPR), has proved immensely popular and polarizing. IPR proceedings have invalidated huge swaths of patents, making the decision whether to institute an IPR significant. The current uncertainty regarding whether an IPR proceeding will be instituted, or whether the Patent Trial and Appeal Board (PTAB or Board) will exercise its newfound expanded discretionary denial authority, continues to frustrate both petitioners and patent owners.*

*This Comment argues that the U.S. Patent and Trademark Office (USPTO) Director, who delegated their authority to the PTAB, does not have broad discretionary denial authority. Specifically, application of the six factors articulated in *Apple Inc. v. Fintiv, Inc.*, violates both the plain meaning and legislative intent of 35 U.S.C. § 314(a). Congress intended IPR to be an efficient and specialized alternative to litigation in other forums, functioning to*

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*prune the unwieldy patent landscape. In creating IPR, Congress was not blind to the patent litigation landscape and accounted for the potential of parallel proceedings in the statutory scheme it created. The PTAB has inconsistently denied institution of meritorious IPR petitions by relying on its discretion under Fintiv, flying in the face of congressional intent, creating the very inefficiencies Congress sought to remedy, and encouraging forum shopping and venue bias. Continued application of the Fintiv policy threatens to dismantle the entire IPR system, leaving “bad” patents to fester, which decreases the overall credibility of the U.S. patent system.*

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## INTRODUCTION

The Leahy-Smith America Invents Act<sup>1</sup> (AIA) radically altered the landscape of patent litigation in the United States.<sup>2</sup> Patent challengers were no longer limited to fighting over patent validity in district courts or bringing mildly adversarial patent-validity challenges at the U.S. Patent and Trademark Office (USPTO).<sup>3</sup> The AIA ushered in a new era of trial-like proceedings, commonly known as post-grant proceedings, that are conducted at the USPTO to challenge the validity of a patent.<sup>4</sup> The purpose of these new adversarial proceedings is two-fold: (1) to provide a mechanism to “weed out” weak patents that never should have been granted in the first place and (2) to serve as an alternative to district court litigation.<sup>5</sup> More than 12,000 of these proceedings, commonly known as post-grant challenges, have been

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1. Pub. L. No. 112-29, 125 Stat. 341 (2011) (codified in scattered sections of 35 U.S.C.).

2. See Aashish Kapadia, *Inter Partes Review: A New Paradigm in Patent Litigation*, 23 TEX. INTELL. PROP. L.J. 113, 116–21 (2015) (discussing the changes in the new post-grant proceedings, which include increased availability and decreased duration).

3. See Michael A. Carrier, *Post-Grant Opposition: A Proposal and a Comparison to the America Invents Act*, 45 U.C. DAVIS L. REV. 103, 110–11 (2011) (discussing the drawbacks of district court litigation); see also H.R. REP. NO. 112-98, at 45–47 (2011) (explaining that there were only two ways to challenge patent validity before the AIA introduced amendments).

4. Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1983 (2013) (noting numerous references in the AIA’s legislative history to trial-type proceedings); see also Gaia Bernstein, *The Rise of the End User in Patent Litigation*, 55 B.C. L. REV. 1443, 1472 (2014) (listing the new procedures used to replace inter partes reexamination: post-grant review, inter partes review, and covered business method review).

5. See *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020) (discussing Congress’s concern regarding over-patenting and diminished competition that results when weak patents are left to fester in the system); see also H.R. REP. NO. 112-98, at 40 (2011) (“The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”).

filed as of November 2020, with over 11,500 of these challenges being inter partes review (IPR).<sup>6</sup> Considering patents that undergo IPR are partially or fully invalidated approximately 60% of the time,<sup>7</sup> it appears IPRs are fulfilling congressional intent.<sup>8</sup> However, the Patent Trial and Appeal Board (PTAB or Board) seeks to upend Congress's scheme by refusing to review patents challenged by IPR that are involved in a parallel proceeding, even when the petitioner meets the threshold merit standard showing a "reasonable likelihood . . . [to] prevail with respect to at least [one] of the claims challenged."<sup>9</sup>

When the PTAB refuses to review a meritorious petition, it has exercised its discretionary denial authority, which is considered a procedural denial.<sup>10</sup> There are three main fact patterns that may result in a discretionary denial: (1) serial petitions, (2) petitions that fail with respect to only some of the challenged claims, and (3) parallel proceedings.<sup>11</sup> The most recent and tremendously controversial type of discretionary denial occurs when the PTAB refuses to institute review because of a parallel district court litigation or a U.S. International Trade Commission (ITC) investigation.<sup>12</sup> The PTAB supports this type of discretionary denial relying on the language of 35 U.S.C. § 314(a), which explains that the Director (who delegated their

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6. Inter Partes Review (IPR) is a trial like proceeding conducted at the USPTO by a panel of three Administrative Patent Judges (APJs) to review the patentability of one or more claims in a challenged patent. U.S. PAT. & TRADEMARK OFF., TRIAL STATISTICS: IPR, PGR, CBM 3 (2020) [hereinafter USPTO TRIAL STATISTICS NOVEMBER 2020], [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20201130.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20201130.pdf) [https://perma.cc/66T8-XMSJ].

7. Clark A. Jablon, *Is the Sky Falling in the US Patent Industry?*, 36 INFO. DISPLAY 37, 38 (2020).

8. See Jablon, *supra* note 7, at 37 (discussing how inventors can navigate the harsh IPR environment).

9. 35 U.S.C. § 314(a); see Joel D. Sayers & Reid E. Dodge, *Unfettered Discretion: A Closer Look at the Board's Discretion to Deny Institution*, 19 CHI.-KENT J. INTELL. PROP. 536, 547 (2020) (noting expansive interpretation of denial authority under § 314(a) hinders congressional intent by reducing the effectiveness of IPRs in providing an effective alternative to litigation).

10. BOB STEINBERG ET AL., LATHAM & WATKINS, USPTO SEEKS COMMENTS ON PTAB'S DISCRETIONARY DENIALS OF REVIEW 1-2 (2020), <https://www.lw.com/thoughLeadership/USPTO-Seeks-Comments-on-PTAB-Discretionary-Denials-of-Review> [https://perma.cc/4XP9-KDFB].

11. Robert Colletti et al., *The Recent Rise of Discretionary Denials at the Patent Trial and Appeal Board*, JDSUPRA (Nov. 19, 2020), <https://www.jdsupra.com/legalnews/the-recent-rise-of-discretionary-97285> [https://perma.cc/88HN-U69Y].

12. STEINBERG, *supra* note 10, at 2 ("Perhaps the most controversial and hotly contested discretionary denial rationale involves parallel proceedings.").

authority to the PTAB) may not authorize an IPR to be instituted *unless* the petitioner demonstrates a reasonable likelihood of prevailing on the merits.<sup>13</sup>

The PTAB first explicitly exercised its discretionary denial authority under § 314(a) based on a parallel proceeding in 2018 in *NHK Spring Co. v. Intri-Plex Technologies, Inc.*<sup>14</sup> In *NHK-Spring*, while the parties were involved in district court litigation, NHK-Spring petitioned for an IPR seeking invalidation of the patent asserted against it.<sup>15</sup> The PTAB reasoned that it would be inefficient and inconsistent with the AIA's goals to institute an IPR because of the advanced stage of the parallel district court proceeding involving the same patents and invalidity arguments.<sup>16</sup> Expanding on this precedent, in *Apple Inc. v. Fintiv, Inc.*,<sup>17</sup> the PTAB established a six-factor test that claims to balance "considerations such as system efficiency, fairness, and patent quality" in situations where there is a parallel proceeding.<sup>18</sup> Under this new *NHK-Fintiv* policy, also known as the *Fintiv* policy, a timely, meritorious, and otherwise fully-compliant IPR petition can be denied simply because of a parallel proceeding.<sup>19</sup>

Criticism of the *NHK-Fintiv* policy is abundant, with technology companies and generic drug manufacturers leading the charge to prevent further application.<sup>20</sup> Unfortunately, in light of 35 U.S.C.

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13. § 314(a).

14. No. IPR2018-00752 (P.T.A.B. Sept. 12, 2018) (designated precedential May 7, 2019).

15. *Id.* at 2.

16. *Id.* at 20 (noting that the trial was "nearing its final stages, with expert discovery ending . . . and a 5-day jury trial set to begin [in less than six months]"). For an in-depth analysis of *NHK Spring Co. v. Intri-Plex Techs., Inc.*, see Jasper L. Tran et al., *Discretionary Denials of IPR Institution*, 19 CHI.-KENT J. INTELL. PROP. 253 (2019).

17. No. IPR2020-00019, (P.T.A.B. Mar. 20, 2020) (designated precedential May 5, 2020).

18. *Id.* at 5.

19. The *Fintiv* decision adopted the *NHK-Spring* parallel proceeding precedent as part of its broader six-factor test, accordingly, this Article will use "*NHK-Fintiv*" and "*Fintiv*" interchangeably to refer to the policy of considering information about a parallel proceeding in deciding whether to institute an IPR. Colleti, *supra* note 11; see also U.S. PAT. & TRADEMARK OFF., PATENT TRIAL AND APPEAL BOARD CONSOLIDATED TRIAL PRACTICE GUIDE 55 (2019) [hereinafter 2019 USPTO TRIAL PRACTICE GUIDE], <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf> [<https://perma.cc/X7JE-GTT7>] (noting that a timely petition that meets the merit standard is the minimum necessary for institution, implying more is often necessary to secure review).

20. Ryan Davis, *Fintiv Rule Challenges Face Long Odds After Fed. Circ. Ruling*, LAW360 (Mar. 16, 2021, 9:20 PM), <https://www.law360.com/articles/1365655/fintiv-rule->

§ 314(d), which provides that the determination regarding whether to institute an IPR is “final and nonappealable,” court challenges to these decisions have been unsuccessful so far.<sup>21</sup>

This Comment examines the evolution of discretionary denials of IPR based on parallel proceedings since *Fintiv* and argues that the six-factor test that the PTAB established exceeds statutory authority and should be eradicated. Part I provides background on the AIA and the landscape of patent challenges, including the rise of IPR as a mechanism for challenging patent validity. Part I also provides an example of a traditional patent feud and maps the contours of the PTAB’s recently expanding discretion. Part II analyzes the statutory structure of the AIA and IPR, including the plain text of § 314(a), the legislative history, and relevant case law to show the dearth of support for broad discretionary authority. Part II also illustrates the harmful impact of the *NHK-Fintiv* policy in patent litigation as it encourages forum shopping and venue bias. Part II further argues that since application of the *NHK-Fintiv* factors leads to disparate outcomes, it enhances the very inefficiencies the AIA sought to remedy. Thus, the *NHK-Fintiv* test violates § 314(a).

## I. BACKGROUND

To understand the extent of discretionary denial authority the PTAB has under § 314(a), we first explore how the landscape of patent litigation changed with the promulgation of new adversarial proceedings, especially the expanding role of IPR in patent disputes. Section I.A begins by providing an overview of the laws governing patents and explains how the AIA altered patent litigation, including the procedure and popularity of IPR as a means of challenging patent validity. Section I.B maps the contours of discretionary denials, examining the central PTAB decisions, statutes, case law, and relevant rulemaking authority of the USPTO. Section I.C explains the role of IPR in the litigation landscape, especially in complex litigation, and provides an example of a typical multi-forum sequential patent dispute.

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challenges-face-long-odds-after-fed-circ-ruling (noting that both Apple and Cisco have sued the USPTO over the *NHK-Fintiv* rule).

21. 35 U.S.C. § 314(d); see *Mylan Lab’ys Ltd. v. Janssen Pharmaceutica, N.V.*, 989 F.3d 1375, 1377 (Fed. Cir. 2021) (denying request for mandamus after challenging application of *Fintiv* rule to deny institution based on parallel litigation involving a different defendant).

A. *Law Governing Patents in the United States*

Patent law strikes a delicate balance between promoting the sciences and arts and providing a short-term monopoly on inventions.<sup>22</sup> The Constitution grants Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>23</sup> The particulars of federal patent protection are left to Congress and the USPTO, the agency responsible for granting and cataloging patents and establishing regulations to govern post-grant proceedings.<sup>24</sup> Until the AIA went into effect in 2013, patent law had existed relatively unchanged for half a century.<sup>25</sup>

As innovation flourished in the early 2000s, numerous organizations, institutions, and companies indicated concern with the quality and amount of issued patents.<sup>26</sup> These stakeholders worried that the increased volume and poor quality of issued patents could stifle future innovation and began calling for better post-grant patent review procedures.<sup>27</sup> Congress heard the call and crafted the AIA in response to “a growing sense that questionable patents are too easily obtained and are too difficult to challenge.”<sup>28</sup> Though the USPTO already had reexamination proceedings, and Congress had recently made changes

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22. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989) (“[F]ederal patent laws . . . embod[y] a careful balance between the need to promote innovation and [sustain] . . . a competitive economy.”).

23. U.S. CONST. art. I, § 8, cl. 8.

24. See JOHN R. THOMAS, CONG. RSCH. SERV., R42014, *THE LEAHY-SMITH AMERICA INVENTS ACT: INNOVATION ISSUES 1* (2014) (noting the reforms were intended to modernize the patent system and make it fairer and more effective).

25. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 341 (2011) (codified in scattered sections of 35 U.S.C.); 35 U.S.C. §§ 1–293; see John Villasenor, *The Comprehensive Patent Reform of 2011: Navigating the Leahy-Smith America Invents Act*, BROOKINGS (Sept. 8, 2011) <https://www.brookings.edu/research/the-comprehensive-patent-reform-of-2011-navigating-the-leahy-smith-america-invents-act> (explaining the major changes to patent law ushered in by the AIA, including the shift from a “first-to-invent” to “first-to-file” system).

26. See H.R. REP. NO. 112-98, at 40 (2011) (“[I]f the United States is to maintain its competitive edge in the global economy, it needs a system that will support and reward all innovators with high quality patents.”).

27. See Colleen Chien et al., *Inter Partes Review and the Design of Post-Grant Patent Reviews*, 33 BERKELEY TECH. L.J. 817, 826–27 (2018) (noting that stakeholders, including the National Academies of Sciences and the American Intellectual Property Law Association, believed the USPTO was “improperly issuing large numbers of patents” in the early 2000s).

28. H.R. REP. NO. 112-98, at 39–40.



to those proceedings in response to criticism, the proceedings remained underused and ineffective.<sup>29</sup>

This industry-wide desire for alternative means to deal with low-quality patents led Congress to develop the revamped AIA post-grant reexamination proceedings.<sup>30</sup> The previous inter partes reexamination was converted from “an examinational to an adjudicative proceeding” and renamed inter partes review (IPR).<sup>31</sup> The AIA also created two additional post-grant proceedings: post-grant reviews (PGRs), which must be filed within the first nine months after the date of grant but permit a broader validity challenge; and covered business methods (CBMs), which responded to a call to address the uniquely poor quality of patents in this area.<sup>32</sup> Each of these new post-grant reexamination proceedings were intended to provide “quick and cost effective alternatives to litigation.”<sup>33</sup> This Comment will focus on IPRs because

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29. H.R. REP. NO. 112-98, at 46; *see also* U.S. PAT. & TRADEMARK OFF., REPORT TO CONGRESS ON INTER PARTES REEXAMINATION 1, 5 (2004), [https://www.immagic.com/eLibrary/ARCHIVES/GENERAL/US\\_PTO/P041217R.pdf](https://www.immagic.com/eLibrary/ARCHIVES/GENERAL/US_PTO/P041217R.pdf) [<https://perma.cc/NB9R-AY74>] (recommending a complete overhaul of the current inter partes reexamination proceeding after a study found during a five-year period there were over 900,000 patents issued, yet only 53 requests for inter partes reexamination were filed); Raymond A. Mercado, *The Use and Abuse of Patent Reexamination: Sham Petitioning Before the USPTO*, 12 COLUM. SCI. & TECH. L. REV. 92, 105 (2011) (discussing the numerous flaws to the pre-AIA reexamination proceedings, including how they can be gamed by savvy players and unfairly leveraged to extort large settlements in parallel litigation).

30. Low-quality or “bad” patents are those that should not have issued because they are not novel or provide overly broad protection. *See* ORG. FOR ECON. CO-OPERATION & DEV., PATENTS AND INNOVATION: TRENDS AND POLICY CHALLENGES 23–29 (2004), <https://www.oecd.org/science/inno/24508541.pdf> [<https://perma.cc/BX88-R6RT>] (explaining that emergence of new technology, especially in fields of software and biotechnology, led to the proliferation of low-quality patents); *see also* Andrei Iancu & Ben Haber, *Post-Issuance Proceedings in the America Invents Act*, 93 J. PAT. & TRADEMARK OFF. SOC'Y 476, 476–77 (2011) (describing how “Congress clearly intend[ed] to make the [US]PTO a viable alternative to district court litigation for answering questions of patent validity”).

31. H.R. REP. NO. 112-98, at 46–47; 35 U.S.C. §§ 311–19 (statutes governing IPR).

32. H.R. REP. NO. 112-98, at 47–48, 54; 35 U.S.C. § 321. The covered business methods patent review was phased out on September 16, 2020. Ron D. Katznelson, *The CBM Program Should Expire This Week*, USI (Sept. 13, 2020), <https://usinventor.org/the-cbm-program-should-expire-this-week>.

33. H.R. REP. NO. 112-98, at 48; *see also* H.R. REP. NO. 112-98, at 40 (2011) (articulating that the goal of these post-grant proceedings was to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs”); JOHN R. THOMAS, CONG. RSCH.

they are by far the most common; CBMs have been phased out; and PGRs are just slowly beginning to ramp up because only post-AIA patents are eligible, and the challenge must be brought within nine months.

1. *The landscape shift*

The creation of these new post-grant review proceedings began to shift the landscape of patent litigation. These proceedings started to supplement or serve as an alternative to the current methods for challenging patent validity.<sup>34</sup> They helped to eliminate “bad” patents that slipped through the system by allowing parties to avail themselves of “the expertise of the Patent Office on questions of patentability.”<sup>35</sup> Though parties still file an abundance of lawsuits for patent infringement or declaratory judgment in federal district court, the overall number of district court actions has decreased and remained lower as the number of IPR petition filings have skyrocketed.<sup>36</sup>

IPR is the most popular post-grant proceeding, with more than 11,500 petitions filed as of November 2020 and almost 1,500 petitions filed per year.<sup>37</sup> Though these numbers are relatively small in comparison to the approximately 350,000 patents issued annually,<sup>38</sup> involvement in district court litigation has largely driven up the number of IPR filings, with approximately two-thirds of the patents

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SERV., R44904, REMEDIES FOR PATENT INFRINGEMENT i (2017) (explaining that only the courts have power to award damages).

34. See *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018) (explaining that Congress implemented various administrative remedies, such as the ex parte reexamination, to prevent “bad patents” from “slip[ping] through [the system]”).

35. 157 CONG. REC. 3403 (2011) (statement of Sen. Mark Udall).

36. See 28 U.S.C. § 1338(a) (federal district courts have original jurisdiction over any civil action related to patents); see also Pedram Sameni, *Patexia Insight 74: Patents Increased by 16% and Litigation by 2% but IPR Dropped by 20% in 2019*, PATEXIA (Jan. 2, 2020), <https://www.patexia.com/feed/patexia-chart-74-the-year-in-review-2019-patent-litigation-and-prosecution-20200102> [https://perma.cc/U2UY-FVYN] (showing there were 5,874 court filings in 2015 and only 3,587 in 2019).

37. USPTO TRIAL STATISTICS NOVEMBER 2020, *supra* note 6, at 3, 6; U.S. PAT. & TRADEMARK OFF., PTAB TRIAL STATISTICS: FY20 END OF YEAR OUTCOME ROUNDUP 3 (2020) [hereinafter USPTO TRIAL STATISTICS FY2020 END OF YEAR OUTCOME ROUNDUP], [https://www.uspto.gov/sites/default/files/documents/ptab\\_aia\\_fy2020\\_roundup.pdf](https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2020_roundup.pdf) [https://perma.cc/PE2H-ADQR].

38. *U.S. Patent Statistics Chart Calendar Years 1963–2020*, U.S. PAT. & TRADEMARK OFF. [hereinafter *Patent Statistics Chart*], [https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm) [https://perma.cc/XE7J-82NJ].

challenged in an IPR also involved in a preceding district court litigation with the same parties and patents.<sup>39</sup>

IPR functions in a similarly adversarial manner to district court litigation, but its scope and remedies are narrower.<sup>40</sup> The scope of an IPR is limited to challenging the validity of the claims of one patent for lack of novelty or obviousness.<sup>41</sup> Also, a petitioner can only assert prior art patents and printed publications to prove invalidity.<sup>42</sup> The only remedy in an IPR is invalidation of the challenged claims of the challenged patent.<sup>43</sup> Another key difference between IPR and district court litigation that makes IPR a popular alternative is the adjudicatory body, which is a panel of administrative patent judges (APJs) at the PTAB as opposed to an Article III judge or jury, who often lack technical knowledge of the subject matter of the patent.<sup>44</sup> The final decision from either an IPR or district court litigation is appealable to the U.S Court of Appeals for the Federal Circuit.<sup>45</sup>

*a. The new process of IPR with the additional NHK-Fintiv hurdle*

The IPR process begins when an individual who is not the owner of the patent at issue files a petition with the USPTO.<sup>46</sup> The contents of

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39. See *The PTAB Sees a Relatively Small Percentage of Patents Litigated in District Court*, RPX (Sept. 16, 2020), <https://www.rpxcorp.com/data-byte/the-ptab-sees-a-relatively-small-percentage-of-patents-litigated-in-district-court> [https://perma.cc/5E4S-B5J2] (“[D]istrict court litigation has been a key driver of PTAB proceedings, as nearly two thirds of the patents challenged in IPR petitions have a preceding district court case.”); see also USPTO TRIAL STATISTICS FY2020 END OF YEAR OUTCOME ROUNDUP, *supra* note 37, at 9, 17 (illustrating that 1,193 patents were challenged at PTAB in fiscal year 2020).

40. Jason Mock, *Post-Grant Proceedings at the USPTO and the Rising Tide of Federal Circuit Appeals*, 25 FED. CIR. BAR J. 15, 17–19 (2015).

41. In a district court action, parties can challenge any ground of validity or enforceability including prior use or sale, indefiniteness, written description, enablement, or inequitable conduct. Jason E. Stach & Jeffrey A. Freeman, *District Court or the PTO: Choosing Where to Litigate Patent Invalidity*, FINNEGAN (Mar./Apr. 2014), <https://www.finnegan.com/en/insights/articles/district-court-or-the-pt-choosing-where-to-litigate-patent.html> [https://perma.cc/R7K8-ABEA].

42. 35 U.S.C. § 311(b).

43. *Id.*; cf. THOMAS, *supra* note 33, at 1 (explaining that in district court litigation, parties can obtain injunctions, monetary damages, and attorney fees).

44. See 35 U.S.C. § 6(a) (“[A]dministrative patent judges shall be persons of competent legal knowledge and scientific ability.”); see also Michael Goodman, *What’s So Special about Patent Law?*, 26 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 797, 842–43 (2016) (discussing the necessary technical background of APJs and the benefits of this technical knowledge in resolving patent disputes).

45. 35 U.S.C. § 141.

46. *Id.* § 311(a).

the petition must include the following: 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.<sup>47</sup> The owner of the challenged patent then has the opportunity to file a preliminary response to this petition, explaining why the IPR should not be instituted based on the merits or for discretionary reasons.<sup>48</sup> If an IPR is instituted, the PTAB reviews the patent claims at issue for validity in light of the challenges raised.<sup>49</sup> Until recently, the patent owner mainly focused on why the petition did not meet the statutorily set merit standard of § 314(a) in its preliminary response, but *NHK-Fintiv* opened up a significant new rationale for denying institution to an otherwise meritorious petition.<sup>50</sup> Now, since these two decisions were made precedential,<sup>51</sup> in situations where the parties are involved in parallel proceedings, both the petitioner and patent owner typically brief the PTAB on how the petition does or does not overcome the *NHK-Fintiv* test in their initial filings.<sup>52</sup>

When the petitioner submits their initial brief, they not only include why the claims of the patent should be invalidated but also information about the stage of the parallel proceeding so that the PTAB can weigh that information in making its institution decision.<sup>53</sup> In their response,

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47. *Id.* § 312(a)(3).

48. *Id.* § 313.

49. *Id.* §§ 6(b), 316(c).

50. IPRs have two phases: institution and trial. If the Director does not decide to institute (i.e. grant) review then the PTAB does not review the patentability of the challenged claims. *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76 (Fed. Cir. 2014); *see also* 37 C.F.R. § 42.107 (2020) (“The response is limited to setting forth the reasons why no inter partes review should be instituted under 35 U.S.C. [§ ] 314.”).

51. *See* U.S. PAT. & TRADEMARK OFF., PATENT TRIAL AND APPEAL BOARD STANDARD OPERATION PROCEDURE 2, at 11 (Rev. 10, 2018) [hereinafter PTAB SOP MANUAL], <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf> [<https://perma.cc/XJ87-RB7D>] (“A precedential decision is binding Board authority in subsequent matters involving similar facts or issues.”).

52. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11, at 2–15 (P.T.A.B. Mar. 20, 2020); 2019 USPTO TRIAL PRACTICE GUIDE, *supra* note 19, at 55 (noting the factors that the Board considers when it decides whether to institute review). The six factors are detailed *infra*, Section I.B.1 and text accompanying note 119.

53. When parties do not include information about the *NHK-Fintiv* factors in their initial filing, the PTAB will sometimes ask for supplemental briefing. *See, e.g.*, *Sand Revolution II, LLC v. Cont’l Intermodal Grp. – Trucking LLC*, No. IPR2019-01393, Paper 19, at 2–3 (P.T.A.B. Apr. 7, 2020) (warranting supplemental briefing based on the petitioner’s request for rehearing to include information about the parallel proceeding).

the patent owner argues not only why the petitioner will not succeed in invalidating claims of the patent but also why the *NHK-Fintiv* factors indicate that IPR would be a waste of the PTAB's resources, thereby persuading the PTAB to deny meritorious petitions that it would otherwise review.<sup>54</sup>

After receiving both parties' briefs, the PTAB then decides whether to institute an IPR within three months using its discretionary authority under § 314(a).<sup>55</sup> The PTAB may not institute an IPR unless the petitioner meets the merit standard of showing "a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the challenged claims."<sup>56</sup> Additionally, when there is a parallel proceeding (which occurs with more than two-thirds of the patents challenged), the Board also applies the *NHK-Fintiv* test.<sup>57</sup> The PTAB's determination of whether to institute an IPR is final and nonappealable.<sup>58</sup> Accordingly, a petitioner who has been denied institution has little to no recourse.<sup>59</sup>

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54. See, e.g., *Medtronic CoreValve LLC v. Colibri Heart Valve LLC*, No. IPR2020-01454, Petition for Inter Partes Review, at 22 (P.T.A.B. Sept. 2, 2020) (petitioner arguing co-pending district court proceedings do not warrant discretionary denial under § 314(a) when applying *NHK-Fintiv* factors); see also *Medtronic CoreValve LLC v. Colibri Heart Valve LLC*, No. IPR2020-01454, Patent Owner's Preliminary Response under 35 U.S.C. and 37 C.F.R. § 42.107, at 16–28 (P.T.A.B. Dec. 10, 2020) (patent owner's response indicating *NHK-Fintiv* factors weigh in favor of the PTAB exercising discretion to deny under § 314(a)).

55. 35 U.S.C. § 314(a)–(b).

56. *Id.* § 314(a).

57. *The PTAB Sees a Relatively Small Percentage of Patents Litigated in District Court*, *supra* note 39. Since the *NHK-Fintiv* test is a "policy" adopted through precedential decision making, neither the petitioner nor the patent owner "bear the burden" of overcoming the test; rather, the ALJs sitting on the panel analyze the factors based on the information provided in the Petition and the Patent Owner Response.

58. § 314(d); see *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2136 (2016) (holding that the meaning of "final" and "nonappealable" in 35 U.S.C. § 314(d) is not solely limited to grounds not expressly raised by the petitioner).

59. An unsuccessful petitioner has two options to have the decision reviewed: file a Request for Rehearing with the USPTO or seek mandamus. Requests for Rehearing are reviewed under the "abuse of discretion" standard and require the petitioner to prove that "the Board misapprehended or overlooked" a matter. See 37 C.F.R. § 42.71(c)–(d) (2020); see also *Requesting a Motion for Reconsideration/Rehearing at the PTAB? What You Need to Know*, JONES DAY (Nov. 2014), <https://www.jonesday.com/en/insights/2014/11/requesting-a-motion-for-reconsiderationrehearing-at-the-ptab-what-you-need-to-know> [<https://perma.cc/2B2R-GX5K>] (noting that requests for rehearing are "almost always denied" after analyzing approximately 200 decisions and finding only a 3.5% success rate for requests relating to the institution decision); *In re*

For those lucky patent challengers who sneak through this new and unpredictable discretionary institution phase to find their petition granted, an IPR is instituted, and the PTAB reexamines the patent claims at issue for validity in light of the challenges raised.<sup>60</sup> Considering that IPRs are adversarial, trial-like proceedings, the petitioner and the patent owner are entitled to discovery;<sup>61</sup> to file affidavits, declarations, and written memoranda;<sup>62</sup> and to have an oral hearing before the PTAB.<sup>63</sup> During an IPR, the patent owner may move to amend the patent by canceling a claim or by proposing substitutes, but these requests are rarely granted.<sup>64</sup> Sometimes, the parties settle and move to terminate the proceeding before the PTAB issues a final decision.<sup>65</sup> If the proceeding is not terminated, the PTAB issues a final written decision no later than one year after it instituted the IPR.<sup>66</sup> The

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Cisco Sys. Inc., 834 F. App'x 571, 573 (Fed. Cir. 2020) (seeking mandamus but not meeting the high standard requiring establishment of a clear and indisputable right to relief). Numerous parties have filed writs of mandamus and certiorari, but to date, no party has been successful in having its discretionary denial reviewed by a court. *See, e.g.*, Petition for a Writ of Certiorari, Apple Inc. v. Optis Cellular Tech., LLC, Nos. 2021-1043, 2021-1044, 2021-1046, 2020 WL 7753630 (Fed. Cir. Dec. 21, 2020).

60. 35 U.S.C. §§ 6, 316(c); SAS Inst. Inc. v. Iancu, 138 S. Ct. 1348, 1353 (2018). The PTAB has the authority to invalidate patents, even though it is not an Article III court and there is no jury because the grant of a patent falls within the public-rights doctrine, and Congress has significant latitude to assign adjudication of public rights to entities other than Article III courts. *See* Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC, 138 S. Ct. 1365, 1370 (2018) (holding that inter partes review does not violate Article III or the Seventh Amendment right to trial by jury).

61. 35 U.S.C. § 316(a)(5).

62. *Id.* § 316(a)(8).

63. *Id.* § 316(a)(10).

64. *Id.* § 316(d)(1); *see* VENABLE FITZPATRICK, 2020 Analysis on PTAB Contested Proceedings, POST GRANT HQ REP., June 30, 2020, at 9, <https://www.venable.com/-/media/files/publications/2020/11/2020-analysis-on-ptab-contested-proceedings.pdf> [<https://perma.cc/RU8S-5MDW>] (finding a 10.5% grant rate with only 40 out of 341 motions to amend granted since 2017).

65. 35 U.S.C. § 317(a); *see* USPTO TRIAL STATISTICS NOVEMBER 2020, *supra* note 6, at 8–9 (noting an average of 15% settle pre-institution and 25% settle post-institution for a total of approximately 40% of parties settling before a final written decision is issued).

66. 35 U.S.C. §§ 316(a)(11), 318(a). The PTAB can extend the trial up to six months beyond the statutorily provided twelve months for issuance of a final written decision but only for “good cause,” 37 C.F.R. § 42.100(c) (2020), which may include providing the PTAB and/or parties sufficient time to analyze and integrate the guidance of newly decided precedential case law. *See* Minerva Surgical, Inc., v. Hologic, Inc., No. IPR2016-00868, Paper 57, at 1–2 (P.T.A.B. Oct. 5, 2017) (“Because of the potential impact of *Aqua Products* and limited amount of time for the Board and parties

entire process from petition filing to final decision typically takes about eighteen months.<sup>67</sup> Parties can appeal the final decision to the Federal Circuit.<sup>68</sup>

IPRs have become a popular forum since their inception for a variety of reasons. First, IPR is not as costly as district court litigation.<sup>69</sup> Second, petitioners in IPR proceedings have a lower burden of proof (preponderance of the evidence)<sup>70</sup> than in civil cases in district court where patents are presumed valid, and challengers can only overcome this presumption with clear and convincing evidence.<sup>71</sup> Third, IPR is relatively quick, taking only eighteen months from start to finish compared with district court litigation, which usually takes more than four-and-a-half years to complete, not including likely appeals and post-decision motions.<sup>72</sup> Fourth, petitioners succeed in invalidating

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to analyze the guidance provided in *Aqua Products* and apply it to this proceeding, the Chief Judge has determined that good cause exists to extend the one-year period for issuing a Final Written Decision.”).

67. 35 U.S.C. § 316(a)(11).

68. *Id.* § 141(c).

69. Josh Landau, *Inter Partes Review: Five Years, over \$2 Billion Saved*, PAT. PROGRESS (Sept. 14, 2017), <https://www.patentprogress.org/2017/09/14/inter-partes-review-saves-over-2-billion> [<https://perma.cc/57RU-BFAY>] (noting that the IPR system has helped plaintiffs and defendants save over \$2.31 billion in deadweight losses).

70. 35 U.S.C. § 316(e).

71. *Id.* § 282(a); *see also* *Microsoft Corp. v. 141 Ltd. P’ship*, 564 U.S. 91, 95 (2011) (holding that defendants must persuade the fact finder of invalidity by clear and convincing evidence).

72. 35 U.S.C. §§ 316(a)(11), 318(a). The median time to trial of sixty patent cases from 2013 to 2017 was over two and a half years. *See* LANDAN ANSELL ET AL., PWC, 2018 PATENT LITIGATION STUDY 4 (2018), <https://www.ipwatchdog.com/wp-content/uploads/2018/09/2018-pwc-patent-litigation-study.pdf> [<https://perma.cc/9YHL-V2AB>] (explaining that despite PTAB delays, the time to trial has not increased from 2013 to 2017).

claims in an IPR more often<sup>73</sup> than in patent suits in district court.<sup>74</sup> Finally, the Federal Circuit generally affirms appeals from IPR.<sup>75</sup>

These reasons make clear why petitioners prefer IPR to district court litigation. However, it is becoming increasingly difficult for petitioners to obtain institution of their IPR petitions considering the PTAB's reliance on discretionary denials under § 314(a).<sup>76</sup>

*B. Mapping the Contours of Discretionary Denials—Institution Decisions, Statutes, Case Law, and Rulemaking Authority of the USPTO*

Since the USPTO is an administrative agency, and IPR is an administrative proceeding, understanding the extent of the USPTO's discretion to deny meritorious IPR petitions requires an examination of multiple interacting factors. This Section details the statutory scheme of the AIA, provides background on the important institution decisions, explains the case law indirectly interpreting § 314(a), and describes the rulemaking authority of the USPTO to inform whether the *NHK-Fintiv* test comports with the AIA.

*1. Discretionary denial statutory authority*

Two statutes provide guidance to the USPTO regarding when to accept or reject IPR petitions: one more general, § 314(a), and one

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73. From September 16, 2012, to September 30, 2020, the PTAB issued 3,414 final written decisions in IPR proceedings. Of those decisions, in 673 (20%), all instituted claims were found patentable; in 627 (18%), some instituted claims were found unpatentable; and, in 2,114 (62%), all instituted claims were found unpatentable. See U.S. PAT. & TRADEMARK OFF., TRIAL STATISTICS IPR, PGR, CBM: PATENT TRIAL AND APPEAL BOARD 11 (2020), [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20200930.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf) [<https://perma.cc/CH8W-Y6ZA>].

74. A sample of district court decisions shows “roughly 43.0[%] of patents that went to a final judgment on validity were invalidated, the technology-specific numbers ranged from a low of 21.4[%] for optics and 25.6[%] for chemistry to a high of 80.0[%] for biotechnology.” John R. Allison et al., *Our Divided Patent System*, 82 U. CHI. L. REV. 1073, 1099 (2015).

75. Daniel F. Klodowski et al., *Federal Circuit PTAB Appeal Statistics Through April 30, 2020*, FINNEGAN (May 29, 2020), <https://www.finnegan.com/en/insights/blogs/at-the-ptab-blog/federal-circuit-ptab-appeal-statistics-through-april-30-2020.html> [<https://perma.cc/P69A-6HQR>] (“The Federal Circuit affirmed the PTAB on every issue in 524 (72.98%) cases and reversed or vacated the PTAB on every issue in 100 (13.93%) cases. A mixed outcome on appeal, where at least one issue was affirmed and at least one issue was vacated or reversed, occurred in 68 (9.47%) cases.”).

76. See Colletti, *supra* note 11 (warning defendants of the increased risks of denial especially in fast-moving dockets).



more specific, § 325(d). Section 314(a), the general threshold merit standard, states:

[t]he Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition . . . and any response filed . . . show[] that there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition.<sup>77</sup>

During the March 2011 AIA debates, Senator Jon Kyl characterized § 314(a) as an elevated threshold for initiating post-grant review proceedings, explaining that this provision allows the PTAB to avoid accepting challenges that would likely fail.<sup>78</sup> Senator Kyl also noted this elevated threshold would require challengers to front-load the review process, showing their hand at the outset to prevent reviews from “mushrooming” after review is instituted.<sup>79</sup> Congress referred to § 314(a) as a “safety valve” that the USPTO could employ “to decline to institute further proceedings if a high volume of pending proceedings threatens the [USPTO’s] ability to timely complete all proceedings.”<sup>80</sup> Accordingly, § 314(a) gives the PTAB general authority to institute review of the challenged claims of a “bad” patent when a petition presents information showing a reasonable likelihood of success in proving the challenged claims are invalid.<sup>81</sup>

Section 325(d) provides more specific guidance regarding when the USPTO can exercise discretion in denying a petition that meets the general § 314(a) threshold standard, i.e., presents information that is reasonably likely to invalidate the challenged claims. Specifically, § 325(d) addresses “multiple proceedings” and notes that “the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.”<sup>82</sup> When the PTAB exercises discretion under § 325(d), it considers two questions. First, objectively, has the patent office previously been presented with or

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77. 35 U.S.C. § 314(a).

78. 157 CONG. REC. 3428 (2011) (statement of Sen. Jon Kyl).

79. *Id.* at 3430; *see also id.* at 2849 (expressing the same sentiment during an earlier debate and noting that the elevated threshold would increase the efficiency of proceedings).

80. *Id.* at 3429–30.

81. *Id.* at 3403 (statement of Sen. Mark Udall).

82. *See* 35 U.S.C. § 325(d); *see also* 37 C.F.R. § 42.4(a) (delegating this discretion to the PTAB).

considered the art at issue during examination or in another post-grant review?<sup>83</sup> Second, subjectively, has the petitioner presented new ways or teachings to modify and combine references than was previously presented to the patent office or did the Examiner err in their analysis of those references?<sup>84</sup> Discretionary denial authority under § 325(d) is well supported in the legislative history and serves specific purposes, namely, to complement the estoppel provisions and prevent against abuse of IPR.<sup>85</sup>

Various other statutes advise the PTAB when it is appropriate to deny petitions, but none are discretionary.<sup>86</sup> For example, § 315(b) specifically establishes a one-year time bar and mandates denial of a petition that was filed more than a year after the petitioner is served with a complaint alleging infringement of the patent.<sup>87</sup> The additional provisions of § 315, which is titled “[r]elation to other proceedings or actions,” set forth when an IPR is barred by civil action, stays of civil action, joinder, consolidation of multiple proceedings, and estoppel.<sup>88</sup> Inclusion of this provision indicates that Congress understood the intersection of IPR and parallel proceedings.<sup>89</sup>

Finally, when the PTAB exercises its discretionary denial authority to prevent institution of a petition, § 314(d) usually prevents courts from reviewing the decision. Section 314(d) provides “[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”<sup>90</sup> After

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83. Jason D. Eisenberg & Trent W. Merrell, *The PTAB Gives Section 325(d) Sharp Teeth*, STERNE KESSLER (May 2018), <https://www.sternekeessler.com/news-insights/publications/ptab-gives-section-325d-sharp-teeth> [<https://perma.cc/9D6T-FWWN>] (listing questions that the PTAB may consider when determining whether the art at issue has previously been presented and considered).

84. Kelly Eberspecher & Katherine Cappaert, *A Shield and a Sword: 325(d) Arguments at the PTAB*, LAW360 (Mar. 21, 2018, 12:46 PM), <https://www.law360.com/articles/1022912/a-shield-and-a-sword-325-d-arguments-at-the-ptab>; see also *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GMBH*, No. IPR2019-01469, Paper 6 (P.T.A.B. Feb. 13, 2020) (considering Examiner error during prosecution).

85. 157 CONG. REC. 3429 (2011) (statement of Sen. Jon Kyl) (“[S]ection 325(d) . . . will prevent parties from mounting attacks on patents that raise issues that are substantially the same as issues that were already before the Office with respect to the patent.”).

86. See 35 U.S.C. §§ 311–15 (listing other grounds to consider during the institution decision).

87. *Id.* § 315(b).

88. *Id.* § 315.

89. *Id.*

90. *Id.* § 314(d).

recognizing the “strong presumption” in favor of judicial review, the Supreme Court explained that § 314(d) “forbid[s] an appeal that attacks a ‘determination . . . whether to institute’ review.”<sup>91</sup> The scope of § 314(d) is limited to matters implicating the application and interpretation of statutes closely related to the institution decision.<sup>92</sup> Since the *NHK-Fintiv* policy touches on whether to institute an IPR, the Federal Circuit has been weary of reviewing institution decisions applying the *NHK-Fintiv* policy.<sup>93</sup>

## 2. *Institution decisions showing the evolution of discretionary denials under § 314(a)*

Through a series of precedential institution decisions, the PTAB has expanded the contours of its discretionary denial authority.<sup>94</sup> Initially, the PTAB appeared to view § 314(a) as simply establishing the threshold “reasonable likelihood” of success standard for institution.<sup>95</sup> During the notice-and-comment rulemaking process for IPR regulations, the PTAB recognized only two forms of discretion under § 314(a): (1) the interpretation of the “reasonable likelihood” standard,<sup>96</sup> and (2) “whether the review could be timely completed.”<sup>97</sup> The PTAB also recognized its ability to exercise discretion based on other statutory authority, specifically under § 325(d), which allows the PTAB to deny institution when the petitioner presents arguments and prior art that the USPTO has already considered.<sup>98</sup>

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91. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2139–40 (2016).

92. *Id.* at 2141.

93. *See Mylan Lab’ys Ltd. v. Janssen Pharmaceutica, N.V.*, 989 F.3d 1375 (Fed. Cir. 2021) (noting that the Federal Circuit’s scope of review over institutional decisions is limited because the decision is committed to the USPTO), *cert. granted*, No. 21-202 (U.S. Aug. 12, 2021).

94. Andrew Holtman & Melissa Gibson, *What You Missed At PTAB: Contours of IPR Institution Denial*, LAW360 (Aug. 6, 2020, 1:44 PM), <https://www.law360.com/articles/1297073/what-you-missed-at-ptab-contours-of-ipr-institution-denial> (highlighting several precedential decisions in which the PTAB exercised discretion to deny institution of a petition).

95. *See* 77 Fed. Reg. 48,754, 48,765 (Aug. 14, 2012) (“In instituting the trial, the Board will consider whether or not a party has satisfied the relevant statutory institution standard.”); *see also* *Microsoft Corp. v. ProxyConn, Inc.*, No. IPR2012-00026, Paper 17, at 2 (P.T.A.B. Dec. 21, 2012) (“The standard for instituting an *inter partes* review is set forth in 35 U.S.C. § 314(a) . . .”).

96. 77 Fed. Reg. at 48,765 (Aug. 14, 2012) (“The ‘reasonable likelihood’ standard is a somewhat flexible standard that allows the Board room to exercise judgment.”).

97. 77 Fed. Reg. 48,680, 48,702 (Aug. 14, 2012) (response to comment 57).

98. *PTAB/District Court Trial Date Denials Spiraling Upward: PTAB Discretionary Denials Third-Quarter Report*, UNIFIED PATS. (Oct. 21, 2020), <https://www.>

Though the PTAB had hinted at its authority to exercise discretion regarding institution of an IPR under § 314(a) as early as 2013,<sup>99</sup> it never explicitly separated its discretionary authority under § 314(a) from its discretionary authority under § 325(d) until *General Plastic Industrial Co. v. Canon Kabushiki Kaisha*<sup>100</sup> in 2017.<sup>101</sup> In *General Plastic*, the petitioner simultaneously filed petitions seeking review of two patents, both of which the PTAB denied on the merits.<sup>102</sup> Subsequently, General Plastic filed two new petitions challenging the same patents but based on different prior art.<sup>103</sup> For each of these “follow-on” petitions, the PTAB exercised its discretion to deny institution under § 314(a) after applying a seven-factor framework<sup>104</sup> for analyzing serial IPR petitions.<sup>105</sup> The PTAB explained that this case involved “sequential attacks” on the same claims, which gave the petitioner the opportunity to change positions along the way, thus imposing inequities on the patent owner.<sup>106</sup> In applying the seven

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unifiedpatents.com/insights/2020/10/21/ptabdistrict-court-trial-date-denials-spiraling-upward-ptab-discretionary-denials-third-quarter-report [https://perma.cc/PE6C-JW49]; see also *Becton, Dickinson & Co. v. B. Braun Melsungen AG*, No. IPR2017-01586, Paper 8, § III.C.5 (P.T.A.B. Dec. 15, 2017) (applying and delineating discretionary factors applied by the Board in evaluating whether to exercise discretion to deny under section 325(d) when the same or substantially the same prior art or arguments previously were presented). The PTAB recently refined the *Becton, Dickinson* factors to a two-prong framework in *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GMBH*, No. IPR2019-01469, Paper 6, at 7 (P.T.A.B. Feb. 13, 2020).

99. See *Intelligent Bio-Sys., Inc. v. Illumina Cambridge Ltd.*, No. IPR2013-00324, Paper 19 at 4 (P.T.A.B. Nov. 21, 2013) (“Congress did not mandate that [IPR] must be instituted under certain conditions. Rather, . . . Congress made institution discretionary.”).

100. No. IPR2016-01357, Paper 19 (P.T.A.B. Sept. 6, 2017).

101. Previous denials relied on 37 C.F.R. § 42.108; see also *Zetec, Inc. v. Westinghouse Elec. Co.*, No. IPR2014-00384, Paper 10, at 5 (P.T.A.B. July 23, 2014) (“The standard for institution [under § 314(a)] is written in permissive terms . . . [t]hus, Congress has given the Office discretion whether to institute a review or not institute a review.”).

102. *Gen. Plastic*, No. IPR2016-01357, Paper 19, at 2, 6 (P.T.A.B. Sept. 6, 2017).

103. *Id.* at 2–3, 6–8.

104. The PTAB previously applied the framework in two cases, but the denials remained under 37 C.F.R. § 42.108. See *NVIDIA Corp. v. Samsung Elecs. Co.*, No. IPR2016-00134, Paper 9 (P.T.A.B. May 4, 2016) (exercising discretion to deny IPR institution of petitioner’s serial attacks on the same claims); *LG Elecs. Inc. v. Core Wireless Licensing S.A.R.L.*, No. IPR2016-00986, Paper 12 (P.T.A.B. Aug. 22, 2016) (denying IPR institution after applying the seven-factor framework).

105. *Gen. Plastic*, No. IPR2016-01357, Paper 19, at 3 (P.T.A.B. Sept. 6, 2017).

106. *Id.* at 11.

factors, the PTAB sought to balance prejudice to the patentee with administrative inefficiencies of multiple petitions.<sup>107</sup> This decision caused less controversy, presumably because serial petitions are rare, and the legislative history contemplates denial when IPR is “used as [a] tool[] for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent.”<sup>108</sup>

Just one year after *General Plastic*, the PTAB extended its discretionary denial authority under § 314(a) from applying only in instances of serial petitions to denying petitions based on the existence of parallel district court litigation.<sup>109</sup> In *NHK Spring*, the petitioner requested an IPR of several claims of a patent directed to a low profile swage mount for attaching a suspension assembly to an actuator arm in a hard disk drive.<sup>110</sup> The PTAB denied institution under § 314(a) because the parallel district court case involved the same parties and was scheduled to go to trial six months before the PTAB would finish reviewing the merits and issue a final written decision.<sup>111</sup> The PTAB reasoned that IPR would be an inefficient use of resources because the district court proceeding was “nearing its final stages.”<sup>112</sup> The PTAB clarified that just “because we exercise our discretion to deny the Petition under § 325(d) does not mean that we cannot consider and weigh additional factors that favor denying institution under § 314(a).”<sup>113</sup> Decisions with parallel proceedings following *NHK-Spring*

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107. *Id.* at 17.

108. H.R. REP. NO. 112-98, at 48 (2011).

109. *See* *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018) (differentiating discretionary authority under § 314(a) and § 325(d) explicitly).

110. *Id.* at 2.

111. *Id.* at 20. The PTAB also relied on its discretionary authority under § 325(d), noting that the petition relied on substantially the same prior art and arguments set forth in the district court litigation. *Id.* The district court ended up postponing the parallel district court trial for more than eight months, so the PTAB’s decision would have been issued before the trial and ultimate settlement. Tom Ritchie & Matthew Johnson, *NHK § 314(a) Analysis Results in Denial*, JONES DAY (Oct. 28, 2019), <https://www.ptablitigationblog.com/nhk-%C2%A7-314a-analysis-results-in-denial> [<https://perma.cc/A575-9SCA>].

112. *NHK Spring*, No. IPR2018-00752, Paper 8, at 20 (P.T.A.B. Sept. 12, 2018).

113. *Id.* The PTAB also cited the August 2018 Update to the Office Patent Trial Practice Guide which invited parties to address additional factors that may bear on the PTAB’s discretionary decision to institute or not under §§ 314(a) and 325(d). *See* 83 Fed. Reg. 39,989, 39,989 (Aug. 13, 2018) (“The Office publishes the [Trial Practice Guide] to provide practitioners with guidance on typical procedures and times for

led to various results, but the proposition that temporal proximity of the trial date can be used as an independent basis to deny under § 314(a) stuck.<sup>114</sup>

*NHK-Spring* opened the floodgates and allowed petitions to be denied based on an early trial date in parallel proceedings.<sup>115</sup> The USPTO subsequently issued a new *Trial Practice Guide* in 2019, which explicitly authorized the PTAB to contemplate “various considerations” when deciding whether to exercise discretion under § 314(a), leading to a significant increase in denials.<sup>116</sup>

In *Apple Inc. v. Fintiv, Inc.*, the petitioner challenged the validity of a patent directed to a system and method of storing credit cards in a virtual mobile wallet application that allowed contactless payment, which was also the subject of district court litigation.<sup>117</sup> After asking for supplemental briefing on the status of the parallel proceeding and the issue of discretion under § 314(a), the PTAB articulated for the first time a six-factor test.<sup>118</sup> The six factors are

- (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

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taking action in AIA trials, as well as to ensure consistency of procedure among panels of the Board.”).

114. See Ritchie & Johnson, *supra* note 111 (reminding practitioners that “[t]he PTAB has discretion to deny an IPR that would not conclude before a trial date set in a parallel district court case,” even if a petition is filed before the one-year time bar under § 315(b)).

115. See, e.g., *Mylan Pharms., Inc. v. Bayer Intell. Prop. GMBH*, No. IPR2018-01143, Paper 13, at 1, 13–14 (P.T.A.B. Dec. 3, 2018) (denying institution with trial four months away); *Amazon.com, Inc. v. CustomPlay, LLC*, No. IPR2018-01496, Paper 12, at 2, 7, 10, 44 (P.T.A.B. Mar. 7, 2019) (granting institution with trial five months away); *E-One, Inc. v. Oshkosh Corp.*, No. IPR2019-00161, Paper 16, at 6, 9 (P.T.A.B. May 15, 2019) (denying institution with trial eleven months away).

116. See Tran, *supra* note 16 (analyzing the impact of *NHK-Spring*); see also 2019 USPTO TRIAL PRACTICE GUIDE, *supra* note 19, at 55.

117. *Id.* at 3.

118. *Id.* at 2, 6–8.

(6) other circumstances that impact the Board's exercise of discretion, including the merits.<sup>119</sup>

In setting forth the factors, the PTAB explained the policy would balance “efficiency, fairness, and the merits” and presumably allow practitioners involved in parallel litigation who seek IPR to assess whether their petition will be accepted.<sup>120</sup> The PTAB also stated it takes a “holistic view” to determine “whether efficiency and integrity of the system are best served by denying or instituting review.”<sup>121</sup> This policy gives the PTAB essentially limitless discretion to deny institution under § 314(a).<sup>122</sup>

Institution rates had held relatively steady at 66% annually until *NHK Spring* and *Fintiv* were designated precedential, making their precedents binding in subsequent matters involving similar facts or issues.<sup>123</sup> Institution rates have now fallen to 56% for 2020 and are estimated to fall to 53% or lower in 2021.<sup>124</sup> Of all denials of institution through July 2020, about a quarter have been procedural.<sup>125</sup> But § 314(a) denials have exploded since 2018, particularly as a percentage of the falling filing numbers and institution rates.<sup>126</sup>

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119. *Id.* at 6.

120. *Id.*

121. *Id.*

122. See 2019 USPTO TRIAL PRACTICE GUIDE, *supra* note 19, at 55 (“In deciding whether to institute the trial, the Board considers at a minimum whether or not a party has satisfied the relevant statutory institution standard.”); *id.* at 58 (“[P]arties may wish to address in their submissions whether any other such reasons exist in their case that may give rise to additional factors that may bear on the Board’s discretionary decision to institute or not institute . . .”).

123. *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018) (designated precedential May 7, 2019); *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (designated precedential May 5, 2020); see also PTAB SOP MANUAL, *supra* note 51, at 1, 3–4 (discussing the make-up of the precedential opinion panel and procedures for designating precedential and informative decisions).

124. USPTO TRIAL STATISTICS NOVEMBER 2020, *supra* note 6, at 6. As of September 30, 2021, the actual institution rate for 2021 is 59%. U.S. PAT. & TRADEMARK OFF., PTAB TRIAL STATISTICS: IPR, PGR, CBM 3 (2021) [https://www.uspto.gov/sites/default/files/documents/ptab\\_aia\\_fy2021\\_\\_roundup.pdf](https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2021__roundup.pdf) [<https://perma.cc/EFA8-VHRM>].

125. *PTAB Discretionary Denials: in the First Half of 2020, Denials Already Exceed All of 2019*, UNIFIED PATS. (July 27, 2020), <https://www.unifiedpatents.com/insights/2020/7/27/ptab-discretionary-denials-in-the-first-half-of-2020-denials-already-exceed-all-of-2019> [<https://perma.cc/M9N5-YAK4>].

126. *PTAB Discretionary Denials Up 60%+ in 2020: Fueled Entirely by 314(a) Denials*, UNIFIED PATS. (Jan. 5, 2021), <https://www.unifiedpatents.com/insights/2020-ptab>

### 3. Case law shaping discretionary denial authority

Since the AIA is still relatively new, courts have had limited opportunities to interpret each provision. This is especially true of § 314(a), which is essentially shielded from interpretation because review of the institution decision is final and cannot be appealed.<sup>127</sup> However, the Supreme Court had the opportunity to weigh in on the meaning of § 314(a) in three cases, beginning with *Cuozzo Speed Technologies, LLC v. Lee*.<sup>128</sup> In *Cuozzo*, the petitioner sought IPR of a claim of a patent directed to a speedometer that monitors the speed limit of the road and alerts the driver when they have exceeded the limit.<sup>129</sup> The PTAB agreed to institute the petition and review the claim but also reviewed two related claims, which were not challenged but depended on the challenged claim.<sup>130</sup> The PTAB issued a final written decision invalidating the claims.<sup>131</sup> *Cuozzo* appealed the institution decision under § 314(d), arguing that the USPTO improperly instituted review.<sup>132</sup>

The Supreme Court held that the language of § 314(d) unequivocally bars judicial review of an institution decision when the appeal raises a mere legal question and nothing more.<sup>133</sup> The Court stated “a contrary holding would undercut one important congressional objective, namely, giving the Patent Office significant power to revisit and revise earlier patent grants.”<sup>134</sup> The Court left open the ability to challenge final written decisions or bring challenges under the Administrative Procedure Act<sup>135</sup> (APA), which enables “courts to ‘set aside agency action’ that is ‘contrary to constitutional right,’ ‘in excess of statutory jurisdiction,’ or ‘arbitrary [and] capricious.’”<sup>136</sup>

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discretionary-denials-report [https://perma.cc/LGC9-VQJK] (noting that § 314(a) denials made up 73% of procedural denials in 2020).

127. See 35 U.S.C. § 314(d) (“The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”).

128. 136 S. Ct. 2131 (2016).

129. *Id.* at 2138.

130. *Id.*

131. *Id.* at 2139.

132. *Id.*

133. *Id.* at 2141.

134. *Id.* at 2139–40.

135. Pub. L. No. 79-404, 60 Stat. 237 (1946) (codified as amended at 5 U.S.C. §§ 551–59, 701–06, 1305, 3105, 3344, 5372, 7521).

136. *Id.* at 2142 (alteration in original); 35 U.S.C. § 319; 5 U.S.C. § 706(2)(A)–(D).



The Court also had an opportunity to consider § 314(a), wherein it explains the “decision to deny a petition is a matter committed to the [USPTO’s] discretion,” noting there is “no mandate to institute review” as that would render the no appeal provision of § 314(d) superfluous.<sup>137</sup> The Court explained the institution decision is a “preliminary” determination of whether there is a “reasonable likelihood” that the claims are unpatentable, making it possible to overcome the “‘strong presumption’ in favor of judicial review” in line with other contexts.<sup>138</sup> The dissent also weighed in on the amount of discretionary authority afforded to the USPTO, noting that though “one can infer from the statutory scheme that the [USPTO] has discretion to deny [IPR] even if a challenger satisfies the threshold requirements for review . . . . [T]he law does not say so directly and Congress may not have thought the point self-evident.”<sup>139</sup>

Two years later, the Court had another opportunity to indirectly consider the bounds of discretionary authority under § 314(a) in *SAS Institute Inc. v. Iancu*.<sup>140</sup> In *SAS*, the petitioner sought IPR of multiple claims of a software patent.<sup>141</sup> The PTAB determined that the petitioner was likely to succeed with respect to at least one of the challenged claims (i.e. had met the merit standard under § 314(a)) but instead of instituting review on all of the claims challenged, it only instituted review on some of the claims and denied review of the rest.<sup>142</sup> The Court held that the plain text of § 318(a) forbids “partial institution” and requires the PTAB to institute review of every claim the petitioner has challenged.<sup>143</sup> The Court went on to address the Director’s argument that § 314(a) affords the PTAB this broad authority, explaining that the text of § 314(a) “says only that the Director can decide ‘whether’ to institute the requested review—not ‘whether *and to what extent*’ review should proceed.”<sup>144</sup> The Court explained “that the petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the [IPR].”<sup>145</sup> *SAS* is an example of the extraordinary situation where § 314(d) does not bar judicial review

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137. *Cuozzo*, 136 S. Ct. at 2140.

138. *Id.*

139. *Id.* at 2153 (Alito, J., dissenting).

140. 138 S. Ct. 1348 (2018).

141. *Id.* at 1354.

142. *Id.*

143. *Id.* at 1354, 1358.

144. *Id.* at 1356.

145. *Id.*

because the USPTO has acted “in excess of statutory jurisdiction, authority, or limitations” by adopting partial institution, and the adoption of the *Fintiv* factors is another instance of these PTAB “shenanigans.”<sup>146</sup>

Most recently, in *Thryv, Inc. v. Click-To-Call Technologies, LP*,<sup>147</sup> the Court again indirectly interpreted the PTAB’s authority under § 314(a). In *Thryv*, the petitioner was served with a complaint in 2001 but waited until 2013 to file an IPR, which exceeded the one-year time bar set forth in § 315(b), yet the PTAB decided to institute review because the 2001 suit ended in a voluntary dismissal without prejudice.<sup>148</sup> The patent owner appealed the institution decision, arguing that a challenge of § 315(b) was not within the scope of the “no appeal” provision of § 314(d).<sup>149</sup> The Court held that § 315(b)’s time limitation is integral to and a condition on which institution is predicated; therefore, it easily meets the *Cuozzo* test barring review of matters “closely tied to the application and interpretation of statutes related to the Patent Office’s decision.”<sup>150</sup>

In explaining the expanse of the no appeal provision of § 314(d), the Court noted that every decision under § 314 must take into account the specifications in other provisions.<sup>151</sup> Accordingly, though the bar on judicial review extends beyond the agency’s threshold determination under § 314(a) of whether the petitioner meets the merit standard, the *SAS* precedent is left intact, allowing challenges to policies and precedents wherein the USPTO has acted outside of its statutory authority, as it has done in promulgating the *Fintiv* policy.<sup>152</sup> Further, *Thryv* reaffirms that § 314(a) sets forth “only . . . the agency’s threshold determination,” noting that the question of whether to institute review must be informed by the application and interpretation of the statutes closely related to the PTAB’s decision whether to institute IPR.<sup>153</sup>

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146. *Id.* at 1359 (citing 5 U.S.C. §§ 706(2)(A), (C)).

147. 140 S. Ct. 1367 (2020).

148. *Id.* at 1371.

149. *Id.*

150. *Id.* at 1373, 1375 (internal quotation marks omitted).

151. *Id.* at 1375.

152. *Id.* at 1376.

153. *Id.* at 1368, 1375.

#### 4. Rulemaking authority of the PTAB

The PTAB, like all federal agencies and agency components, must act within its statutory authority and in compliance with rulemaking procedures.<sup>154</sup> As a general rule, the PTAB has no substantive rulemaking authority.<sup>155</sup> There are some narrow and specific areas where Congress gives the USPTO substantive rulemaking authority; the ability to modify § 314(a) is one of those areas.<sup>156</sup> In effectuating the AIA, Congress appreciated that the law cannot keep pace with innovation and gave the USPTO some authority to promulgate rules to fill in statutory gaps.<sup>157</sup>

The APA governs all actions by executive branch agencies and sets the guidelines of agency rulemaking.<sup>158</sup> To bind the public through a regulation, agency rulemaking generally must involve notice-and-comment procedures.<sup>159</sup> The limited exemptions from notice-and-comment procedures are rules of agency organization, procedure, or practice; interpretive rules that add little substantive interpretation of the law; and general statements of policy.<sup>160</sup> There are a few isolated

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154. David Boundy, *The PTAB Is Not an Article III Court, Part 3: Precedential and Informative Opinions*, 47 AIPLA Q.J. 1, 5 (2019) (explaining limits on a federal agency's rulemaking authority).

155. See, e.g., *Koninklijke Philips Elecs. N.V. v. Cardiac Sci. Operating Co.*, 590 F.3d 1326, 1336–37 (Fed. Cir. 2010) (“[T]he Board . . . must follow judicial precedent instead of [PTO regulations] . . . because the PTO lacks the substantive rulemaking authority to administratively set aside judicial precedent.”); *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996) (noting the statute “does [not] grant the Commissioner the authority to issue substantive rules”).

156. 35 U.S.C. § 316(a)(2) (“The Director shall prescribe regulations . . . setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a) . . .”).

157. 153 CONG. REC. 23,934 (2007) (statement of Rep. Melvin Watt).

158. *Id.* §§ 551–59.

159. *Id.* § 553(b)–(d). Federal notice-and-comment rulemaking begins with an agency publishing notice of a proposed rule in the Federal Register. *Id.* § 553(b). The public then has at least thirty days to comment on the rule. *Id.* § 553(c)–(d). Then the agency determines whether the proposed rule will help accomplish the goals or solve the problems identified based on the reasoning and conclusions on the rulemaking record including the comments, data, expert opinions, and facts. *Id.* § 553(c). See generally *A Guide to the Rulemaking Process*, OFF. OF THE FED. REG., [https://www.federalregister.gov/uploads/2011/01/the\\_rulemaking\\_process.pdf](https://www.federalregister.gov/uploads/2011/01/the_rulemaking_process.pdf) [<https://perma.cc/7WZU-L3E7>] (outlining the agency rulemaking process by describing the role that public comments have in forming the final rule).

160. VANESSA K. BURROWS & TODD GARVEY, CONG. RSCH. SERV., R41546, A BRIEF OVERVIEW OF RULEMAKING AND JUDICIAL REVIEW 6–8 (2011) (noting that rules related

areas where the PTAB specifically has subject matter jurisdiction to issue precedential decisions with binding weight,<sup>161</sup> but these precedents can be at most interpretive rules.<sup>162</sup> Notably, rules binding on USPTO personnel that have adverse effects against applicants, such as the *NHK-Fintiv* policy, are expressly precluded under this subject matter authority.<sup>163</sup> Accordingly, for the PTAB to apply the *NHK-Fintiv* test in institution decisions, the APA is best read as requiring the policy to go through notice-and-comment procedures to ensure interested parties are aware of the new requirements and have a chance to provide feedback.<sup>164</sup>

In response to the PTAB adopting the *NHK-Fintiv* policy, arguably improperly via precedential decision, Apple, Cisco, Google, and Intel collectively filed a lawsuit against the previous USPTO Director, Andrei Iancu.<sup>165</sup> They argued the *NHK-Fintiv* policy is contrary to the legislative history and text of the AIA; the policy is arbitrary and capricious as the factors lead to unpredictable disparities among similarly situated IPR petitions; and the policy is procedurally invalid because it was not adopted through notice-and-comment rulemaking, which the AIA and APA require.<sup>166</sup> Though this complaint was recently dismissed for lack of subject matter jurisdiction, an appeal is likely.<sup>167</sup>

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to how agencies transact business or how agencies perform day-to-day routines are exempt from the notice-and-comment process).

161. The areas of precedential authority include decisions: explaining scope of jurisdiction, exercising housekeeping power including rules binding on personnel, and interpreting ambiguity in procedural regulations of PTAB proceedings. Boundy, *supra* note 154, at 44–45.

162. *Id.* at 46.

163. *See id.* at 44–46 (noting areas where the PTAB has authority to issue precedential decisions).

164. Rules that set forth policies that bind the public must be promulgated by legislative rules. *See* Robert A. Anthony, *Interpretive Rules, Policy Statements, Guidances, Manuals, and the Like—Should Federal Agencies Use Them To Bind The Public?*, 41 DUKE L.J. 1311, 1312 (1992).

165. Complaint for Declaratory and Injunctive Relief, *Apple Inc. v. Iancu*, No. 20-cv-06128, 2020 WL 5198351 (N.D. Cal. Aug. 31, 2020).

166. *Id.* at \*2.

167. Order Granting Motion to Dismiss; Terminating Motion for Summary Judgment, *Apple Inc. v. Iancu*, No. 20-cv-06128 (N.D. Cal. Nov. 10, 2021). The court held that though the plaintiffs demonstrated Article III standing, in view of the Supreme Court's interpretation of § 314(d) in *Cuozzo* and *Thryv*, the court was precluded from reviewing the case because the court would have to analyze "questions that are closely tied to the application and interpretation of statutes related to the [Director's] decision to initiate inter partes review." Order Granting Motion to Dismiss; Terminating Motion for Summary Judgment, *supra*, at 10–11. Accordingly,

Moreover, in response, the USPTO published a request for public comments on the appropriate considerations for instituting trials before the PTAB under the AIA, seemingly in an attempt to correct the procedural invalidity prong of the complaint.<sup>168</sup> The USPTO received over 800 comments, which it will review to determine if the *NHK-Fintiv* policy and other aspects of the proposed rule that would grant broad discretionary denial to institute authority will “help[] . . . ensure that (a) AIA proceedings do not create excessive costs and uncertainty for the patent owner and the system, while (b) meritorious challenges by petitioners can be maintained.”<sup>169</sup>

### C. Complexities of Patent Litigation

With the rise and recent fall of IPRs, as well as the increase in ITC proceedings, the patent litigation landscape has become increasingly complex and unpredictable.<sup>170</sup> In these sprawling patent disputes, parties often use district court, USPTO, and ITC proceedings simultaneously.<sup>171</sup> Now, patent owners commonly first file an

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the court concluded that Supreme Court precedent “forbids this” and they must conclude that the “challenge to the *NHK-Fintiv* rule is barred by § 314(d)” as nonjusticiable. Order Granting Motion to Dismiss; Terminating Motion for Summary Judgment, *Apple Inc. v. Iancu*, No. 20-cv-06128 (N.D. Cal. Nov. 10, 2021). *But see* Ryan Davis, *Fintiv Rule Fight to Continue After Tech Challenge Fails*, LAW360 (Nov. 10, 2021, 9:57 PM), <https://www.law360.com/articles/1439885/fintiv-rule-fight-to-continue-after-tech-challenge-fails> (explaining that the dismal is a “weak decision” and there is a strong argument that the judge did not properly analyze the legal precedent).

168. Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66,502, 66,503–05 (Oct. 20, 2020) [hereinafter USPTO Request for Comments].

169. *Discretion to Institute Trials Before the Patent Trial and Appeal Board*, REGULATIONS.GOV [hereinafter *Comments Received on PTAB Discretion*], <https://www.regulations.gov/document/PTO-C-2020-0055-0001/comment> [<https://perma.cc/9JWV-XJ4G>]; USPTO Request for Comments, 85 Fed. Reg. at 66,505.

170. *See Section 337 Statistics: Number of New, Completed, and Active Investigations by Fiscal Year*, U.S. INT’L TRADE COMM’N, [https://www.usitc.gov/intellectual\\_property/337\\_statistics\\_number\\_new\\_completed\\_and\\_active.htm](https://www.usitc.gov/intellectual_property/337_statistics_number_new_completed_and_active.htm) [<https://perma.cc/TW4Q-9BQD>] (noting there are over 72 active investigations already in the first quarter of 2021, compared with 120 total active investigations in all of 2020); *see also* Linda Sun, Note, *The ITC Is Here to Stay: A Defense of the International Trade Commission’s Role in Patent Law*, 17 NW. J. TECH. & INTELL. PROP. 137, 138 (2019) (discussing the important role the ITC plays in patent disputes by preventing imports of products that infringe valid U.S. patents).

171. Holly Grant, *ITC, District Court, PTAB (Oh, My): Managing Triple-Header Patent Litigation*, PTAB BLOG (May 2, 2016), <https://www.ptab-blog.com/2016/05/02/itc->

infringement suit in district court, which is sometimes accompanied by a request for investigation by the ITC.<sup>172</sup> In response, the potential infringer files for IPR(s), seeking a review of the patent(s) at issue in the parallel proceeding.<sup>173</sup> Understanding the role of IPR in the landscape of complex patent disputes helps illustrate why it is imperative that IPR functions in accordance with congressional intent, as well as to prevent sequential litigation, which forces innovators to spend more on constant proceedings, ultimately decreasing research and development investments.<sup>174</sup>

1. *Example of a traditional patent dispute*

A recent example of this scenario helps illustrate this simultaneous utilization of each forum and how IPRs would sufficiently reduce the need for all these parallel disputes if IPRs functioned as intended. SK Innovation and LG Chem spent years fighting over various patents covering lithium-ion battery cells used in electric vehicles.<sup>175</sup> This dispute followed the standard playbook for complex, high-stakes patent litigation using multiple forums including federal district court, the ITC, and the USPTO.<sup>176</sup> First, LG Chem simultaneously filed a

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district-court-ptab-oh-my-managing-triple-header-patent-litigation [https://perma.cc/X2AD-EMCC] (showing the classic three-forum dispute).

172. See Jacob S. Sherkow, *Administrating Patent Litigation*, 90 WASH. L. REV. 205, 211–12, 259–68 (2015) (interesting discussion about how to remedy this problem).

173. Matthew Bultman, *PTAB Taking Note of Parallel Litigation in Review Decisions*, LAW360 (Oct. 24, 2018, 9:39 PM), <https://www.law360.com/articles/1095512/ptab-taking-note-of-parallel-litigation-in-review-decisions> (“Most of the patents challenged in inter partes review at the PTAB—approximately 85 percent in 2017—are involved in district court litigation . . .”).

174. Josh Landau, *Changes Reducing IPR Institution Rate Have Increased Litigation Frequency and Cost*, PAT. PROGRESS (Nov. 25, 2020), <https://www.patentprogress.org/2020/11/25/changes-reducing-ipr-institution-rate-have-increased-litigation-frequency-and-cost> [https://perma.cc/536V-VA8R] (noting that the higher percentage of procedural denials increases overall litigation costs and creates more incentives to fight in district court thereby further increasing costs).

175. Chris Randall, *SK Innovation & LG Energy Solution Settle US Legal Battle*, ELECTRIVE.COM (Apr. 12, 2021, 11:31 AM), <https://www.electrive.com/2021/04/12/sk-innovation-lg-chem-settle-us-legal-battle> [https://perma.cc/AQA5-FG8U] (summarizing the world-wide legal dispute between SK Innovation and LG Chem, which involved litigation in multiple U.S. and South Korean venues).

176. Blake Brittain, *Google, Sonos Slammed by Court Over Sprawling Patent Dispute*, BLOOMBERG L. (Nov. 23, 2020, 1:09 PM), <https://news.bloomberglaw.com/ip-law/google-sonos-slammed-by-court-over-sprawling-patent-dispute> [https://perma.cc/6XGG-QH7Q] (noting parties in complex patent litigations tend to file lawsuits in

complaint in the District Court of Delaware and at the ITC, alleging infringement of several patents.<sup>177</sup> In response, SK Innovation filed several IPR petitions challenging every patent asserted against it in district court and at the ITC.<sup>178</sup> After analyzing the *Fintiv* factors and concluding that the “[p]etitioner present[ed] a reasonably strong case of unpatentability,” the PTAB still exercised its discretion to deny the petition, concluding that “the ITC will address most, if not all, of the issues presented by the parties six months before our projected date to issue a final written decision.”<sup>179</sup>

However, denying the petition based on a pending ITC investigation is problematic because the ITC cannot invalidate patents, so even if the ITC “address[es] . . . the issues,” the decision will have no collateral estoppel effect in court.<sup>180</sup> Had the PTAB accepted the petitions, which it could have done since the petitioner met the merit standard, the

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multiple US district courts, at the ITC, and with the USPTO, as well as in various countries).

177. LG Chem, Ltd. v. SK Innovation Co., No. 1-19-cv-01805 (D. Del. 2021); *Certain Lithium-Ion Battery Cells, Battery Modules, Battery Packs, Components Thereof, and Products Containing the Same*, Inv. No. 337-TA-1181 (Sept. 26, 2019) (inactive).

178. SK Innovation Co. v. LG Chem, Ltd., No. IPR2020-00981, Paper 3 (P.T.A.B. May 26, 2020); SK Innovation Co. v. LG Chem, Ltd., No. IPR2020-00982, Paper 3 (P.T.A.B. May 26, 2020); SK Innovation Co. v. LG Chem, Ltd., No. IPR2020-00987, Paper 3 (P.T.A.B. May 26, 2020); SK Innovation Co. v. LG Chem, Ltd., No. IPR2020-00991, Paper 3 (P.T.A.B. May 27, 2020); SK Innovation Co. v. LG Chem, Ltd., No. IPR2020-00992, Paper 3 (P.T.A.B. May 27, 2020); SK Innovation Co. v. LG Chem, Ltd., No. IPR2020-01036, Paper 3 (P.T.A.B. June 4, 2020); SK Innovation Co. v. LG Chem, Ltd., No. IPR2020-01239, Paper 4 (P.T.A.B. July 6, 2020); SK Innovation Co. v. LG Chem, Ltd., No. IPR2020-01240, Paper 3 (P.T.A.B. July 6, 2020). Note there are more IPR petitions than patents challenged because some of the petitions challenged the same patents, just different claim sets.

179. SK Innovation Co. v. LG Chem, Ltd., No. IPR2020-01239, Paper 14, at 22–23 (P.T.A.B. Jan. 12, 2021).

180. Note, *Recasting the U.S. International Trade Commission’s Role in the Patent System*, 126 HARV. L. REV. 2337, 2339 (2013) [hereinafter *Recasting*] (“The ITC . . . is not currently an option for invalidating bad patents because its patent invalidity findings are not granted collateral estoppel effect in the district courts.”). This example works similarly if the ITC is not involved, but the district court case is filed in one of the “rocket dockets” such as the Eastern and Western Districts of Texas and the Eastern District of Virginia. See, e.g., Robert Tata, *The ‘Rocket Docket’ Show Goes on Despite Setbacks*, LAW360 (July 24, 2020, 5:11 PM), <https://www.law360.com/articles/1294943/the-rocket-docket-show-goes-on-despite-setbacks> (noting the speed of the Eastern District of Virginia); see also David Lisch & David G. Henry, *The Newest Patent ‘Rocket Docket’: Waco, Texas*, IPWATCHDOG (Feb. 18, 2019), <https://www.ipwatchdog.com/2019/02/18/newest-patent-rocket-docket-waco-texas/id=106453> [https://perma.cc/X9S9-SG4D] (explaining the rise of patent litigation in the Western District of Texas).

PTAB could have actually “addressed the issues,” and the decision would have a broad form of estoppel in court.<sup>181</sup> Accordingly, the district court could have stayed a substantial portion of the case and deferred to the experts at the USPTO to resolve some validity contentions and only resumed the litigation to resolve any remaining issues.<sup>182</sup>

This example demonstrates just how inefficient the current patent litigation system is, particularly as a result of applying the *NHK-Fintiv* factors to discretionarily deny IPR due to parallel proceedings.<sup>183</sup> If the system functioned as Congress intended, wherein the PTAB would institute an IPR whenever the merit standard is met, the PTAB would institute IPR for all the challenged claims of the challenged patents, and the district court and ITC would stay their proceedings until the PTAB has “spoken.”<sup>184</sup> Then the district court and ITC would resume their proceedings to deal with any remaining issues. Instead, parties litigate an overlapping dispute in multiple forums; worse, the forum that often takes the lead is the ITC, which cannot even invalidate the patents.<sup>185</sup> This anti-cumulative litigation pattern will only worsen if the PTAB continues to expand its discretionary authority.<sup>186</sup>

The *NHK-Fintiv* policy has exacerbated the worst aspects of patent litigation by adding uncertainty to the landscape.<sup>187</sup> Instead of serving as a cost-effective alternative to district court litigation, it has simply

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181. *Recasting*, *supra* note 180, at 2342.

182. *See* 157 CONG. REC. 3403 (2011) (statement of Sen. Mark Udall) (referring to the APJs as “experts . . . more likely to reach the correct decision on a technical question”).

183. *See* Landau, *supra* note 174 (noting that the increase in discretionary denials makes the overall cost of litigation more expensive).

184. The PTAB noted in each of the institution decisions that Philip Morris had met the merit standard by demonstrating a reasonable likelihood of prevailing with invalidating at least one of the challenged claims. *See, e.g.*, Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc., No. IPR2020-00921, Paper 9, at 21, 26, 27 (P.T.A.B. Nov. 16, 2020) (*per curiam*).

185. Under 28 U.S.C. § 1659(a), the district court must stay its case at the respondent’s request.

186. *See* Landau, *supra* note 174 (explaining that discretionary denials expose innovators to more patent lawsuits while eliminating the IPR process as a meaningful defense).

187. *See* Google LLC v. Sonos, Inc., No. 20-cv-06754, 2020 WL 6822880, at \*3 (N.D. Cal. Nov. 20, 2020) (noting that this multifront battle is “emblematic of the worst aspects of patent litigation”).



become an extra expense to innovators.<sup>188</sup> The time is ripe for abolition of the *NHK-Fintiv* policy. This Comment argues only one of the ways in which this policy is unlawful—by violating the discretionary authority afforded to the PTAB under § 314(a). However, because this is an agency policy, it could possibly be expunged by a challenge under the APA.<sup>189</sup> Furthermore, since the USPTO Director who spearheaded the creation and application of this policy has stepped down, the new Director could tailor or abolish this test if the courts will not.<sup>190</sup> Finally, if the new Director is unwilling to do so, Congress could step in enact a legislative solution.<sup>191</sup>

## II. ANALYSIS

This Part articulates how the six-factor *NHK-Fintiv* test violates § 314(a), demonstrating that the discretionary authority afforded to the PTAB under § 314(a) is minimal.<sup>192</sup> First, this Part analyzes how the statutory scheme addresses the issue of parallel proceedings, explains how the plain text of the AIA does not support broad discretionary authority, and outlines the proper way for the USPTO to modify this

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188. See Joe Nocera, *Why Sonos Has Already Lost its Patent Suit Against Google*, PITTSBURGH POST-GAZETTE (Jan. 18, 2020, 5:00 AM), <https://www.post-gazette.com/opinion/Op-Ed/2020/01/18/Joe-Nocera-Why-Sonos-has-already-lost-its-patent-suit-against-Google/stories/202001180004> [<https://perma.cc/KKN8-UG8P>] (explaining that even if the IPR fails, it soaks up time and money).

189. See *supra* Section I.B.4 (explaining the rulemaking authority of the PTAB under the APA). *But see*, Order Granting Motion to Dismiss; Terminating Motion for Summary Judgment, *Apple Inc. v. Iancu*, No. 20-cv-06128 (N.D. Cal. Nov. 10, 2021) (noting that before an APA challenge can be successfully brought, the court must first determine that the question is justiciable and resolution of the *NHK-Fintiv* policy is not because it is barred by the Supreme Court's interpretation of § 314(d) in *Cuozzo* that matters closely tied to institution are not reviewable).

190. Richard Lloyd, *Love Him or Loathe Him, Few USPTO Directors Have Left an Impression Like Iancu*, LEXOLOGY (Jan. 29, 2021), <https://www.lexology.com/library/detail.aspx?g=611913a6-fa58-4fac-9153-593cd6fe91b2> [<https://perma.cc/RC5D-LWUF>] (summarizing the legacy of outgoing USPTO Director Andrei Iancu).

191. On September 29, 2021, Senators Patrick Leahy and John Cornyn introduced the “Restoring the America Invents Act,” which would eliminate the *NHK-Fintiv* policy by rewriting the text of § 314(a) to read, “[s]ubject only to the discretion of the Director under section 325(d)(4), a petition that meets the requirements of this chapter shall be instituted if . . . there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition.” S. 2891 § 1, 117th Cong. (2021); Davis, *supra* note 20.

192. 35 U.S.C. §§ 311–19; see also Sayers & Dodge, *supra* note 9, at 543 (suggesting the PTAB's broad discretionary denial authority is not strongly supported by the text of § 314(a)); 157 CONG. REC. 2847–49 (2011) (statement of Sen. Jon Kyl).

standard should “administrative efficiency” need to be invoked.<sup>193</sup> Second, this Part outlines how each *NHK-Fintiv* factor creates inefficiencies in the patent system including an empirical analysis of current trends. Third, this Part explains how the *NHK-Fintiv* policy undermines the overall efficiency of the patent system and encourages forum shopping and venue bias. Fourth, this Part explains why applying the *NHK-Fintiv* policy to deny petitions due to parallel ITC proceedings also violates § 314(a).

A. *The PTAB May Not Apply the NHK-Fintiv Test to Deny Institution of an IPR in View of Parallel Litigation*

The patent system is vital to the country’s economic growth.<sup>194</sup> However, the system only works if it effectively protects and issues patents for novel inventions, while preventing low quality patents from being issued and providing effective means to remove them if issued.<sup>195</sup> In enacting the AIA, Congress realized the current system did not adequately serve patent owners or accused infringers.<sup>196</sup> Accused infringers frequently faced vexatious litigation based on questionable patents (often asserted by non-practicing entities or “trolls”), and the existing post-grant proceedings were too slow and one-sided in favor of the patent owner.<sup>197</sup> Also, repeated administrative challenges left legitimate patent owners vulnerable so long as each new challenge was made by a different entity or presented a slightly different argument.<sup>198</sup>

The new post-grant proceedings, especially IPRs, were effective at addressing these issues and had begun gradually improving patent quality, as evidenced by the increasing number of challenges to patents

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193. 35 U.S.C. §§ 314(a), 316(b).

194. See Adam Mossoff, *Uncertain Patent Rights and a Weakening U.S. Innovation Economy: A Mixed Legacy on IP Policy*, 11 *LANDSLIDE* 40, 40, 42 (2018) (noting the negative impact of uncertainty in patent law on the economy).

195. See *id.* (explaining how the patent troll narrative has limited an inventor’s ability to enforce valid patents).

196. See THOMAS, *supra* note 24, at 1–2.

197. *Id.*; see H.R. REP. NO. 112-98, at 45 (2011) (restrictions on post-grant process “ma[d]e it a less viable alternative to litigation for evaluating patent validity than Congress intended”); see also J. Jonas Anderson & Paul R. Gugliuzza, *Federal Judge Seeks Patent Cases*, 71 *DUKE L.J.* (forthcoming 2021) (manuscript at 3–7) (on file with authors) (discussing the troll forum-shopping problem).

198. H.R. REP. NO. 112-98, at 47.

and the reduced cost of litigation,<sup>199</sup> without impeding further innovation.<sup>200</sup> However, the *NHK-Fintiv* test, which authorizes the PTAB to exercise unchecked discretionary authority by allowing denial of meritorious petitions in view of parallel proceedings, threatens to upset these gains.<sup>201</sup> Congress understood IPR would exist in the landscape of parallel litigation and crafted the statutory scheme to account for these instances.<sup>202</sup>

1. *NHK-Fintiv* policy is not supported by the statutory scheme of IPR

The *NHK-Fintiv* test directly overrides Congress's deliberate decision to allow IPR to proceed even when related infringement actions are pending in the district courts.<sup>203</sup> Congress considered the factors the agency must and may consider when deciding whether to grant institution and clearly articulated them in the statutes, choosing not to include discretion to deny based on perceived overlap with another tribunal.<sup>204</sup> Rather, the floor statements reveal that Congress intended IPR to take precedence over the related court proceeding, noting the court should defer to the expertise of the PTAB by staying the parallel litigation.<sup>205</sup> To demonstrate that Congress considered the possibility of overlapping litigation and did not create unbounded discretion to formulate the *NHK-Fintiv* test under § 314(a), we look, as the Supreme

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199. *Id.* at 39–40; *see also* Landau, *supra* note 69 (estimating the amount parties saved on legal fees and opining that these savings yield more spending for the creation of new jobs and technology).

200. The number of applications filed and patents granted has grown steadily every year since the AIA took effect with applications increasing more than 12% and grants increasing more than 40%. *Patent Statistics Chart, supra* note 38.

201. Sayers & Dodge, *supra* note 9, at 547.

202. *See* Joel Sayers & Julie Wahlstrand, *To Stay or Not to Stay Pending IPR? That Should Be a Simpler Question*, 17 CHL-KENT J. INTELL. PROP. 52, 56 (2018) (noting IPRs were intended to be a complete substitute for district court litigation).

203. *Id.* at 55.

204. *See, e.g.*, 35 U.S.C. §§ 314(a), 325(d). The statute allows the agency to establish additional institution criteria via regulation, so long as they are consistent with the statute, but this is not how the USPTO established the *NHK-Fintiv* rule. *See id.* § 316(a)(2).

205. *See* 157 CONG. REC. 3,430–33 (2011) (statement of Sen. Jon Kyl) (referencing specifically the landscape of parallel litigation and explaining that denial of an IPR because of lack of resources should not “create problems for civil litigants”); *see also* 153 CONG. REC. 23,939 (2007) (statement of Rep. Darrell Issa) (“The creation of a post grant review procedure at the Patent Office will help direct some conflicts away from court to an administrative remedy, hopefully saving vast resources in time and money.”).

Court does when it seeks to ascertain congressional intent of a statute, to the related patent statutes.<sup>206</sup>

*a. One-year time bar of § 315(b)*

Looking first at who may seek review of a patent, § 311 states any “person who is not the owner of a patent,” including an accused infringer, may file a petition seeking IPR.<sup>207</sup> Section 315(b) then grants petitioners a one-year period upon receiving “a complaint alleging infringement of the [challenged] patent” to file an IPR.<sup>208</sup> Congress carefully contemplated the one-year time bar.<sup>209</sup> The initial six-month deadline was actually extended to one year to give defendants enough time to analyze the complaint, fully understand what the plaintiff is asserting, and formulate its strategy of defense, which may include filing an IPR.<sup>210</sup>

The Supreme Court explained the meaning of § 315(b) in *Thryv*, noting that the purpose was to “minimize burdensome overlap between inter partes review and patent-infringement litigation.”<sup>211</sup> Rather than precluding or cutting off parallel proceedings, Congress chose to address this potential for overlap a different way: by setting a one-year deadline for the accused infringer to petition for IPR.<sup>212</sup> The Court explained that the petitioner who was time-barred under § 315(b) was not without recourse because the PTAB could still review the challenged patent for validity so long as it is challenged by another party.<sup>213</sup> The Court also noted that the time-barred petitioner can seek to join the IPR brought by the other party.<sup>214</sup> Careful consideration and ultimate inclusion of the one-year deadline barring institution of late

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206. See *Cuozzo Speed Techs. LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (“[T]he existence of similar provisions in this, and related, patent statutes reinforces our conclusion.”).

207. 35 U.S.C. § 311.

208. *Id.* § 315(b) (barring institution of late filed petitions).

209. 157 CONG. REC. 13,187 (2011) (statement of Sen. Jon Kyl) (noting one-year provides an “opportunity to identify and understand the patent claims that are relevant to the litigation”).

210. See Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. BAR J. 539, 611–12 (2012) (noting the March 2011 Senate bill included a six-month bar and explaining why, after discussions, the committee ultimately agreed to a one-year time period).

211. *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374–75 (2020).

212. *Id.* at 1374.

213. *Id.*

214. *Id.*

filed petitions indicates that Congress understood the parallel litigation landscape and intended timely filed meritorious petitions be reviewed.<sup>215</sup> The one-year deadline strikes the proper balance between the interests of patent owners and accused infringers, while not prohibiting the PTAB from reviewing a potentially invalid patent just because the petitioner was time-barred.<sup>216</sup>

The time limit was carefully crafted to preclude unreasonable, prejudicial delay, and therefore cannot be invoked to preclude adjudication of a claim brought within the statutory window.<sup>217</sup> The AIA's purpose and design strongly reinforce the goal of having all meritorious challenges reviewed so that all invalid patents are eliminated.<sup>218</sup> This is why a petitioner's failure to timely bring a challenge does not prevent the USPTO from conducting an IPR: it can do so if another petitioner who is not time-barred requests such.<sup>219</sup> The USPTO has a duty "to follow its commands as written, not to supplant those commands with others it may prefer" when "a statute's language carries a plain meaning."<sup>220</sup> The one-year time bar in the entire statutory scheme makes Congress's command clear: the Director may not deny a petition based on parallel litigation when the petition is timely filed and meets the other necessary standards.

The one-year time bar makes even more sense in the context of the legislative history, the estoppel provisions, and the purpose of IPR as a streamlined and specialized alternative to district court litigation.<sup>221</sup> By giving defendants in parallel litigation one year to analyze the complaint, Congress encouraged petitioners to tailor IPR petitions to patent owners' assertions and put together a strong petition that would most likely lead to the patent being invalidated, thereby letting IPR

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215. *See id.* (noting that the statutory scheme "consistently elevat[es] resolution of patentability above a petitioner's compliance . . . thereby preserving the Board's adjudication of the merits").

216. *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.").

217. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 667, 677–79, 685 (2014).

218. *Thryv*, 140 S. Ct. at 1374.

219. *Id.*; 35 U.S.C. § 311(a).

220. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018).

221. *See* 157 CONG. REC. 13,187 (2011) (statement of Sen. Jon Kyl) ("[I]n light of the . . . enhanced estoppels, it is important that the section 315(b) deadline afford defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation.").

fulfill its purpose of serving as an alternative to litigation.<sup>222</sup> In discussing why extension of the time bar from six-months to one-year is necessary, Senator Kyl noted,

[C]ompanies . . . are often sued by defendants asserting multiple patents with large numbers of vague claims, making it difficult to determine in the first few months of the litigation which claims will be relevant and how those claims are alleged to read on the defendant's products.<sup>223</sup>

Without this provision, accused infringers must forgo IPR despite meritorious arguments, or file overbroad and underdeveloped IPR petitions before the issues in litigation have crystallized.<sup>224</sup>

Congress expressly invited overlap from defendants accused of patent infringement, encouraging them to bring timely meritorious challenges to the USPTO for resolution.<sup>225</sup> By treating overlap as a reason to deny institution as the *NHK-Fintiv* policy does, IPR becomes unavailable, thus defeating its opportunity to serve as an efficient mechanism to eliminate invalid patents.<sup>226</sup> Preventing IPR ultimately weakens the patent system and allows bad patents to remain in force—exactly the opposite of what Congress set out to achieve with the AIA.<sup>227</sup>

*b. Estoppel provisions under § 315(e)*

Further evidence of congressional intent for IPR to co-exist or trump district court litigation is found in the estoppel provisions, especially § 315(e)(2), which relate to civil actions and other proceedings. This provision prevents a

petitioner in an inter partes review . . . that results in a final written decision . . . [from] assert[ing] either in a civil action . . . or in a proceeding before the International Trade Commission . . . any ground that the petitioner raised or reasonably could have raised during that inter partes review.<sup>228</sup>

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222. *Id.*

223. *Id.*

224. *Id.*

225. *See supra* Section II.A.1 (summarizing how the *NHK-Fintiv* rule violates Congress's intent to allow IPRs to proceed even when related infringement actions are pending in the district court); H.R. REP. NO. 112-98, at 48 (2011); *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374–75 (2020) (noting Congress's concerns about diminished competition due to overpatenting).

226. *See* Landau, *supra* note 174 (noting the recent increase in discretionary denials has led to more sequential and anti-cumulative litigation).

227. *Thryv*, 140 S. Ct. at 1374.

228. 35 U.S.C. § 315(e)(2).

The legislative history of the AIA suggests that § 315(e)(2) was intended to prevent the same party from repeatedly challenging the validity of a patent based on patents and printed publications.<sup>229</sup> Importantly, estoppel does not attach unless there is a final written decision, so the petitioner is not estopped from presenting any arguments raised in the petition in a parallel proceeding unless that petition is taken up and a final written decision is issued.<sup>230</sup> However, by applying the overlapping issues factor of the *NHK-Fintiv* test, which specifically accounts for whether the petitioner broadly stipulates not to pursue the same grounds in the parallel proceeding, the PTAB rewrites the estoppel provision, making it attach *prior* to the written decision.<sup>231</sup> Congress expressly rejected this meaning in writing § 315(e)(2).<sup>232</sup> Rather, Congress wanted to encourage prompt patent challenges so it narrowly crafted the estoppel provision and specifically noted the time at which it attaches, giving parties the opportunity to avoid estoppel attachment by settling or terminating.<sup>233</sup> Now, the *NHK-Fintiv* factors all but force a petitioner, especially one who is a defendant in a fast-moving parallel venue, to agree to a broad estoppel stipulation just to have its challenge heard.<sup>234</sup>

Congress specifically contemplated how IPR and overlapping proceedings should be managed, and in all instances crafted outcomes

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229. 157 CONG. REC. 3,400–34 (2011) (statement of Sen. Chuck Grassley) (noting the purpose of the estoppel provision is to “ensure that if an [IPR] is instituted while litigation is pending, that review will completely substitute for at least the patents-and-printed-publications portion of the civil litigation”).

230. *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1316 (Fed. Cir. 2016) (“[V]alidity of claims for which the Board did not institute [IPR] can still be litigated in district court.”).

231. See *Sotera Wireless, Inc. v. Masimo Corp.*, No. IPR2020-01019, Paper 12, at 19 (P.T.A.B. Dec. 1, 2020) (explaining that a broad stipulation “ensures that an [IPR] is a ‘true alternative’ to the district court proceeding”).

232. *Matal*, *supra* note 210, at 616–20.

233. *Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms: Hearing Before the Subcomm. on Intell. Prop. of the S. Comm. on the Judiciary*, 109th Cong. 5 (2006); see also Christa J. Laser, *The Scope of IPR Estoppel: A Statutory, Historical, and Normative Analysis*, 70 FLA. L. REV. 1127, 1169 (2018) (advocating for narrow reading of estoppel provision while discussing the varying approaches taken in the courts).

234. See, e.g., *Samsung Elecs. Co. v. Acorn Semi, LLC*, No. IPR2020-01204, Paper 21, at 17 (P.T.A.B. Jan. 13, 2021) (resorting to a broad stipulation because they were also being sued in the Eastern District of Texas, which maintains an extremely fast-moving patent docket).

that would lead to invalidation of more patents.<sup>235</sup> These provisions were fashioned to account for administrative efficiency to the extent that Congress deemed it necessary.<sup>236</sup> Just as a court cannot substitute its judgement for that of the agency, the agency cannot substitute its judgment for Congress's when there are no ambiguities in the statute.<sup>237</sup> The estoppel provisions, especially § 315(e)(2), clearly contemplate how and when they will attach.<sup>238</sup> Allowing the PTAB to substitute its judgment under *NHK-Fintiv*, demanding petitioners submit to estoppel provisions early just to have a "bad" patent reviewed, is an exercise of improper agency discretion.<sup>239</sup>

*c. Forcing fragmentation of issues*

One of the main purposes in creating IPR was to provide an additional, more efficient, and specialized pathway to resolve the same issues that the challenger could otherwise have brought only in litigation.<sup>240</sup> The statutory scheme encourages the petitioner to present all their best arguments in the petition to ensure the PTAB institutes a review by penalizing a party who intentionally withholds better arguments in two ways. First, since the IPR process is divided into two phases, institution and trial, if the petitioner withholds better arguments, the PTAB may deny institution of the petition for failing to meet the statutorily set merit standard.<sup>241</sup> Second, if an IPR petition results in a final written decision, the petitioner is barred from asserting any ground for invalidity it could have reasonably raised during the IPR in litigation.<sup>242</sup>

The *NHK-Fintiv* policy, however, encourages fragmenting issues between IPR and litigation. The policy forces petitioners to minimize overlap between the petition and pending litigation to avoid denial of

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235. *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020) (noting that Congress's goal was to efficiently eliminate "bad" patents).

236. 157 CONG. REC. 3,428 (2011) (statement of Sen. Jon Kyl).

237. *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (explaining the Court's narrow scope of review when determining whether an agency's actions were "arbitrary and capricious").

238. 35 U.S.C. § 315(e).

239. 5 U.S.C. § 706(2)(A).

240. H.R. REP. NO. 112-98 at 48; *Thryv*, 140 S. Ct. at 1374-75.

241. Audrey Millemann & Weintraub Tobin, *How to Challenge a Patent in the PTO*, JDSUPRA (Mar. 29, 2021), <https://www.jdsupra.com/legalnews/how-to-challenge-a-patent-in-the-pto-4643150> [<https://perma.cc/LP7J-K5A6>].

242. 35 U.S.C. § 315(e)(2).



institution.<sup>243</sup> However, if a petitioner-defendant holds back an issue from its litigation defense to avoid overlap with the IPR, it will forfeit that defense in the litigation.<sup>244</sup> Conversely, if the petitioner-defendant holds back an issue from its IPR petition, it forgoes invalidation on that ground and potentially weakens the merits, reducing the chance of securing an IPR at all.<sup>245</sup> Forcing a petitioner-defendant to divide issues between the IPR and district court directly contravenes the purpose of the AIA to serve as an alternative to litigation, making it not only illogical but also inefficient.<sup>246</sup>

Congress never intended this self-defeating forced fragmentation conception of IPR.<sup>247</sup> Moreover, the Court expressly rejected this type of forced fragmentation in *SAS*, where the Court rejected the Director's argument that § 314(a) allowed the PTAB to "curate" a petition by instituting on only some of the challenged claims.<sup>248</sup> The Court explained that the statutory provisions "deliver unmistakable commands," which require the PTAB to address every claim challenged.<sup>249</sup> The Court also noted that § 314(a) "does not require the Director to evaluate every claim individually . . . the language anticipates a regime where a reasonable prospect of success on a single claim justifies review of all."<sup>250</sup> As explained in *SAS*, "the petitioner's petition, not the Director's discretion, is supposed to guide the life of

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243. See *Sand Revolution II, LLC v. Cont'l Intermodal Grp. – Trucking LLC*, No. IPR2019-01393, Paper 24, at 12 (P.T.A.B. June 16, 2020) (encouraging petitioner to broadly stipulate to improve chances of institution of IPR).

244. See Jason D. Reinecke, *Does Patent Law Allow Plaintiffs Too Many Bites at the Apple?*, 99 J. PAT. & TRADEMARK OFF. SOC'Y 360, 368 (2017) (discussing under what circumstances a defendant is precluded from bringing another challenge on similar grounds).

245. See Libbie DiMarco & Nathan Speed, *Litigating Invalidity After IPR Resolution*, 19 CHI.-KENT J. INTELL. PROP. 266, 267 (2019) (discussing the practical impact of IPR estoppel strategic considerations for IPR parties involved in parallel district court or ITC proceedings).

246. Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 73 (2016) (discussing the frequency with which petitioners are involved in parallel proceedings asserting the same arguments and the same patents).

247. See *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018) (holding that the plain meaning of 35 U.S.C. § 318(a) dictates that once IPR is granted, the USPTO is required to render judgement on all of petitioner's claims).

248. *Id.*

249. *Id.* at 1358.

250. *Id.* at 1356.

the [IPR].<sup>251</sup> Therefore, application of the *NHK-Fintiv* test, which forces a petitioner to divide issues between the court and the PTAB to increase the likelihood of institution, exceeds the bounds of discretion under § 314(a).

*d. Staying parallel litigation*

In promulgating the statutory scheme of IPRs, Congress balanced the considerations of the one-year time bar and the estoppel provisions with the fact that courts have the power to manage their dockets and issue stays to reduce the burdens on the court and the parties.<sup>252</sup> In discussing these new post-grant procedures, Congress suggested that using the four-factor test in *Broadcast Innovation, LLC v. Charter Communications, Inc.*<sup>253</sup> should lead most courts to grant a stay in view of the efficiency of IPR.<sup>254</sup> The four factors commonly used to determine whether a stay of proceedings is proper are

- (1) whether a stay will simplify the issues in question and streamline the trial;
- (2) whether discovery is complete and whether a trial date has been set;
- (3) whether a stay would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and
- (4) whether a stay will reduce the burden of litigation on the parties and on the court.

Since the one-year time bar encourages parties to file quickly, and the estoppel provision prevents the court from relitigating any invalidity grounds the petitioner raised or reasonably could have raised, these factors almost always weigh in favor of staying the case and allowing the IPR to proceed first, indicating that Congress contemplated situations in which parallel litigation would occur.<sup>255</sup>

Relating to factor one, staying in favor of an IPR almost always simplifies the issues in question by determining some aspects of validity of the patent claims; coupled with the estoppel provisions that ensure similar validity contentions will not be rehashed, thereby streamlining

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251. *Id.*

252. 35 U.S.C. § 315(b), (e)(2); *see* Fed. R. Civ. P. 16 (setting forth court docket and scheduling management procedures).

253. No. 03-cv-2223, 2006 WL 1897165 (D. Colo. July 11, 2006).

254. *Id.* at \*4.

255. *Id.* at \*10 (citing *Softview Comput. Prods. Corp. v. Haworth, Inc.*, No. 97 CIV. 8815, 2000 WL 1134471, at \*2 (S.D.N.Y. Aug. 10, 2000)).

the trial.<sup>256</sup> Relating to factor two, the one-year time bar encourages the defendant to file quickly, before discovery is complete and a trial date set, again indicating that a stay is favorable.<sup>257</sup> Relating to factor three, rarely would a stay unduly prejudice the nonmoving party because the nonmoving party will still have a legal remedy if the PTAB determines the patent claims are valid.<sup>258</sup> Finally, relating to factor four, staying in favor of IPR reduces the burden of litigation on the parties and the court by deciding some of the validity questions, thereby reducing the resources spent by the parties and the court.<sup>259</sup> By carefully crafting the time bar and estoppel provisions, Congress tipped the balance in favor of court stays in all but extraordinary situations, thus making it nearly impossible to believe that Congress intended the PTAB to be the one “staying” (i.e. rejecting) in favor of the courts.<sup>260</sup>

The *NHK-Fintiv* policy overrides Congress’s deliberate decision to make IPR the dominate forum.<sup>261</sup> Congress was seemingly unhappy with the way courts previously “allow[ed] litigation to grind on while a reexamination [was] being conducted, forcing the parties to fight in two fora at the same time.”<sup>262</sup> Accordingly, Congress structured IPR with a one-year time bar, broad estoppel provisions, and a quick completion time to increase the number of court stays in favor of IPR, allowing it to serve as an efficient alternative to litigation for “weed[ing] out bad patent claims” that never should have issued.<sup>263</sup>

*e. Relation to other proceedings or actions under § 315*

Various other provisions in the AIA statutory structure help illustrate how the PTAB should handle situations with parallel proceedings. For example, § 315(a)(3) specifically provides that defendants in district court infringement actions may raise invalidity arguments without

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256. *Id.* at \*5.

257. *Id.* at \*8 (explaining that this factor is the weakest and regularly outweighed by other factors including the value of USPTO expertise and simplification of the issues).

258. *See id.* at \*10 (citing *Softview Comput. Prods. Corp.*, No. 97 CIV. 8815 KMW HBP, 2000 WL 1134471, at \*2) (noting the crucial question in determining whether prejudice will result is whether the legal remedy will be impacted).

259. *Id.*

260. 157 CONG. REC. 3,416 (2011).

261. *Cisco Sys. Inc. v. Ramot at Tel Aviv Univ. Ltd.*, 834 F. App’x 571, 572–73 (Fed. Cir. 2020) (seeking mandamus relief after being denied institution under this rule).

262. 157 CONG. REC. 3,416 (2011).

263. *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020).

risking their ability to seek IPR.<sup>264</sup> Additionally, § 315(a)(1) preempts institution when certain related actions are pending, indicating that Congress intended the petitioner to have the option to choose IPR over district court litigation.<sup>265</sup> However, should the petitioner choose to commence the action in district court, the petitioner could not then seek IPR—that “move” belongs to the defendant.<sup>266</sup> The fact that Congress chose to bar or stay parallel litigation if it is initiated by the plaintiff in a parallel litigation, but not when it is initiated by the defendant, indicates that Congress was well aware of the potential for parallel proceedings, and made deliberate policy choices to account for them in the IPR framework.<sup>267</sup> As explained by the Court in *Cuozzo*, “[t]his possibility [of parallel proceedings] . . . has long been present in our patent system, which provides different tracks—one in the Patent Office and one in the courts—for the review and adjudication of patent claims.”<sup>268</sup> Accordingly, the Supreme Court determined that Congress crafted the structure of the AIA to account for these parallel proceedings, leaving no wiggle room for the PTAB to promulgate its own policy in *NHK-Fintiv* under § 314(a).

These provisions further congressional intent and are logical for several reasons. First, they level the playing field by preventing financially blessed plaintiffs from forcing defendants to defend in multiple fora.<sup>269</sup> Second, they prevent the plaintiff from creating administrative inefficiencies by presenting validity challenges in multiple venues.<sup>270</sup> In fact, over 85% of petitions involve a patent that the parties are simultaneously litigating in district court.<sup>271</sup> Congress

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264. 35 U.S.C. § 315(a)(3). Other grounds that the agency either must or may consider as part of the institution decision are set forth in the statute as well. *See, e.g., id.* §§ 311–15.

265. *See* H.R. REP. NO. 112-98, at 39–40, 45–47 (2011) (noting Congress designed an “efficient system for challenging patents that should not have issued”).

266. *Id.* at 47.

267. *See* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016) (noting that inconsistency of results between the USPTO and the courts is inherent to Congress’s design).

268. *Id.*

269. *See* Matteo Sabattini, PTAB Challenges and Innovation: A Probabilistic Approach (Aug. 6, 2020) (unpublished manuscript), <https://ssrn.com/abstract=3668216> (discussing the ease with which parties can challenge the validity of patents in multiple venues).

270. *See id.* (conducting an empirical analysis of patents challenged at the PTAB and finding that patents are usually challenged more than once on different grounds).

271. Vishnubhakat, *supra* note 246, at 69; *see also* David P. Ruschke & William V. Saindon, *Chat with the Chief: An Analysis of Multiple Petitions in AIA Trials*, USPTO (Oct.

decided that if the IPR petition is timely filed and meritorious, it should be reviewed.

*f. Designation of discretionary authority under § 325(d)*

Congress knows exactly how to grant discretionary authority; had it intended to grant the Director essentially limitless discretion over when to institute an IPR petition, it would have said so.<sup>272</sup> For example, Congress expressly granted the Director discretion to decide how to manage IPR when there are parallel proceedings *before* the USPTO by providing authority to “stay, transfer, consolidat[e], or terminat[e]” any matter or proceeding and by “reject[ing] the petition or request because[] the same or substantially the same prior art or arguments previously were presented to the Office.”<sup>273</sup> If Congress wanted to give the Director authority to deny petitions based on the stage of parallel proceedings, it would have said so explicitly.<sup>274</sup>

When Congress revamped administrative proceedings under the AIA, it wanted to fix the infrequent use of inter partes reexaminations, which it sought to accomplish by creating IPR.<sup>275</sup> Giving unbounded discretion to deny institution weakens IPR as an alternative to litigation.<sup>276</sup> Therefore, Congress would have been explicit if it intended to confer such discretion.<sup>277</sup>

Inclusion of a modicum of discretion in § 325(d) shows that Congress contemplated giving the Director broad discretionary denial authority, but it chose instead to limit the Director’s authority to

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24, 2017) [hereinafter *Chat with Chief Judge of PTAB*], [https://www.uspto.gov/sites/default/files/documents/Chat\\_with\\_the\\_Chief\\_Boardside\\_Chat\\_Multiple\\_Petition\\_Study\\_20171024\\_2.pdf](https://www.uspto.gov/sites/default/files/documents/Chat_with_the_Chief_Boardside_Chat_Multiple_Petition_Study_20171024_2.pdf) [<https://perma.cc/V5AX-6AXW>].

272. See *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) (remarking that Congress knows how to grant administrative discretion in its statutory drafting).

273. 35 U.S.C. § 325(d).

274. See *State Farm Fire & Cas. Co. v. United States ex rel. Rigsby*, 137 S. Ct. 436, 443–44 (2016) (noting Congress knows how to draft statutory language to afford discretion and does so clearly).

275. 157 CONG. REC. 13,041 (2011) (statement of Sen. Sheldon Whitehouse) (noting that the previous inter partes reexamination had “broken down, resulting in further delay, cost, and confusion” and was no longer serving as an efficient alternative to litigation).

276. As discretionary denials have risen, IPR institution rates have fallen from 2014 (75%) to 2020 (56%) with rates expected to fall to 53% in 2021. USPTO TRIAL STATISTICS NOVEMBER 2020, *supra* note 6, at 6.

277. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2153 (2016) (Alito, J., dissenting) (“[T]he law does not say so directly and Congress may not have thought the point self-evident.”).

petitions that have the same prior art or arguments previously presented.<sup>278</sup> Section 325(d) states, “[i]n determining whether to institute or order a proceeding . . . the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented . . . .”<sup>279</sup> Inclusion of discretion in § 325(d) comports with the entire purpose of the AIA because it gives the USPTO flexibility to institute review even though the petitioner relies on the same prior art or arguments, thereby elevating the resolution of patentability and giving the USPTO the opportunity to correct a potential error it made in initially granting the patent.<sup>280</sup> Accordingly, though the PTAB can exercise discretion to deny under § 325(d) after it considers whether the petitioner presented any nuances or Examiner error in the previously considered prior art, it can also exercise its discretion to institute, which was prohibited pre-AIA.<sup>281</sup> Congress included discretion in § 325(d) so that if a petitioner brought a bad patent the USPTO’s attention, it could be reviewed and invalidated even if the petitioner relied on the same previously presented prior art or arguments.<sup>282</sup>

Applying an expansive reading of discretionary denial under § 314(a), as the PTAB has done with *NHK-Fintiv* for parallel proceedings, renders § 325(d) superfluous because the PTAB could account for the same prior art previously presented under its § 314(a) discretion.<sup>283</sup> In *Cuozzo*, the Court rejected a reading of § 314(d) that would make it superfluous, explaining that a statute should be read, if possible, so that all of its provisions are given effect.<sup>284</sup> Therefore, § 314(a) must be read narrowly as conferring discretion only as to whether the petition meets the “reasonable likelihood” threshold standard to avoid superfluidity of § 325(d).<sup>285</sup> Because the *NHK-Fintiv* policy does not comport with the statutory scheme of IPR, it should be abolished.

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278. Sayers & Dodge, *supra* note 9, at 544.

279. 35 U.S.C. § 325(d).

280. See *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020).

281. See *Matal*, *supra* note 210, at 614–16 (discussing the required “newness” threshold pre-AIA).

282. *Id.* at 615–16.

283. Sayers & Dodge, *supra* note 9, at 544.

284. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016).

285. *Id.*

2. *The NHK-Fintiv policy is not supported by the text of the AIA*

The *NHK-Fintiv* policy is also unsupported by the text of the statutes governing IPR provisions because they merely “set[] out prerequisites for institution.”<sup>286</sup> The text of these provisions specifically addresses the conduct of IPR when there is parallel litigation involving the same patent and expressly provides for instances where an IPR cannot be instituted in the face of parallel litigation.<sup>287</sup> First, the text states that the Director “may not” institute an IPR if the petitioner previously “filed a civil action challenging the validity of a claim of the [same] patent.”<sup>288</sup> However, the text provides an exception, which makes that bar inapplicable if the previous challenge to the patent was made in a counterclaim.<sup>289</sup> Next, the text provides that if the petitioner files in court after petitioning for the IPR, the lawsuit will be “automatically stayed until” the patent owner asserts an infringement claim or counterclaim, at which point the stay can be lifted and the infringement litigation can proceed.<sup>290</sup> Finally, the text states that when there is overlap with a pending infringement litigation, an IPR “may not be instituted if the petition . . . is filed more than [one] year after the date on which the petitioner . . . is served with” the infringement complaint.<sup>291</sup> Thus, the text expressly recognizes that IPR may proceed in parallel with infringement litigation, putting the burden on the petitioner to determine whether they want to avail themselves of the experts at the PTAB or fight in court.<sup>292</sup>

The language of the statutes governing the conduct of IPR when there is parallel litigation involving the same patent contrasts sharply with the language used to permit discretion to the Director when there are multiple parallel proceedings taking place at the USPTO. For instance, the text notes the Director “may . . . reject the petition . . . because[] the same or substantially the same prior art or arguments previously were presented to the Office.”<sup>293</sup> Additionally, the text

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286. *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1371 (2020).

287. *See* 35 U.S.C. § 315(b) (setting forth the one-year time bar).

288. *Id.* § 315(a)(1).

289. *Id.* § 315(a)(3).

290. *Id.* § 315(a)(2)(B).

291. *Id.* § 315(b).

292. Petition for Writ of Certiorari at 7, *Apple Inc. v. Optis Cellular Tech., LLC*, No. 21-118 (July 26, 2021) (arguing that the Director cannot decline to institute an IPR based on a parallel proceeding); *see* 157 CONG. REC. 3403 (2011) (statement of Sen. Mark Udall).

293. 35 U.S.C. § 325(d).

provides that “the Director *may* . . . stay . . . or terminat[e]” an IPR “if another proceeding or matter involving the [same] patent is before the Office.”<sup>294</sup> Notably, none of the statutory provisions authorize the Director to decline to conduct an IPR based on potential overlap with a pending infringement lawsuit asserting the same patent.<sup>295</sup>

Turning now to the provision used to facilitate discretionary denials, § 314(a), when considered in the context of the statutory scheme, it is evident that § 314(a) sets forth only a threshold standard for institution.<sup>296</sup> The permissive construction of § 314(a) that the PTAB relies upon to support its *NHK-Fintiv* discretion is proven faulty when considering the provision in the context of the entire statutory scheme. Section 314(a) provides

Threshold.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition.<sup>297</sup>

Congress’s intent for this provision is clear from the first word: “threshold.” The purpose of this provision is to provide the merit or threshold standard that must be met for institution of an IPR.<sup>298</sup> The tenuous support for the PTAB’s expansive view of its discretionary authority stems from the “may not . . . unless” construction, but this merely sets a precondition for institution without indicating any more about the basis for instituting or not.<sup>299</sup>

The USPTO has improperly interpreted § 314(a) as granting discretionary authority to institute inter partes review or not, noting

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294. *Id.* § 315(d) (emphasis added).

295. Petition for Writ of Certiorari, *supra* note 292, at 7.

296. 35 U.S.C. § 314(a).

297. *Id.*

298. *Id.*; *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1375 (2020) (interpreting the title of § 314(a) as providing a command to the Director).

299. § 314(a); *see Biofrontera Inc. v. DUSA Pharms. Inc.*, No. IPR2018-01585, Paper 10, at 2, 14–15 (P.T.A.B. Feb. 26, 2019) (“We [the PTAB] have authority under 35 U.S.C. § 314, which provides that an *inter partes* review may not be instituted unless the information presented in the Petition and the Preliminary Response shows that ‘there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition.’”).



“[t]he standard . . . is written in permissive terms.”<sup>300</sup> Though the Supreme Court has explained time and time again that the permissive language of § 314(a) makes “the agency’s decision to deny a petition . . . a matter committed to the Patent Office’s discretion,” it does not follow that its discretion can be applied arbitrarily and contrary to the text of the statute, the statutory scheme, and congressional intent.<sup>301</sup>

The relevant Supreme Court precedents in *Cuozzo* and *Thryv* center on the unreviewability of institution decisions as defined by the language of § 314(d).<sup>302</sup> Accordingly, these decisions should be read as endorsing broad unreviewability of institution decisions under § 314(d) but not as a wholesale endorsement of broad discretionary denial authority under § 314(a).<sup>303</sup> Even if *Cuozzo* and *Thryv* are read to forbid appeals of PTAB decisions applying the *NHK-Fintiv* test, it does not necessarily follow that the Court endorses the *NHK-Fintiv* policy as supported by § 314(a). Rather, the precedent only seems to support an inference that a denial of institution based on perceived improper application of the *NHK-Fintiv* policy cannot be challenged on appeal because § 314(d) makes clear institution decisions are unreviewable.<sup>304</sup> Accordingly, the decisions seem to indicate that to eliminate a policy like *NHK-Fintiv* that deals with discretionary denial authority under § 314(a), it is necessary to bring a challenge under the APA or lobby Congress to enact a legislative solution.<sup>305</sup>

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300. *Zetec, Inc. v. Westinghouse Elec. Co.*, No. IPR2014-00384, Paper 10, at 5 (P.T.A.B. July 23, 2014) (asserting that “Congress has given the Office discretion whether to institute a review or not institute a review.”).

301. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016). In *Cuozzo*, the Court had no reason to limit the Director’s discretion to deny institution because that case involved an instituted proceeding. There is no reason to read *Cuozzo* as endorsing general discretionary denial power. *See id.*

302. *Id.* at 2131; *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367 (2020).

303. *See Cuozzo*, 136 S. Ct. at 2140 (noting institution decisions are unreviewable because they are not “final” and Congress’s “specific language” in § 314(d) makes it clear they intended to bar review of institution decisions).

304. *See Thryv*, 140 S. Ct. at 1373 (noting the language of § 314(d) “indicates that a party generally cannot contend *on appeal* that the agency should have refused to ‘institute an inter partes review’” (emphasis added)).

305. 5 U.S.C. § 706(2)(A)–(D); *see also Cuozzo*, 136 S. Ct. at 2142 (explaining “shenanigans’ may be properly reviewable . . . under the Administrative Procedure Act, which enables reviewing courts to ‘set aside agency action’ that is ‘contrary to constitutional right,’ ‘in excess of statutory jurisdiction,’ or ‘arbitrary [and] capricious.’”).

Further, the Court has explained that the discretion has bounds, noting in *SAS* that “while § 314(a) invests the Director with discretion on the question *whether* to institute review, it doesn’t follow that the statute affords him discretion regarding *what* claims that review will encompass.”<sup>306</sup> Accordingly, the PTAB’s expansive view of its discretion to deny institution is not supported by the text of the AIA nor Supreme Court precedent.<sup>307</sup>

*a. Bounds of statutory interpretation*

Whatever discretion the PTAB might have under § 314(a), it cannot be exercised in a manner that contravenes the statute’s text, structure, and purpose.<sup>308</sup> Even when a statute confers discretion, agencies must operate within the reasonable bounds set forth by Congress.<sup>309</sup> Congress determined that IPR can proceed and even thrive in the landscape of parallel litigation and built adequate features to promote efficiency and define the boundaries of PTAB discretion into the AIA.<sup>310</sup> The Director cannot supplant Congress’s commands with other commands they may prefer or rewrite clear statutory provisions to effectuate their sense of how IPR should operate.<sup>311</sup>

The legislative history of § 314(a) informs the proper interpretation and limits of any discretion. The prefatory clause, “[t]he Director may not authorize an [IPR] to be instituted unless” the merit standard is

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306. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018).

307. *Cuozzo*, 136 S. Ct. at 2153 (Alito, J., dissenting) (“I agree that one can infer from the statutory scheme that the Patent Office has discretion to deny inter partes review even if a challenger satisfies the threshold requirements for review. But the law does not say so directly . . .”).

308. *See Util. Air Regul. Grp. v. EPA*, 573 U.S. 302, 321 (2014) (noting that agency interpretations must be “reasonable” in light of “the broader context of the statute as a whole” (quoting *Robinson v. Shell Oil Co.*, 519 U.S. 337, 341 (1997))).

309. *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1361 (Fed. Cir. 2008) (enumerating several guidelines by which agencies must abide when interpreting statutes).

310. *See* Matthew R. Frontz, *Staying Litigation Pending Inter Partes Review and the Effects on Patent Litigation*, 24 FED. CIR. BAR J. 469, 483–85 (2015) (discussing the benefits of IPR filings including expedited timelines and resolutions, especially when parallel litigation is stayed). *But see* Stephen N. Kulhanek, *Inter Partes Review and Federal Litigation: Parallel Proceedings and Inconsistent Results*, 90 ST. JOHN’S L. REV. 1093, 1093 (2016) (illustrating the scenario where IPR and district court litigation proceed in parallel resulting in conflicting judgments).

311. *Util. Air Regul. Grp.*, 573 U.S. at 328 (striking down the EPA’s rule because it was inconsistent with the authorizing statute); *see also SAS Inst., Inc.*, 138 S. Ct. at 1355 (preventing the PTAB from implementing partial institution in IPRs).

met, was only intended to allow discretionary denial in circumstances where the merit standard is not met or high volume threatens agency's efficiency.<sup>312</sup> Accordingly, though the PTAB has some discretion given Congress's use of "may," it cannot exercise that discretion in ways that violate the statute or negate Congress's carefully considered choices.<sup>313</sup> Considering that "[the] statutory scheme so consistently elevate[s] resolution of patentability above [compliance with rules]" and always aims to "preserv[e] the [PTAB's] adjudication of the merits," discretionary authority in § 314(a) must be read narrowly so more patents are reviewed and invalidated—not less—which occurs under the *NHK-Fintiv* policy.<sup>314</sup>

*b. Modifying § 314(a) under § 316*

Section 316 sets forth the conduct of IPR, including the areas where the USPTO shall prescribe regulations and factors it should consider in prescribing those regulations.<sup>315</sup> The text of § 316(a)(2) states the Director shall "set[] forth the standards for the showing of sufficient grounds to institute a review under section 314(a),"<sup>316</sup> and § 316(b) states "the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings."<sup>317</sup>

Looking at the entire text of the provisions together and in light of how regulations must be enacted under the AIA, it becomes clear that relying on the considerations of § 316(b) to adopt the *NHK-Fintiv* test as a regulation under § 316(a)(2) would not be proper either because it is not consistent with the statute.<sup>318</sup> Under § 316(b), the Director considers the economy, integrity of the system, efficiency, and ability to timely complete review of IPR, 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.<sup>319</sup> Had the

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312. 35 U.S.C. § 314(a); 157 CONG. REC. 3430 (2011) (statement of Sen. Kyl).

313. *Tokyo Kikai Seisakusho*, 529 F.3d 1352, 1361 (Fed. Cir. 2008) ("An agency cannot . . . exercise its inherent authority in a manner that is contrary to a statute.").

314. *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020).

315. 35 U.S.C. § 316.

316. *Id.* § 316(a)(2).

317. *Id.* § 316(b).

318. *See supra* Section II.A.2.b (discussing the legislative history and congressional intent behind the controlling statute).

319. 35 U.S.C. § 316(b).

PTAB attempted to construe the language of “standard” under § 316(a)(2) as giving it general authority under § 314(a) to set up precedential roadblocks, like the seven-factor test in *General Plastic* for serial petitions and the six-factor test in *NHK-Fintiv* for parallel proceedings, whenever the considerations of § 316(b), such as efficiency, might justify denying meritorious petitions, its interpretation would have been flawed for three reasons.<sup>320</sup>

First, the statute gives the Director authority to prescribe regulations, meaning the regulations should not be adopted through precedential decision making, rather they should go through the notice-and-comment process.<sup>321</sup> Second, the statute refers to setting standards for showing sufficient grounds, which refers only to the merit standard, meaning that the Director could only raise or lower the “reasonable likelihood [of success]” standard.<sup>322</sup> Third, even if “standard” encompassed more than the merit threshold, “standard” is defined as “[a] criterion for measuring acceptability, quality, or accuracy,” implying it is a measure that a petitioner can set themselves up to meet, not an unpredictable balancing test like *NHK-Fintiv* test.<sup>323</sup>

Accordingly, even if § 316(a)(2) supported promulgation of rules to deny IPR for reasons other than merits, the Director could not invoke that authority to adopt grounds for denial that contradict or undermine the AIA’s text, structure, and purpose, such as the *NHK-Fintiv* policy.<sup>324</sup> When the PTAB acts in this manner, frustrations flare and lawsuits arise as patent owners and patent challengers struggle to make sense of the new requirement.<sup>325</sup>

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320. See Colletti et al., *supra* note 11 (discussing the precedential roadblocks).

321. This article will not attempt to address in depth how adoption of the *NHK-Fintiv* test by precedential decision instead of notice-and-comment rulemaking was improper under the Administrative Procedure Act; however, this very issue is currently being litigated. See Complaint at 2, *Apple Inc. v. Iancu*, No. 20-cv-06128, 2020 WL 5198351 (N.D. Cal. Aug. 31, 2020).

322. 35 U.S.C. § 314(a).

323. See Standard Definition, *Black’s Law Dictionary* (11th ed. 2019).

324. See *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1359 (2018) (noting the USPTO cannot engage in “shenanigans” that “exceed[] its statutory bounds”).

325. The USPTO received 826 comments. See *Comments Received on PTAB Discretion*, *supra* note 169. Of those comments, “about 350 support some form of discretionary denial rule, 310 oppose discretionary denial rules, and 160 fall into an ‘other’ category.” About 70% of the comments on the support side were identical form letters. Looking at only the substantive comments, 27 support, 38 oppose, and 4 have a mixed view. Josh Landau, *Comments on USPTO’s Newest Regulation Overall Oppose Discretionary Denials*, PAT. PROGRESS (Dec. 9, 2020), <https://www.patentprogress.org/2020/12/09/>

B. *Current Trends Demonstrate that the NHK-Fintiv Policy Leads to Disparate Results*

The rate of institution of IPR petitions has fallen dramatically since the *NHK-Fintiv* rule went into effect.<sup>326</sup> In 2020, procedural denials accounted for almost half of all denials.<sup>327</sup> Discretionary denials resulting from application of the *NHK-Fintiv* factors made up 62% of the overall increase, and procedural denials saw a more than 1,300% increase.<sup>328</sup> The PTAB relied on its broadened discretionary authority to deny eighty-five petitions for procedural reasons in 2020, up from six denials in the previous year.<sup>329</sup>

As the *NHK-Fintiv* denials increased, many have sought to identify which, if any, of the six factors has a dispositive impact.<sup>330</sup> Though the PTAB claims that application of the factors is a balancing test and none of the factors is dispositive, an analysis of the recent denials invoking *NHK-Fintiv* tell a shockingly different story.<sup>331</sup> The *NHK-Fintiv* factors lead to disparate outcomes on similar facts because the PTAB often speculates about the likely course of litigation.<sup>332</sup> This Section analyzes each of the six factors individually to illustrate these issues.

1. *Data and methodology*

The following insights are the result of a case study of forty-six institution decisions applying the *NHK-Fintiv* test from January 1, 2021, to March 15, 2021.<sup>333</sup> For each decision, the *Fintiv* factors were sorted

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comments-on-usptos-newest-regulation-overall-oppose-discretionary-denial-rules [https://perma.cc/8E4G-9AVH].

326. USPTO TRIAL STATISTICS NOVEMBER 2020, *supra* note 6, at 6.

327. PTAB *Discretionary Denials Up 60%+ in 2020: Fueled Entirely by 314(a) Denials*, *supra* note 126.

328. *Id.*

329. *Id.*

330. See Brenton Babcock & Tyler Train, *PTAB Factors for Instituting IPR: What the Stats Show*, LAW360 (Sept. 18, 2020, 2:29 PM), <https://www.law360.com/articles/1309742/ptab-factors-for-instituting-ipr-what-the-stats-show> (finding factors four and six, overlap of issues, and other circumstances including merits, are most determinative in a twenty-four case study post-*Fintiv*).

331. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11, at 6 (P.T.A.B. Mar. 20, 2020) (noting the PTAB considers the six factors taking “a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review”).

332. Colleti, *supra* note 11.

333. This analysis treats multiple IPRs involving the same parties but challenging different patents as a single case when the PTAB issued institution decisions with the same analysis of the *NHK-Fintiv* factors.

into three categories: (1) factors weighing in favor of denial, (2) factors weighing against denial, and (3) factors that were neutral or not discussed. Among those categories, markings of “strongly” or “slightly” were recorded when the PTAB indicated that a particular factor weighed heavily, or only minimally, in favor of or against institution. A match percentage was calculated by recording the number of times each factor aligned with the institution decision. The location of the parallel proceeding was also recorded so the impact of venue could be assessed. This purpose of this case study is to shed light on the unpredictability of the *NHK-Fintiv* test, as well as provide tips for petitioner-defendants.

## 2. *Analysis and discussion*

During the first two-and-a-half months of 2021, there were forty-six institution decisions applying the *NHK-Fintiv* factors between different parties, with thirty resulting in institution and sixteen resulting in discretionary denial under § 314(a).<sup>334</sup> Considering institution decisions cannot be appealed, it is essential for petitioner-defendants to understand the impact of each factor so they can set themselves up for success.<sup>335</sup>

### a. *Factor 1: Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted*

The PTAB considers whether a stay has been granted or may be granted in the future when analyzing factor one.<sup>336</sup> Initially, the PTAB considered evidence regarding whether a stay might be granted based on particular locations or judges in parallel litigation, and some petitioners and patent owners still include this information.<sup>337</sup> Recently, however, the PTAB has strictly applied this factor, declining to speculate the likelihood of a stay where none has been requested or

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334. See *infra* Appendix (finding discretionary denial authority exercised 34% of the time).

335. See *supra* Section I.A.1.a (discussing the IPR process and the role the *Fintiv* factors play in it).

336. *Fintiv*, No. IPR2020-00019, Paper 11, at 6–7.

337. See, e.g., *Cellco P’ship v. Huawei Techs. Co.*, No. IPR 2020-01129, Paper 9, at 8 (P.T.A.B. Feb. 2, 2021) (noting Western District of Texas Judge Albright “has never granted a defendant’s-petitioner’s opposed motion to stay litigation pending PTAB proceeding”); *Samsung Elecs. Co. v. Clear Imaging Rsch., LLC*, No. IPR2020-01399, Paper 13, at 10 (P.T.A.B. Feb. 3, 2021) (noting Eastern District of Texas Judge Gilstrap “heavily disfavors stays pending IPRs”).

secured.<sup>338</sup> Even when a district court expresses a willingness to reconsider a stay motion request following an institution decision, the PTAB declines to apply this factor in favor of institution.<sup>339</sup> So, the only way this factor favors institution is if the petitioner obtains a pre-institution stay, which is often denied as premature.<sup>340</sup> Accordingly, this factor almost always weighs against institution or is neutral.

This factor was easily most determinative of outcome, aligning with the institution decision in all but one instance.<sup>341</sup> Accordingly, if a petitioner can obtain a pre-institution stay, they can feel confident that the PTAB will take up their petition if it meets the merit standard of § 314(a).<sup>342</sup> Even when the likelihood that a district court will grant a stay is low, it may be wise for petitioner to request one as evidence to the PTAB that they will seek a stay if the PTAB institutes. At a minimum, petitioners should stipulate that they will request a stay upon institution, helping to swing this factor from negative to neutral.<sup>343</sup> Further, since the PTAB typically “decline[s] to speculate” regarding the likelihood that a stay will be granted in the particular parallel venue, petitioners should not waste space in their briefs

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338. See, e.g., *Supercell Oy v. Gree, Inc.*, No. IPR2020-00215, Paper 10, at 9 (P.T.A.B. June 10, 2020) (“[T]he least speculative course of action is to focus on the record in this case, which is silent as to whether the district court has granted a stay, or has commented on [that] possibility.”).

339. See, e.g., *Cisco Sys., Inc. v. Ramot at Tel Aviv Univ. Ltd.*, No. IPR2020-00122, Paper 15, at 6–7 (P.T.A.B. May 15, 2020) (noting even where the district court has an “established practice” to reconsider a motion to stay if the IPR is instituted, the PTAB “decline[s] to speculate how the district court would rule . . . [because] stay[s] are based on the facts in each case”).

340. Jim Warriner, *Measuring the Success of Motions to Stay Pending IPR*, LAW360 (June 6, 2017, 11:39 AM), <https://www.law360.com/articles/928654/measuring-the-success-of-motions-to-stay-pending-ipr> (explaining the success of a pre-institution motion to stay depends on venue).

341. See *infra* Appendix, Table 1.

342. See Warriner, *supra* note 340 (discussing how fast-moving venues rarely grant pre-institution stays); see also Sayres & Wahlstrand, *supra* note 202, at 54 (noting that courts often deny early filed stay requests without prejudice because the potential for simplification of issues is low).

343. See *Canon Inc. v. Optimum Imaging Techs. LLC*, No. IPR2020-01321, Paper 10, at 5 (P.T.A.B. Mar. 1, 2021) (finding factor one weighs in favor of denial when petitioner does not expressly state they will seek a stay); see also Holtman & Gibson, *supra* note 94 (recommending petitioners file a motion to stay shortly after filing a petition).

arguing the same.<sup>344</sup> Unless there is evidence of a stay, beyond the petitioner indicating they will seek a stay and that a stay would not unduly prejudice the patent owner, the most a petitioner should hope for with this factor is neutrality.

*b. Factor 2: Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision*

The PTAB looks to the possibility of a district court trial occurring prior to the projected statutory deadline for a final written decision when analyzing factor two.<sup>345</sup> The PTAB considers whether the district court's trial date, determined by the schedule submitted before the institution decision date (if available), will occur earlier than the projected statutory deadline.<sup>346</sup> Application of factor two ignores the reality that schedules entered early in district court cases are not fixed and are frequently modified and extended during litigation.<sup>347</sup> Also, the PTAB inconsistently weighs this factor in the balancing test, making it impossible for petitioners to know how their particular situation will be analyzed and the impact of this factor in the holistic scheme.<sup>348</sup> Thus, a patent owner is incentivized to game the system by

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344. See *Beckman Coulter, Inc. v. Sysmex Corp.*, No. IPR2020-01503, Paper 10, at 22–23 (P.T.A.B. Feb. 23, 2021) (including statistics about the high grant rate of stay motions in Delaware did not sway this factor to weigh in favor of institution).

345. See *Google LLC v. Parus Holdings, Inc.*, No. IPR2020-00847, Paper 9, at 15 (P.T.A.B. Oct. 21, 2020) (“This proximity inquiry is a proxy for the likelihood that the trial court will reach a decision on validity issues before the Board reaches a final written decision.”).

346. If the court has not yet set a trial date, the PTAB may infer. See *Intel Corp. v. VLSI Tech. LLC*, No. IPR2020-00582, Paper 19, at 6 (P.T.A.B. Oct. 1, 2020) (denying petition with no firm trial date reasoning there was no indication the trial would occur after the statutory deadline).

347. See *Precision Planting, LLC v. Deere & Co.*, No. IPR2019-01044, Paper 17, at 14 (P.T.A.B. Dec. 2, 2019) (noting trial dates are moving targets with courts often extending deadlines); see also Dani Kass, *Fintiv Fails: PTAB Uses ‘Remarkably Inaccurate’ Trial Dates*, LAW360 (Nov. 2, 2021, 9:09 PM), <https://www.law360.com/articles/1436071/fintiv-fails-ptab-uses-remarkably-inaccurate-trial-dates> (finding that 94.1% of the time the PTAB denied institution based on a related trial date, the court extended the trial by several months, beyond the date by which the PTAB would have rendered a final decision).

348. See, e.g., *Ethicon, Inc. v. Bd. of Regents, Univ. of Tex. Sys.*, No. IPR2019-00406, Paper 27, at 9 (P.T.A.B. June 10, 2020) (denying institution because the fact that the trial had been continued indefinitely strongly weighs against institution); *Google LLC v. Uniloc 2017 LLC*, No. IPR2020-00441, Paper 13, at 35 (P.T.A.B. July 17, 2020) (granting institution because the lack of trial date weighs significantly in favor of institution).



accelerating the district court schedule at the start of the litigation only to later request extensions or slow the progress after institution is denied.<sup>349</sup>

For petitioners to secure this factor in their favor or even shift it to neutral, they must file an IPR at least eighteen months before the trial is scheduled in a parallel proceeding, which is impossible in some venues where the scheduled trial date is set sooner than the statutory deadline even if the accused infringer files a petition shortly after the lawsuit commences.<sup>350</sup> Application of this factor essentially forecloses the IPR option when an accused infringer is sued in a fast-moving jurisdiction, which leads to discriminatory, venue dependent outcomes.<sup>351</sup> In turn, defendants who are sued in fast-moving venues are often disadvantaged, having a shorter period to petition for IPR compared to other defendants who are only subject to venue in slower-moving jurisdictions.<sup>352</sup> Congress most likely did not intend for such unequal consequences—especially when the consequences result from a factor not within the petitioner’s control, and the statute provides no basis of support for this factor.

Petitioners are particularly frustrated at the unfairness of factor two, which is wholly outside of the petitioners’ control and is seemingly unpredictable.<sup>353</sup> Though the data show this factor is not quite as unpredictable as initially imagined, the results strongly suggest that venue bias is afoot.<sup>354</sup> Though the overall match percentage is comparatively low, all fifteen times this factor weighed in favor of institution, the proceeding was instituted, so the only uncertainty in this factor concerns petitions that are ultimately denied.<sup>355</sup> Accordingly, if the petitioner can sway factor two in their favor, they can all but guarantee the petition will be granted.

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349. See Mercado, *supra* note 29, at 105, 109 (discussing how Congress sought to eliminate gamesmanship in AIA post-grant review proceedings).

350. See Tata, *supra* note 180 (identifying the district court venues with the fastest time to trial).

351. See Anderson & Gugliuzza, *supra* note 197, at 34–40 (discussing local rules for U.S. District Judge Alan D. Albright who schedules trial well before the eighteen-month statutory deadline).

352. *Id.* at 36.

353. See Holtman & Gibson, *supra* note 94 (contrasting cases where factor two either weighed in favor or against PTAB’s discretion to deny institution).

354. This factor weighed in favor of institution in each of the fifteen instituted proceedings. See *infra* Appendix, Table 2.

355. See *infra* Appendix, Table 2 (matching the institution decision only 76% of the time).

Looking closer at the impact of venue bias, out of the twenty-six times factor two weighed against petitioner, twenty-two times, or approximately 85% of the time, the petitioner was involved in parallel litigation in a fast-moving venue, such as the Eastern District of Texas, Western District of Texas, Eastern District of Virginia, or the ITC, through no fault of their own.<sup>356</sup> The *NHK-Fintiv* policy only fuels gamesmanship—a feature that Congress has long sought to eliminate in patent litigation.<sup>357</sup> To counterbalance the weight of factor two, especially when litigating in a parallel fast-moving venue, petitioners should present as much evidence as possible regarding the speculative nature of the trial date.<sup>358</sup>

*c. Factor 3: Investment in the parallel proceeding by the court and the parties*

The PTAB considers the amount and type of work already completed in the parallel litigation, as well as the diligence of the petitioner in filing the petition when analyzing factor three.<sup>359</sup> Concerning the amount and type of investment, the PTAB advises that “district court claim construction orders may indicate that the court and parties have invested sufficient time in the parallel proceeding to favor denial.”<sup>360</sup> The amount of investment has been disparately applied, resulting in a range of outcomes for the acceptable time period to file the petition seemingly in relation to other litigation milestones.<sup>361</sup> Often, the PTAB discusses whether the claims have been formally construed by the district court and declines institution

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356. See *infra* Appendix, Chart of All Institution Decisions from January 1, 2021 to March 15, 2021.

357. S. REP. NO. 110-259, at 53, 56 (2008).

358. See *Mediatek Inc. v. Nippon Tel. & Tel. Corp.*, No. IPR2020-01404, Paper 14, at 10–11 (P.T.A.B. Feb. 16, 2021) (weighing factor two in favor of institution because “while [a trial date] may well be set around the time our final decision is mailed, at this time the trial date is ‘estimated’ as [only one month prior to written decision deadline]”).

359. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11, at 9, 11 & n.21 (P.T.A.B. Mar. 20, 2020).

360. *Id.* at 10.

361. See Paul A. Ragusa, *The Post-Fintiv World: The Interplay Between PTAB Discretionary Factors to Deny Institution and Parallel Litigation*, BAKER BOTTS (Feb. 24, 2021), <https://www.bakerbotts.com/thought-leadership/publications/2021/march/the-post-fintiv-world> [<https://perma.cc/GD8C-DH9H>] (noting the investment inquiry largely turns on whether a parallel tribunal has issued substantive orders or made any merit-based rulings such as the claim construction order).

because of this investment; however, USPTO regulations expressly provide that an IPR may proceed after a district court has construed the claims and discuss how the USPTO is to address this scenario.<sup>362</sup> Therefore, it is essentially impossible to ascertain how much investment the PTAB will ascribe in a given situation.

Concerning a petitioner's diligence in filing the IPR petition, the PTAB looks at the time between when the petitioner became aware of the claims asserted against them and the time when they filed the IPR, seeking to ascertain whether the petitioner acted expeditiously.<sup>363</sup> If the petitioner did not expeditiously file its petition "at or around the same time that the patent owner respond[ed] to the petitioner's invalidity contentions," diligence weighed in favor of denial, whereas prompt filing weighed against denial.<sup>364</sup> However, expeditious filing alone is not enough to make the third factor weigh in favor of institution, particularly if the parallel proceeding is happening in a rocket docket or at the ITC.<sup>365</sup> Late filing within the statutory window is also not dispositive because petitioners can always stipulate to broad estoppel; therefore, how much weight will be attributed to petitioner diligence or lack thereof depends on other factors.<sup>366</sup>

In response to the recent outrage regarding the speculative nature of factor two, especially considering the COVID-19 pandemic, it appears the PTAB is subtly shifting its analysis and dispositive nature to factor three.<sup>367</sup> Out of the first forty-six institution decisions of 2021, factor three matched the institution decision approximately 88% of

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362. 37 C.F.R. § 42.100(b) ("Any prior claim construction determination concerning a term of the claim in a civil action, or a proceeding before the International Trade Commission, that is timely made of record in the *inter partes* review proceeding will be considered.").

363. *Fintiv*, No. IPR2020-00019, Paper 11, at 11.

364. *Id.* at 11–12.

365. See *Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, No. IPR2020-00921, Paper 9, at 16–17, 18 (P.T.A.B. Nov. 16, 2020) (per curiam) (denying institution based on litigation in the rocket docket Eastern District of Virginia after being applauded for extreme diligence in filing less than one month after receiving complaint); *Regeneron Pharms., Inc. v. Novartis Pharma AG*, No. IPR2020-01317, Paper 15, at 13 (P.T.A.B. Jan. 15, 2021) (same but denying based on parallel ITC proceeding).

366. See *Snap, Inc. v. SRK Tech. LLC*, No. IPR2020-00820, Paper 15, at 12 (P.T.A.B. Oct. 21, 2020) (explaining that even though the petition was filed almost a year later the petition was not considered delayed ascribing no weight positive or negative to the late filing).

367. See *infra* Appendix, Table 3 (matching the institution decision 35 out of 40 times).

the time, meaning if petitioners can sway this factor in their favor, they stand a good chance at institution.<sup>368</sup> Recall, factor three has two parts: (1) investment by the court and the parties in the parallel proceeding and (2) diligence in filing the IPR petition.<sup>369</sup> Though the petitioner does not have much control over the investment in the parallel proceeding, they do have control over the diligence with which they file the IPR petition. Accordingly, for the best chance of securing institution, petitioners should slow investment in the parallel proceeding when possible<sup>370</sup> and file an IPR quickly, ideally within two months of being served with the complaint, to help sway this factor in favor of institution.<sup>371</sup>

*d. Factor 4: Overlap between the issues raised in the petition and in the parallel proceeding*

The PTAB assesses whether the same or similar claims, grounds, arguments, and evidence are presented in the parallel proceeding when analyzing factor four.<sup>372</sup> The PTAB notes that “any concerns of duplicative efforts between the district court and the Board, as well as concerns of potentially conflicting decisions” weigh in favor of denial.<sup>373</sup> However, this forces the PTAB to assume that the claims, grounds, arguments, and evidence are fixed in the parallel proceeding when, in reality, the parties often reduce the number of asserted claims and patents in the parallel litigation as the case progresses and the trial

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368. *Id.*

369. *Fintiv*, No. IPR2020-00019, Paper 11, at 9, 11 & n.21.

370. *See* *Cellco P’ship v. Huawei Techs. Co.*, No. IPR2021-01129, Paper 9, at 11–14 (P.T.A.B. Feb. 2, 2021) (weighing factor three in favor of institution because only the *Markman* hearing had been held and fact discovery was still on-going).

371. *See* *Verizon Bus. Network Servs. LLC v. Huawei Techs. Co.*, No. IPR2020-01292, Paper 13, at 14–15 (P.T.A.B. Jan. 25, 2021) (filing within two months of district court action not enough to overcome amount of resources spent in parallel proceeding); *see also* Britain Eakin, *As Attys Sharpen PTAB Strategies, Fintiv Denials Are Falling*, LAW360 (Oct. 27, 2021, 5:27 PM), <https://www.sterneckessler.com/news-insights/news/attys-sharpen-ptab-strategies-fintiv-denials-are-falling> (noting the most significant reason why discretionary denials under *Fintiv* are falling is because petitioners are filing much earlier after being served with the complaint and the PTAB is crediting the petitioners’ diligence). *But see* *Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, No. IPR2020-00921, Paper 9, at 18 (P.T.A.B. Nov. 16, 2020) (per curiam) (noting that a petition filed just one month after receiving complaint weighed against exercising discretion).

372. *Fintiv*, No. IPR2020-00019, Paper 11, at 12–13.

373. *Sotera Wireless, Inc. v. Masimo Corp.*, No. IPR2020-01019, Paper 12, at 19 (P.T.A.B. Dec. 1, 2020).

date approaches.<sup>374</sup> If this reduction occurs after the PTAB declines to institute review, it is possible that the unasserted and invalid claims and patents could be left unchallenged due to the one-year time bar or a party's inability to afford another IPR or continued litigation.<sup>375</sup> Application of this factor inspires gamesmanship by encouraging the patent owner to assert as many patents and claims as possible in their complaint to increase the "overlap" with the IPR, only to later drop them once IPR is no longer a viable pathway.<sup>376</sup>

Looking at this factor holistically, especially in the context of influence on factor one regarding the status or likelihood of a stay, "significant overlap between the issues in the proceedings [] makes it more likely that the district court will grant a motion to stay."<sup>377</sup> Therefore, overlap between the two proceedings should favor institution because it will ultimately simplify and efficiently resolve patent validity issues through estoppel.<sup>378</sup>

The PTAB has provided some guidance to petitioners on how to shift this factor to favor institution by encouraging broad stipulations not to pursue overlapping grounds in district court.<sup>379</sup> However, the effect of stipulations has been unpredictable.<sup>380</sup> Again, the petitioner is put in a

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374. See Elizabeth Rader, *Preserving Due Process in Approaches to Narrowing Claims in Multi-Patent Lawsuits*, IPWATCHDOG (Sept. 8, 2019), <https://www.ipwatchdog.com/2019/09/08/preserving-due-process-in-approaches-to-narrowing-claims-in-multi-patent-lawsuits/id=113031> [<https://perma.cc/N8XS-N866>] (discussing how issues narrow as litigation progresses).

375. See 35 U.S.C. § 315(b).

376. See Jonathan H. Ashtor et al., *Patents at Issue: The Data Behind the Patent Troll Debate*, 21 GEO. MASON L. REV. 957, 971 (noting NPEs assert more patents on average and have been rewarded with higher average damages, indicating this strategy may already be in motion).

377. *Cisco Sys., Inc. v. Ramot at Tel Aviv Univ. Ltd.*, No. IPR2020-00122, Paper 15, at 9 (P.T.A.B. May 15, 2020) (Crumbley, Administrative Patent J., dissenting) (cautioning against "interpret[ing] this *Fintiv* factor so strictly that it creates a presumption that both cases will move forward concurrently").

378. *Id.* at 9–10.

379. *Sotera Wireless, Inc. v. Masimo Corp.*, No. IPR2020-01019, Paper 12, at 19 (P.T.A.B. Dec. 1, 2020).

380. See *Sand Revolution II, LLC v. Cont'l Intermodal Grp. – Trucking LLC*, No. IPR2019-01393, Paper 24, at 12 n.5 (P.T.A.B. June 16, 2020) (observing that a broader stipulation not to raise any § 102 or § 103 invalidity grounds in the district court, even if those grounds are not included in the pending petition, "might have tipped this factor more conclusively in [the petitioner's] favor"). *But see Sotera Wireless*, No. IPR2020-01019, Paper 12, at 18–19 (finding a stipulation not to pursue the specific grounds asserted in the IPR in district court, or any other ground that was raised or could have been reasonably raised in an IPR strongly favors institution).

difficult position: assert all available grounds at the outset in the petition, thereby increasing the chance that the PTAB denies institution, or risk waiving its right to an IPR altogether and lose the associated benefits that come therewith.<sup>381</sup>

Since the recent precedential decision in *Sotera Wireless, Inc. v. Masimo Corp.*,<sup>382</sup> factor four has become a relative heavy weight, with the PTAB citing it strongly favors or disfavors institution on six occasions.<sup>383</sup> In *Sotera Wireless*, the petitioner broadly stipulated not to pursue any ground that it raised, or reasonably could have raised, in the IPR in district court, which mirrors the IPR estoppel provision in § 315(b)(2).<sup>384</sup> The PTAB indicated that this kind of stipulation “weighs strongly in favor of not exercising discretion to deny institution.”<sup>385</sup> In decisions since *Sotera Wireless*, the PTAB seems to be paying closer attention to the strength of stipulations in deciding how to weigh factor four.<sup>386</sup> This offers petitioners some hope in this currently bleak landscape of discretionary denials, and petitioners whose cases are particularly weak in the other factors should consider a broad stipulation if they want to increase their chance of having an IPR taken up.<sup>387</sup>

*e. Factor 5: Whether the petitioner and the defendant in the parallel proceeding are the same party*

The plain text of factor five suggests that the PTAB only considers whether petitioner and defendant are the same party.<sup>388</sup> However, this factor can still weigh against petitioners when they are not the defendant if the PTAB finds the issues presented are substantially

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381. See Andrei Iancu et al., *Challenging Validity of Issued Patents Before the PTO: Inter Partes Reexam Now or Inter Partes Review Later*, 94 J. PAT. & TRADEMARK OFF. SOC'Y 148, 149 (2012) (describing one of the benefits of IPR for the petitioner is that it presumably has the option to simply elect IPR).

382. No. IPR2020-01019, Paper 12 (P.T.A.B. Dec. 1, 2020) (precedential as to section II.A).

383. See *infra* Appendix, Table 4 (matching institution decision 74% of the time).

384. *Sotera Wireless*, No. IPR2020-01019, Paper 12, at 18–19.

385. *Id.* at 19.

386. See *Samsung Elecs. Co., v. Acorn Semi, LLC*, No. IPR2020-01204, Paper 21, at 10 (P.T.A.B. Jan. 13, 2021) (noting Samsung's stipulation in this and the ten other co-pending IPRs weighed strongly in favor of institution).

387. See Eakin, *supra* note 371 (noting that “[p]etitioners are getting more accustomed to using prior art stipulations to successfully avoid denials.”).

388. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11, at 14 (P.T.A.B. Mar. 20, 2020).

similar to claims that are already, or are about to be, litigated, even if by other parties.<sup>389</sup> This factor is illogical for two reasons. First, it automatically penalizes a petitioner simply for being a defendant in a district court or ITC proceeding.<sup>390</sup> Second, it ignores the realities of litigation wherein parties have different motivations and strategies.<sup>391</sup> Neither the legislative history nor the text itself provides support for this factor, and it runs contrary to the goal of providing district court litigants with an alternative venue for resolving questions of patentability.<sup>392</sup> This is especially true considering two or more district courts may freely adjudicate the same or substantially similar invalidity issues regarding the same patent against different defendants.<sup>393</sup>

Factor five did not have a swaying impact in any of the decisions and was the weakest predictor of outcome. It came down to a coin flip of whether factor five matched the institution decision.<sup>394</sup> Factor five was either neutral or weighed in favor of exercising denial approximately 98% of the time, yet petitioners were granted institution approximately 66% of the time.<sup>395</sup> It appears petitioners are not particularly prejudiced by the PTAB for also being a defendant in a parallel proceeding. Further, since this factor had no real sway, petitioners should not take this into account when filing an IPR and thus it should be removed from the *NHK-Fintiv* test.

*f. Factor 6: Other circumstances that impact the Board's exercise of discretion, including the merits*

Factor six is the catchall provision, and the PTAB considers the strengths of the merits, noting that if the merits seem particularly strong, this factor weighs in favor of institution; however, when the

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389. *Id.*

390. *See* Cisco Sys. Inc. v. Ramot Tel Aviv Univ. Ltd., No. IPR2020-00122, Paper 15, at 11 (P.T.A.B. May 12, 2020) (Crumbley, A.L.J., dissenting) (noting this factor should be neutral when parties are the same as there is no support for this factor in the statute or legislative history).

391. *See* Vishnubhakat, *supra* note 246, at 51 (discussing motivations of parties seeking IPR).

392. H.R. REP. NO. 112-98, at 40 (2011) (providing no basis for the PTAB's fifth factor).

393. Cisco Sys. Inc. v. Ramot Tel Aviv Univ. Ltd., No. IPR2020-00122, Paper 15, at 11 (P.T.A.B. May 12, 2020) (Crumbley, A.L.J., dissenting) (analyzing how one district court may come to a different conclusion from another).

394. *See infra* Appendix, Table 5 (matching institution decision 50% of the time).

395. *Id.*

merits are a “closer call,” then this factor weighs against institution.<sup>396</sup> Inclusion of a factor that weighs the merits is confusing because, under § 314(a), the merits assessment should be of the utmost importance in reviewing the petition and really the only consideration guiding institution.<sup>397</sup> Yet, in applying *NHK-Fintiv*, institution of a petition that would all but ensure a finding of invalidity that complies with the other statutory requirements can still be outweighed by the non-statutory factors.<sup>398</sup> Looking at the various discrepancies that exists in each factor individually, and then mashing all the inconsistencies together as a whole, illustrates how application of the *NHK-Fintiv* test epitomizes unreasoned decision making and does not comport with the AIA.

The overall impact of factor six is relatively hard to assess quantitatively because of its catchall nature.<sup>399</sup> Though factor six predicted the outcome 84% of the time, in each instance, factors two, three, or four also matched the decision.<sup>400</sup> There were no instances where factor six alone swayed the institution decision.<sup>401</sup> This makes sense considering the petition already had to meet the merit standard for the *NHK-Fintiv* test to be applied to deny institution. Petitioners should of course set forth strong merits, but efforts arguing that the merits are particularly strong will go unrewarded.<sup>402</sup>

*C. The NHK-Fintiv Policy Undermines the Efficiency of the Patent System and Encourages Forum Shopping and Venue Bias*

The *NHK-Fintiv* policy upsets the delicate balance Congress struck in creating these post-grant review proceedings and introduces

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396. *Apple Inc. v. Fintiv, Inc.* IPR2020-00019, Paper 11, at 14–15 (P.T.A.B. Mar. 20, 2020).

397. 35 U.S.C. § 314(a).

398. See, e.g., *Google LLC v. Personalized Media Commc'ns*, No. IPR2020-00720, Paper 20, at 9–11 (P.T.A.B. Nov. 5, 2020) (explaining even when the merits weigh in favor of institution, the PTAB can still deny institution because the other factors weigh strongly against institution).

399. *Fintiv*, No. IPR2020-00019, Paper 11, at 6; see *Intel Corp. v. FG SRC LLC*, No. IPR2020-01449, Paper 13, at 19 (P.T.A.B. Mar. 3, 2021) (“The final factor is a catchall . . .”).

400. See *infra* Appendix, Chart of All Institution Decisions from January 1, 2021 to March 15, 2021.

401. *Id.*

402. *SK Innovation Co. v. LG Chem, Ltd.*, No. IPR2020-01239, Paper 14, at 22 (P.T.A.B. Jan. 12, 2021) (weighing factor six in favor of institution, noting “[p]etitioner presents a reasonably strong case of unpatentability” but still exercising discretion to deny).



inefficiencies into the system. Additionally, the *NHK-Fintiv* policy exacerbates the already serious problem of forum shopping in patent litigation and results in venue bias.

### 1. *Undermining efficiency*

Though the PTAB believes the *NHK-Fintiv* policy promotes efficiency, Congress, in creating these new post-grant proceedings, believed that increasing access to the administrative process improves system efficiency, and Congress's word and intent should govern.<sup>403</sup> Congress chose to add post-grant review options, not remove them.<sup>404</sup> The *NHK-Fintiv* test restricts access to the more efficient and expert process that Congress created, which minimizes system efficiency.<sup>405</sup> In applying the *NHK-Fintiv* factors, the PTAB fails to understand two fundamental features of district court litigation: (1) early trial dates are tentative and often subject to postponement, and (2) district courts are more likely to stay cases when the PTAB institutes IPR.<sup>406</sup>

When the PTAB denies institution based on an early trial date, but the trial is pushed back near or past the deadline for a final written decision, any supposed efficiency gains evaporate.<sup>407</sup> Also, under the *NHK-Fintiv* policy, the PTAB may guess or rely on information regarding when the trial will begin that is subject to change.<sup>408</sup> This is

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403. See 77 Fed. Reg. 48,680 (Aug. 14, 2012) (noting Congress's purpose in enacting the AIA was "to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs").

404. H.R. REP. NO. 112-98, at 48 (2011).

405. See *British Telecomms. PLC v. IAC/Interactivecorp*, No. 18-366, 2020 WL 5517283, at \*8 (D. Del. Sept. 11, 2020) (denying stay under *Fintiv* 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").

406. Trial date used to justify non-institution in *NHK* itself was later pushed back by six months. See *Ritchie & Johnson*, *supra* note 111.

407. See Scott McKeown, *District Court Trial Dates Tend to Slip After PTAB Discretionary Denials*, PATS. POST-GRANT (July 24, 2020), <https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials> [<https://perma.cc/25WJ-UMRM>] (finding that over 70% of trials in the Western District of Texas and 100% of trials in the District of Delaware, the two busiest patent venues, were postponed after the PTAB denied IPR in reliance on earlier trial dates).

408. See, e.g., *Intel Corp. v. VLSI Tech. LLC*, No. IPR2020-00113, Paper 15, at 10 (P.T.A.B. May 19, 2020) (denying institution based on speculation that the trial date might still occur before the PTAB would reach a final decision); *Intel Corp. v. VLSI Tech. LLC*, No. IPR2020-00582, Paper 19, at 6-7 (P.T.A.B. Oct. 1, 2020) (denying

especially problematic because a rescheduled trial date often occurs after the PTAB has already denied the IPR.<sup>409</sup> If the postponement occurs within thirty days of the institution denial, the petitioner can seek rehearing, but most petitioners are not so lucky, and even those who can request rehearing face an uphill battle as requests for rehearing are rarely granted.<sup>410</sup>

In *Fintiv* itself, a trial date had not been scheduled when the petition was filed, though one was later set and rescheduled amid briefing in the institution phase.<sup>411</sup> Despite the trial date having already been rescheduled once, the PTAB declined to institute review, noting the trial date was set two months before it would issue a written decision.<sup>412</sup> Yet, five months after the denial, the district court again rescheduled the trial, now after the deadline for the written decision.<sup>413</sup> Most petitioners subject to the *NHK-Fintiv* test are deprived of all avenues for speedy review as they are blocked from IPR, and the district court trial is often serially pushed back.<sup>414</sup>

Additionally, a trial is rarely the end of a district court's consideration, as post-trial motions and appeals drag on long after the

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institution where there was no firm trial date and concluding that in absence of evidence to the contrary, the trial date may still occur first).

409. See *McKeown*, *supra* note 407 (finding that the majority of patent trials in two of the busiest districts experienced frequent trial date postponement).

410. 37 C.F.R. § 42.71(d)(2); see *Sand Revolution II, LLC v. Cont'l Intermodal Grp. – Trucking LLC*, No. IPR2019-01393, Paper 24, at 8–10 (P.T.A.B. June 16, 2020) (reversing previous denial on rehearing because the trial was postponed); Jason N. Mock & Michael R. Houston, *While Tempting, PTAB Request for Rehearing Face Long Odds*, FOLEY & LARDNER LLP (Oct. 15, 2019), <https://www.foley.com/en/insights/publications/2019/10/ptab-requests-rehearing-face-long-odds> [https://perma.cc/9HVM-SUKL] (finding requests for rehearing on institution decisions are granted 7.7% of the time). With the resolution of *United States v. Arthrex* and the promulgation of a new “Director review process,” petitioners were hopeful for another avenue for challenging *Fintiv* denials; however, the interim policy only allows review of final written decisions, not institution decisions. *USPTO Implementation of an Interim Director Review Process Following Arthrex*, U.S. PAT. & TRADEMARK OFF. (June 29, 2021, 10:13 AM) <https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/uspto-implementation-interim-director-review> [https://perma.cc/DC9Q-DFPM].

411. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 15, at 2, 9 (P.T.A.B. May 13, 2020).

412. *Id.* at 13.

413. Amended Scheduling Order at 2, *Fintiv, Inc. v. Apple, Inc.*, No. 19-CV-01238 (W.D. Tex. Dec. 15, 2020).

414. See *Google LLC v. Unilock 2017 LLC*, No. IPR2020-00115, Paper 8, at 1, 7 (denying institution based on a trial date that was rescheduled after the deadline to request for rehearing had expired).

PTAB would have resolved validity questions that could extinguish the infringement case.<sup>415</sup> By taking a snapshot of the investments the parties have already made, the *NHK-Fintiv* test does not properly account for the “investment that will be required if the litigation proceeds,” which will usually outweigh the sunk costs.<sup>416</sup> The vagaries of district court trial dates allow infringement plaintiffs to exploit the *NHK-Fintiv* framework to foreclose IPR, defeating Congress’s intent and undermining the patent system.<sup>417</sup>

When the PTAB institutes IPR, district courts are more likely to stay the parallel litigation.<sup>418</sup> Stays increase the efficiency of the system by allowing parties to use a faster and more cost-effective administrative forum to narrow the issues in the district court, or obviate the need for litigation altogether.<sup>419</sup> The PTAB’s claim that the *NHK-Fintiv* policy avoids “an inefficient use of Board resources” is also misguided because it may encourage defendants to flood the PTAB with hastily crafted, overstuffed petitions in order to avoid the one-year institution time bar or in an effort to tip some of the *NHK-Fintiv* factors (particularly factors

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415. See John Thornburgh, *Post-Trial Motions: No Rest for the Post-Trial Attorney*, JD SUPRA (June 5, 2020), <https://www.jdsupra.com/legalnews/post-trial-motions-no-rest-for-the-post-97761> [<https://perma.cc/2M26-VD45>] (discussing the typical motions filed after trial conclusion).

416. *Cisco Sys. Inc. v. Ramot Tel Aviv Univ. Ltd.*, No. IPR2020-00122, Paper 15, at 7–8 (P.T.A.B. May 15, 2020) (Crumbly, APJ dissenting).

417. The Eastern and Western Districts of Texas are notorious for setting early trial dates in infringement suits that are often impracticable to meet. See *Intel Corp. v. VLSI Tech. LLC*, No. IPR2020-00113, Paper 15, at 9–10 (P.T.A.B. May 19, 2020) (noting the expected trial date weighed against institution even though three trials were impossibly set for same day).

418. *But see* Pauline Pelletier et al., *How West Texas Patent Trial Speed Affects PTAB Denials*, LAW360 (Feb. 16, 2021, 4:14 PM), <https://www.law360.com/articles/1355139/how-west-texas-patent-trial-speed-affects-ptab-denials> (reviewing 39 IPR petitions with parallel litigation in the Western District of Texas and finding Judge Albright did not grant a stay in any of the proceedings, regardless of whether the PTAB instituted).

419. *Ioengine, LLC v. PayPal Holdings, Inc.*, No. 18-452, 2019 WL 3943058, at \*3–5 (D. Del. Aug. 21, 2019) (“Congress intended for district courts to be liberal in granting stays . . .”); see also Forrest McClellan et al., *How Increased Stays Pending IPR May Affect Venue Choice*, LAW360 (Nov. 15, 2019, 2:13 PM) <https://www.law360.com.proxywcl.wrlc.org/articles/1220066/how-increased-stays-pending-ipr-may-affect-venue-choice> (noting that from 2013 to 2017 district courts granted stays for pending IPRs 72% of the time with that amount increasing to 77% after *SAS* was decided).

two and three) in its favor.<sup>420</sup> When initial petitions fail, the PTAB has to contend with follow-on petitions that create more work for the PTAB, which could have been avoided had parties been able to take advantage of the full statutory period to narrow the contentions and vet the grounds of patentability.<sup>421</sup>

Since the *NHK-Fintiv* policy has been festering, there has been an uptick in patent litigation generally, especially in cases brought by non-practicing entities (NPEs).<sup>422</sup> Patent litigation hinders the efficiency of the patent system, as well as innovation generally, by reducing venture capital investment in startups and decreasing funding for research and development.<sup>423</sup> Recent data suggests NPEs may be taking advantage of the *NHK-Fintiv* policy, which is allowing them to avoid PTAB review and likely invalidation, especially by filing in fast-moving venues.<sup>424</sup> For NPEs, avoiding institution of IPR is the single most important step to ensuring a potential settlement or securing a winning infringement verdict.<sup>425</sup> The *NHK-Fintiv* test is upsetting the congressional balance set by the AIA and allowing them to do just that.<sup>426</sup>

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420. *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8, at 20 (P.T.A.B. Sept. 12, 2018); see Tran, *supra* note 16, at 264 (advising “an alleged infringer to consider early IPR petitions to try to preempt” application of the *NHK-Fintiv* rule).

421. Consider a scenario where a defendant is served with numerous lawsuits asserting multiple patents and hundreds of claims. If the defendant must challenge the patentability of each of the patents and claims soon after the case is filed, the burden imposed on both the defendant and the PTAB by the *NHK-Fintiv* rule becomes astronomical. See *Intel Corp. v. VLSI Tech. LLC*, No. IPR2020-00142, Paper 13, at 4 (P.T.A.B. Apr. 6, 2020).

422. See *Q2 2020 Patent Dispute Report*, UNIFIED PATS. (July 1, 2020), <https://www.unifiedpatents.com/insights/q2-2020-patent-dispute-report> [<https://perma.cc/LA7Y-5M5V>] (noting that patent litigation has reached a high since 2016 with over 1,000 new cases filed).

423. James Bessen, *The Evidence Is In: Patent Trolls Do Hurt Innovation*, HARV. BUS. REV. (Nov. 2014), <https://hbr.org/2014/07/the-evidence-is-in-patent-trolls-do-hurt-innovation> [<https://perma.cc/XX3E-VDZZ>] (noting that patent troll litigation costs firms \$29 billion each year and is responsible for a decline of \$22 billion in venture capital investing over a five-year period).

424. See Daniel B. Weinger et al., *Tip #1 for Avoiding IPR Institution: Litigation Venue Selection*, NAT'L L. REV. (Oct. 29, 2020), <https://www.natlawreview.com/article/tip-1-avoiding-ipr-institution-litigation-venue-selection> [<https://perma.cc/UA4U-RDMZ>] (advising litigants to select fast-moving venues to avoid IPR).

425. *Id.*

426. *Id.*

## 2. *Forum shopping and venue bias*

Continued application of the *NHK-Fintiv* policy will also further exacerbate the already serious problem of forum shopping in patent cases.<sup>427</sup> Forum shopping is “[t]he practice of choosing the most favorable jurisdiction or court in which a claim might be heard.”<sup>428</sup> Though the Supreme Court tightened the venue requirements for patent cases in *TC Heartland LLC v. Kraft Foods Group Brands LLC*,<sup>429</sup> the laws governing venue for U.S. patent infringement suits remain relatively liberal, enabling patentees to file suit just about anywhere.<sup>430</sup>

One of the most important opening moves for a plaintiff in patent litigation is selecting the most favorable forum.<sup>431</sup> Typically, plaintiffs seek forums with the right mix of speed, likelihood of getting to trial, and win-rate.<sup>432</sup> Though the proliferation of a certain few “favorite” forums cannot be wholly explained by the traditional forum shopping theories,<sup>433</sup> patentees are motivated to file in forums they perceive will be most favorable, which often leads to filing in forums that push cases to trial relatively quickly.<sup>434</sup> These courts have a low average time from filing to trial and tend to quickly set early trial dates that later change.<sup>435</sup> These venues also tend to set early dates for claim

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427. See Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889 (2001) (discussing problems caused by forum shopping).

428. *Forum-Shopping*, BLACK’S LAW DICTIONARY (11th ed. 2019).

429. 137 S. Ct. 1514, 1521 (2017).

430. See Lauren Cohen et al., “Troll” Check? A Proposal for Administrative Review of Patent Litigation, 97 B.U. L. REV. 1775, 1799 (2017) (discussing how broad venue interpretation enables large concentrations of patent suits to be filed in few district courts); see also Jonas Anderson, *Reining in a “Renegade” Court: TC Heartland and the Eastern District of Texas*, 39 CARDOZO L. REV. 1569, 1614 (2018) (“We are unlikely to see the end of patent forum shopping, or courts engaging in attracting forum shopping plaintiffs, any time soon.”).

431. Kevin M. Clermont & Theodore Eisenberg, *Exorcising the Evil of Forum-Shopping*, 80 CORNELL L. REV. 1507, 1508 (1995).

432. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. PA. L. REV. 631, 650 (2015).

433. See *id.* at 657 (discussing how courts’ administrative practices influence forum shopping).

434. See Anderson, *supra* note 430, at 1577–87 (mapping the history of rocket dockets).

435. See Saurabh Vishnubhakat, *Reconceiving the Patent Rocket Docket: An Empirical Study of Infringement Litigation 1985–2010*, 11 J. MARSHALL REV. INTELL. PROP. L. 60, 69 (2011) (discussing typical factors that make up patent rocket dockets including speed of adjudication, specialized local court rules, damage awards, and patent owner perception).

construction (the *Markman* hearing) and discovery and deny motions to stay pending PTAB proceedings.<sup>436</sup> These practices significantly disadvantage petitioner-defendants who seek administrative review and then are unfairly subjected to the *NHK-Fintiv* test because of the parallel proceeding.

The *NHK-Fintiv* framework encourages forum shopping by inviting plaintiffs to bring suit in one of these fast-moving forums and rewards them with an uphill road for the defendant to climb to obtain PTAB review. First, by virtue of being a defendant in the parallel proceeding, factor five<sup>437</sup> is automatically weighed against the petitioner.<sup>438</sup> Next, for a petitioner-defendant whose parallel proceeding is occurring in a rocket docket or at the ITC, factor two<sup>439</sup> weighs against them because the fast-moving forum will almost always set the trial date to occur before the PTAB will issue its decision, notwithstanding the fact that the trial date will likely be pushed back.<sup>440</sup> Additionally, factor three<sup>441</sup> is likely to weigh against the petitioner because the court moves quickly to issue substantive orders, including scheduling or completing claim construction and beginning discovery.<sup>442</sup> Although the petitioner can seek to counter the impact of the court's fast pace by diligently filing the IPR petition, diligence by no means guarantees the pendulum will

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436. See Anderson & Gugliuzza, *supra* note 197, at 35–36 (noting that Judge Albright schedules the *Markman* hearing almost two-and-a-half months earlier than other “rocket” dockets).

437. Whether the petitioner and the defendant in the parallel proceeding are the same party. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11, at 8 (P.T.A.B. Mar. 20, 2020).

438. See *Cisco Sys. Inc. v. Ramot Tel Aviv Univ. Ltd.*, No. IPR2020-00122, Paper 15, at 11 (P.T.A.B. May 12, 2020) (Crumbley, A.L.J., dissenting) (disagreeing with inclusion of factor five because it “tip[s] the scales against a petitioner merely for being a defendant in the district court”).

439. Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision. *Fintiv*, No. IPR2020-00019, Paper 11, at 8.

440. See, e.g., *Verizon Bus. Network Servs. Inc. v. Huawei Techs. Co.*, IPR2020-01292, Paper 13, at 13–14 (P.T.A.B. Jan. 25, 2021) (weighing factor two against petitioner because the district court trial was scheduled seven to eight months before the final written decision would issue).

441. Investment in the parallel proceeding by the court and the parties. *Fintiv*, No. IPR2020-00019, Paper 11, at 8.

442. See, e.g., *Samsung Elecs. Co. v. Clear Imaging Rsch., LLC*, No. IPR2020-01399, Paper 13, at 18 (P.T.A.B. Feb. 3, 2021) (weighing factor three against petitioner because parties and court had already spent resources completing discovery, claim construction, and motion practice).

swing far enough in the petitioner's favor to secure institution.<sup>443</sup> Further, factor one<sup>444</sup> can be leveraged against petitioners because fast-moving courts are far less likely to stay proceedings, especially pre-institution.<sup>445</sup> So by understanding *NHK-Fintiv* policy, a smart plaintiff will choose to bring their suit in a fast-moving forum, essentially guaranteeing a petitioner-defendant will not secure IPR institution since four out of the six factors weigh against them from the outset. The *NHK-Fintiv* test encourages forum shopping and gamesmanship by patent owners seeking to shield their questionable patents from IPR challenges.<sup>446</sup>

Interestingly, though these dockets have slowed in light of the COVID-19 pandemic, early set trial dates and investment by the court and the parties continue to weigh against petitioners as the PTAB has not paused its application of the *NHK-Fintiv* test amidst the pandemic.<sup>447</sup> Accordingly, plaintiffs have not been deterred from shopping for a forum that will set an early trial date, even though that trial date is often merely aspirational, which they can then use to persuade the PTAB to deny IPR institution through application of the *NHK-Fintiv* test.<sup>448</sup> By filing in these rocket dockets, plaintiffs can essentially preempt IPR entirely, thereby depriving defendants of the alternative administrative option that Congress offered.<sup>449</sup>

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443. See Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc., No. IPR2020-00921, Paper 9, at 28–29 (P.T.A.B. Nov. 16, 2020) (filing within one month did shift factor three in petitioner's favor but was holistically outweighed by factor two, the expected trial date).

444. Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted. *Fintiv*, No. IPR2020-00019, Paper 11, at 6.

445. See Warriner, *supra* note 340.

446. Colletti, *supra* note 11; see also S. REP. NO. 110-259, at 53 (2008) (noting rocket dockets are detrimental to the patent system because they lead to the perception the system can be “gamed”).

447. See, e.g., Scott Graham, *It Will Be Months Before We See the Next Patent Jury Trial* LAW.COM (Nov. 25, 2020, 9:36 AM), <https://www.law.com/2020/11/25/it-will-be-months-before-we-see-the-next-patent-jury-trial> [<https://perma.cc/MHB4-D88D>] (noting two of the rocket dockets, the Eastern and Western District of Texas, had paused jury trials for at least four months because of the COVID-19 outbreak).

448. Institution was initially denied because the court set an early and unrealistic trial date. On rehearing, petitioner presented evidence from the judge who stated, “we’re not going to get to trial any time soon,” not “until maybe 2022, maybe the end of 2022” due to COVID and the backlog of criminal cases.” *Philip Morris*, No. IPR2020-00921, Paper 10, at 5 (P.T.A.B. Dec. 15, 2020).

449. See 157 CONG. REC. 3403 (2011) (statement of Sen. Mark Udall) (recognizing administrative review is “preferred . . . because a panel of experts is more likely to

D. *The NHK-Fintiv Factors Should Not be Applied to Parallel ITC Proceedings*

Though Congress explicitly contemplated how IPR would function in the landscape of parallel district court litigation, reference to the ITC in the legislative history and text of the AIA is limited to the estoppel provision.<sup>450</sup> Presumably, Congress was well aware of the possibility of parallel ITC investigations and saw fit to let the current statutory scheme governing ITC proceedings involving patents govern this scenario.<sup>451</sup> Recently, the PTAB has begun extending application of the *NHK-Fintiv* factors to apply when the same patent is challenged in a parallel ITC proceeding, noting its discretionary authority under § 314(a) extends to “events in other proceedings related to the same patent, either at the Office, in district courts, or the ITC.”<sup>452</sup>

This is inappropriate because the ITC has a different mission: to prevent unfair trade acts.<sup>453</sup> Though the ITC serves an important role in the scheme of patents, all it can do is issue an injunction, preventing a product that is found to infringe in an ITC investigation from being imported.<sup>454</sup> The entire infringement and validity issues still must be fought in either district court or at the PTAB.<sup>455</sup> Therefore, it is illogical

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reach the correct decision on a technical question compared to a jury composed of laypeople”). Congress recently took note of one particularly egregious forum shopping problem in patent litigation that has led to a consolidation of a large portion of cases before a single district court judge in the Western District of Texas and has asked Chief Justice John Roberts to direct a Judicial Conference to conduct a study of abuses enabled by the present rules and regulations and provide a report with legislative recommendations to address this problem. See Samantha Handler, *Eyeing West Texas, Senators Urge Judicial Look at Patent Venues*, BLOOMBERG L. (Nov. 3, 2021, 3:44 PM), <https://news.bloomberglaw.com/ip-law/eyeing-west-texas-senators-urge-judicial-look-at-patent-venues>.

450. 35 U.S.C. §§ 315(e)(2), 325(e)(2).

451. 19 U.S.C. § 1337(a)(1)(B).

452. 2019 USPTO TRIAL PRACTICE GUIDE, *supra* note 19, at 58.

453. *About the USITC*, U.S. INT’L TRADE COMM’N [https://www.usitc.gov/press\\_room/about\\_usitc.htm](https://www.usitc.gov/press_room/about_usitc.htm) [<https://perma.cc/KGK2-P334>] (“Mission: Investigate and make determinations in proceedings involving imports claimed to injure a domestic industry or violate U.S. intellectual property rights . . .”).

454. Sun, *supra* note 170, at 146.

455. See *Tex. Instruments v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996) (holding ITC lacks authority to invalidate a patent and its rulings on invalidity are not binding either on the USPTO or the district court); see also *Nichia Corp. v. Lighting Sci. Grp. Corp.*, No. IPR2019-01259, Paper 21, at 27 (P.T.A.B. Jan. 15, 2020) (noting that because “the ITC does not have the authority to invalidate a patent . . . ITC decisions do not preempt issues addressed in an [IPR]”).



for the PTAB to defer to another agency, especially one whose validity decisions lack any preclusive power and whose stated policy defers to the PTAB's decision on patentability.<sup>456</sup>

Congress gave ITC rulings on patent issues a nonbinding effect because the task of issuing patents and ensuring patent quality is reserved for the USPTO.<sup>457</sup> In creating IPR, Congress designed an expeditious forum as an alternative to district court litigation with the goal of eliminating “bad” patents and claims.<sup>458</sup> It would be contrary to congressional design for the agency tasked with the specific mission of issuing and reviewing patents to defer to an agency with no role in the patent process and with a totally different focus.<sup>459</sup>

*1. Recent trends post NHK Spring and Fintiv—the odds are stacked against petitioners*

Prior to the *NHK Spring* and *Fintiv* decisions, the PTAB routinely reviewed patents involved in an ITC investigation and would take up meritorious petitions because the ITC's patent decisions are not binding on district courts or at the PTAB, the ITC determination is not final and may be reviewed by the Commission of the ITC, and the ITC determination cannot result in the cancellation of any claims.<sup>460</sup> However, post-*NHK-Fintiv*, three of the six factors of pending parallel ITC litigation strongly weigh against petitioners. First, weighing against *NHK-Fintiv* factor two,<sup>461</sup> ITC investigations move quickly, generally aiming for completion within sixteen months, which is shorter than

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456. See *In re Certain Unmanned Aerial Vehicles*, Inv. No. 337-TA-1133, Comm'n Op., 2020 WL 5407477, at \*20–21 (U.S.I.T.C. Sept. 8, 2020).

457. See *Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017, 1019 (Fed. Cir. 1987) (“[T]he Commission's primary responsibility is to administer the trade laws, not the patent laws . . .”).

458. See *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020) (noting the goal of IPRs was to “weed out bad patent claims efficiently”).

459. *Garmin Int'l, Inc. v. Koninklijke Philips N.V.*, No. IPR2020-00754, Paper 12, at 8–9 (P.T.A.B. Nov. 19, 2020).

460. See, e.g., *Emerson Elec. Co. v. Sipco, LLC*, No. IPR2019-00545, Paper 16, at 13 (P.T.A.B. Aug. 30, 2019) (“[T]he ITC does not have the authority to invalidate a patent in a way that is applicable to other forums . . .”); *3Shape A/S v. Align Tech., Inc.*, No. IPR2020-00223, Paper 12, at 33 (P.T.A.B. May 26, 2020) (noting the ITC cannot even cancel an invalid patent claim).

461. Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11, at 9 (P.T.A.B. Mar. 20, 2020).

the PTAB's eighteen month review period.<sup>462</sup> Second, weighing against *NHK-Fintiv* factor one,<sup>463</sup> the ITC typically does not pause its investigations for PTAB review.<sup>464</sup> Third, weighing against factor five,<sup>465</sup> for the proceedings to be parallel and even invoke the *NHK-Fintiv* test, the petitioner and defendant in the parallel proceeding must be the same party.<sup>466</sup> Therefore, a party involved in a parallel ITC proceeding already has half the *NHK-Fintiv* factors weighing against them when they file an IPR petition.<sup>467</sup> Congress cannot have intended to close the door halfway at the start, significantly disadvantaging petitioners that meet the merit standard yet face a parallel ITC proceeding.

Applying the *NHK-Fintiv* factors to deny institution because of parallel ITC proceedings risks significantly curtailing IPR as a mechanism for challenging questionable patents and encourages exploitation of another administrative forum. Given the current statutory scheme and landscape of patent litigation, where parties are often fighting in multiple forums, discretionary denials in view of an ITC proceeding are especially dangerous. This precedent can be effectively wielded as a shield for patent owners, all but ensuring an IPR will not be instituted if the patent owner plays their cards right.<sup>468</sup> This becomes even more pronounced when examining the remaining

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462. Lehman et al., *ITC Dispute May Lead to PTAB Litigation Strategy Shifts*, LAW360 (Jan. 27, 2021, 6:09 PM), <https://www.law360.com/articles/1347614/print?section=ip>.

463. Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted. *Fintiv*, No. IPR2020-00019, Paper 11, at 6.

464. Eric J. Fues, *The Interplay Between the ITC and the PTAB—More Progress Needed*, FINNEGAN (Jan. 22, 2019, 10:56 AM), <https://www.finnegan.com/en/insights/articles/the-interplay-between-the-itc-and-the-ptabmore-progress-needed.html> [<https://perma.cc/J5GZ-2DNA>]. Under 28 U.S.C. § 1659, the district court must stay its case at the respondent's request. This should make factor one weigh in favor of institution. Yet, the PTAB recently held a stay forced by a parallel ITC proceeding still weighs against institution. See *Garmin*, No. IPR2020-00754, Paper 11, at 7.

465. Whether the petitioner and the defendant in the parallel proceeding are the same party. *Fintiv*, No. IPR2020-00019, Paper 11, at 6.

466. *But see* Mylan Lab's Ltd. v. Janssen Pharmaceutica NV, No. IPR2020-00440, Paper 17, at 14–15 (P.T.A.B. Sept. 16, 2020) (considering the stage of third-party parallel litigation and refusing to institute in part because the third-party litigation raised similar issues and was set for trial the same month the institution decision would issue).

467. *Fintiv*, No. IPR2020-00019, Paper 11, at 8 (leaving the petitioner only factors three, four, and six to possibly tip the balance in favor of institution).

468. Matthew Bultman, *Companies Hit with ITC Patent Complaints Face Long Odds at PTAB*, BLOOMBERG L. (Jan. 29, 2021, 5:56 AM), <https://news.bloomberglaw.com/ip-law/companies-hit-with-itc-patent-complaints-face-long-odds-at-ptab> [<https://perma.cc/QXK7-J23D>].

factors that the petitioner would have to prove overwhelmingly to win the “holistic” balancing test, namely factors three, four, and six.<sup>469</sup> Factor three, investment in the parallel proceeding, is almost impossible to overcome given the ITC’s tight statutory deadlines and the speed with which it conducts proceedings.<sup>470</sup> Factor four, overlap between issues, occurs in almost all petitions, likely because parties assert their best arguments from the onset and though petitioners can assert broad estoppel, which sometimes shifts this factor to weighing in favor of institution, that is rarely enough to shift the balance.<sup>471</sup> Factor six, other considerations including merits, is unlikely to shift the balance as even petitions particularly strong on the merits have failed to overcome just one other factor weighing against institution.<sup>472</sup>

Patent owners can essentially close the door for petitioners to seek IPR by filing a complaint in district court to begin the one-year statutory clock and filing an ITC investigation around the same time to shift the *NHK-Fintiv* factors heavily in favor of the patent owner and against institution. Statistics indicate patent owners are taking advantage of this strategy.<sup>473</sup> Eighteen consecutive IPR petitions that involved parallel ITC proceedings were recently denied, indicating that application of the *NHK-Fintiv* test has resulted in the odds stacked against petitioners and in favor of denial.<sup>474</sup> If this trend continues,

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469. *Fintiv*, No. IPR2020-00019, Paper 15, at 11 (“[C]onsiderations of efficiency and fairness require a holistic look at the facts surrounding the parallel proceeding . . .”).

470. *See, e.g.*, *Google LLC v. Ecofactor Inc.*, No. IPR2020-00946, Paper 11, at 5–6 (P.T.A.B. Nov. 18, 2020) (deciding not to institute because parties already concluded discovery and begun depositions in the ITC investigation); *see also* *Regeneron Pharms. Inc. v. Novartis Pharma AG*, No. IPR2020-01317, Paper 15, at 17 (P.T.A.B. Jan. 15, 2021) (applauding diligence in filing within one month but noting that ITC proceedings are statutorily required to be completed expeditiously so the minimal investment in the ITC proceeding still weighs against institution).

471. *But see* *Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, No. IPR2020-01094, Paper 9, at 22–23 (P.T.A.B. Jan. 25, 2021) (weighing factor four strongly in favor of institution because of the lack of overlap since the issues raised at the ITC could not be raised in an IPR).

472. *See* *Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, No. IPR2020-00921, Paper 9, at 26 (P.T.A.B. Nov. 16, 2020) (noting that “[t]he merits of Petitioner’s three grounds are particularly strong” but deciding not to institute because the anticipated trial date).

473. *See* *Bultman*, *supra* note 468 (reviewing institution decisions with parallel ITC proceedings post-*Fintiv* and finding only eight out of twenty-nine, or 28%, were instituted).

474. *Lehman*, *supra* note 462.

patent owners could turn to the ITC to avoid the “risk” of IPR.<sup>475</sup> There is already evidence that ITC filings have increased in 2021 as patent owners seek to avoid review by the “death squad,” as the PTAB is frequently termed by opponents.<sup>476</sup> This loophole should not exist, and it cannot be left to fester. Congress gave the USPTO the final say on patents, and the ITC and district courts should defer to the PTAB on issues of patentability.<sup>477</sup>

#### CONCLUSION

Section 314(a) does not give the PTAB discretionary authority to deny institution of meritorious petitions solely because the parties are also involved in a parallel proceeding. Since the AIA gave the USPTO new authority and was drafted in close consultation with the USPTO, the bounds of discretion must be informed by the legislative history, statutory scheme, and text itself.<sup>478</sup> When looking at these key players, it is clear that the *NHK-Fintiv* policy exceeds the PTAB’s authority, violates the AIA, imposes venue bias, encourages forum shopping, and leads to the very inefficiencies the PTAB sought to eliminate in creating the policy. If the *NHK-Fintiv* policy continues in its current unpredictable form, IPRs will cease to provide an effective mechanism for eliminating “bad” patents, thwarting Congress’s overarching intent.

The PTAB should carefully consider the many criticisms of this policy and thoughtfully analyze its impact. If the PTAB chooses to formally adopt this policy, it may be necessary to alter the current thirty-day request for rehearing procedure to provide an opportunity to bring new evidence to the PTAB’s attention when there are changes

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475. For the real-time status and outcome of all petitions with parallel ITC investigations, see Michael Oblon et al., *Jones Day’s Fintiv-ITC Developments Tracker*, JONES DAY (Jan. 22, 2021), <https://www.ptablitigationblog.com/jones-days-fintiv-itc-developments-tracker> [<https://perma.cc/2WQN-HSUH>].

476. See Peter J. Pitts, *Patent Death Squads’ vs. Innovation*, WALL ST. J. (June 10, 2015, 7:13 PM), <https://www.wsj.com/articles/patent-death-squads-vs-innovation-1433978591> (explaining the origin of the phrase coined by former Federal Circuit Chief Justice Randall Rader at the October 2013 AIPLA meeting where he referred to the PTAB as “patent death squads”).

477. See Savannah Carnes, *The ITC Should Refer to the PTAB on Patentability*, CALIF. L. REV. BLOG (July 2020), <https://www.californialawreview.org/itc-should-defer-to-ptab> (noting when the ITC defers to the PTAB both agencies fulfill their missions with increased speed and accuracy).

478. Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 FED. CIR. BAR J. 435, 437–38 (2012).

in the parallel proceeding. This may help quell some of the current concerns regarding venue bias. As the USPTO continues to adjust to the changes ushered in by the AIA, it must remember to keep Congress's intent at the forefront.<sup>479</sup>

The *NHK-Fintiv* policy does not comport with congressional intent, and it is not supported by the text or the statutory scheme. For the foregoing reasons, the *NHK-Fintiv* policy must be abolished.

## APPENDIX

TABLE 1

Factor 1			
Weighs against denial (i.e., favors institution)	Weighs in favor of denial (i.e., favors discretionary denial)	Neutral	Match %
6	7	33	92%
Strongly: 3 Slightly: 0	Strongly: 0 Slightly: 1		

TABLE 2

Factor 2			
Weighs against denial (i.e., favors institution)	Weighs in favor of denial (i.e., favors discretionary denial)	Neutral	
15	26	5	76%
Strongly: 4 Slightly: 3	Strongly: 2 Slightly: 4		Note: All 15 times this factor weighed in favor of institution,

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479. Senators Leahy and Cornyn recently introduced the Restoring America Invents Act to curtail the Director's discretion and abolish *NHK-Fintiv*, noting post-grant proceedings should be "widely available to the public." Press Release, Senator Patrick Leahy & Senator John Cornyn, Leahy and Cornyn Introduce Bipartisan Bill to Support American Innovation and Reduce Litigation (Sept. 29, 2021), <https://www.leahy.senate.gov/press/leahy-and-cornyn-introduce-bipartisan-bill-to-support-american-innovation-and-reduce-litigation> [<https://perma.cc/4D9J-5N77>].

			the proceeding was instituted.
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TABLE 3

Factor 3			
Weighs against denial (i.e., favors institution)	Weighs in favor of denial (i.e., favors discretionary denial)	Neutral	Match %
22	18	6	88%
Strongly: 4 Slightly: 3	Strongly: 4 Slightly: 5		

TABLE 4

Factor 4			
Weighs against denial (i.e., favors institution)	Weighs in favor of denial (i.e., favors discretionary denial)	Neutral	Match %
25	18	3	74%
Strongly: 6 Slightly: 9	Strongly: 0 Slightly: 8		

TABLE 5

Factor 5			
Weighs against denial (i.e., favors institution)	Weighs in favor of denial (i.e., favors discretionary denial)	Neutral	Match %
1	31	14	50%
Strongly: 0 Slightly: 0	Strongly: 0 Slightly: 1		

TABLE 6

Factor 6			
Weighs against denial (i.e., favors institution)	Weighs in favor of denial (i.e., favors discretionary denial)	Neutral	Match %
27	4	15	84%
Strongly: 2 Slightly: 2	Strongly: 0 Slightly: 8		

TABLE OF ALL INSTITUTION DECISIONS FROM JANUARY 1, 2021 TO MARCH 15, 2021

	Parties	Parallel Proceeding	Factors Against Denial ( <sup>†</sup> strongly against; * slightly against)	Factors in Favor of Denial ( <sup>†</sup> strongly in favor; * slightly in favor)	Neutral	Decision
1	Samsung Elecs., Co. v. Ancora Techs., Inc.	W.D. Tex.		4*, 2, 3, 5, 6	1	Denied
2	Dolby Lab's, Inc. v. Intertrust Techs. Corp.	N.D. Cal. & E.D. Tex.	2, 6	4	1, 3, 5	Instituted
3	PEAG LLC v. Varta Microbattery GmbH	E.D. Tex.	3 <sup>†</sup> , 6	2, 4	1, 5	Instituted
4	Hisense Visual Tech. Co. v. LG Elecs. Inc.	C.D. Cal.	2, 3, 4, 6		1, 5	Instituted
5	SK Innovation Co. v. LG Chem, Ltd.	D. Del. & ITC	6*	1, 2, 3, 4, 5		Denied
6	Nintendo Co. v. Gamevice, Inc.	ITC		1, 2, 3, 4*, 5,	6	Denied
7	Amazon.com Inc. v. Freshub, Ltd.	W.D. Tex.		2, 3, 4, 5	1, 6	Denied
8	Keyme, LLC v. Hillman Grp., Inc.	E.D. Tex.		2 <sup>†</sup> , 3 <sup>†</sup> , 4, 5	1, 6	Denied

	Parties	Parallel Proceeding	Factors Against Denial († strongly against; * slightly against)	Factors in Favor of Denial († strongly in favor; * slightly in favor)	Neutral	Decision
9	Regeneron Pharms., Inc. v. Novartis Pharma AG	N.D.N.Y. & S.D.N.Y.		1, 2, 3*, 4*, 5, 6		Denied
10	10X Genomics, Inc. v. Harvard Coll.	D. Mass.	6	2*, 3†, 4, 5	1	Denied
11	Verizon Bus. Network Servs. Inc. v. Huawei Techs. Co.	W.D. Tex.	3, 4*, 6†	2	1, 5	Instituted
12	Samsung Elecs. Co., Ltd v. Acorn Semi, LLC	E.D. Tex.	4†, 6	2*, 3*, 5	1	Instituted
13	HP Inc. v. Slingshot Printing LLC	W.D. Tex.	3, 4, 6		1, 2, 5	Instituted
14	Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.	E.D. Va. & ITC	3*, 6	4, 2, 5	1	Denied
15	Align Tech., Inc. v. 3Shape A/S	D. Del.	2, 4*, 6	5	1, 3	Instituted
16	Dish Network L.L.C. v. Broadband ITV, Inc.	W.D. Tex.	3†, 6	2*, 4, 5*	1	Instituted
17	LG Display Co. v. Solas Oled Ltd.	W.D. Tex.	4	2, 3, 6	1, 5	Denied
18	Tide Int'l (USA), Inc. v. UPL NA Inc.	C.D. Cal.	2*, 4, 6*	3*, 5	1	Instituted
19	Juniper Networks, Inc. v. Huawei Digit. Tech. Co.	W.D. Tex.	3, 4*, 6	2	1, 5	Instituted
20	Verizon Bus. Network Servs. Inc. v. Huawei Techs. Co.	E.D. Tex.	3, 4*	2, 5	1, 6	Denied



	Parties	Parallel Proceeding	Factors Against Denial († strongly against; * slightly against)	Factors in Favor of Denial († strongly in favor; * slightly in favor)	Neutral	Decision
21	Nested Bean, Inc. v. Big Beings USA Pty Ltd.	D. Mass.	1, 2, 3	4*, 5	6	Instituted
22	Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.	E.D. Va & ITC	3*, 4†, 6	2, 5	1	Instituted
23	Intel Corp. v. Parkervision, Inc.	W.D. Tex.	2, 3†, 6	4*	1, 5	Instituted
24	Samsung Elecs. Co. v. Clear Imaging Rsch., LLC	E.D. Tex.	6	1*, 2†, 3†, 4*, 5		Denied
25	Cellco P'ship v. Huawei Techs. Co.	W.D. Tex.	3, 4*, 6	2*	1, 5	Instituted
26	Code200, UAB v. Luminati Networks Ltd.	E.D. Tex.	6	2, 3, 4, 5	1	Denied
27	Ameristar Perimeter Sec. USA, Inc. v. RSA Protective Techs., LLC	D. Del.	1, 2, 4		3, 5, 6	Instituted
28	Medtronic, Inc. v. Teleflex Innovations S.A.R.L.	D. Minn.	1 and 2†, 6	4, 5	3	Instituted
29	Unified Pats., LLC v. Ideahub, Inc.	C.D. Cal. & D. Del.	3, 5, 6		1, 2, 4	Instituted
30	DJI Europe B.V. v. Daedalus Blue LLC	W.D. Tex.	3*, 4†	1	2, 5, 6	Instituted
31	Lego Sys. Inc. v. MQ Gaming LLC	D. Del.	4†, 6	2, 3*, 5	1	Instituted
32	Mediatek Inc. v. Nippon Tel. and Tel. Corp.	W.D. Tex.	2*, 3, 4	5	1, 6	Instituted

	Parties	Parallel Proceeding	Factors Against Denial († strongly against; * slightly against)	Factors in Favor of Denial († strongly in favor; * slightly in favor)	Neutral	Decision
33	W. Digit. Corp. v. Kuster	W.D. Tex.	3, 4*, 6	5	1, 2	Instituted
34	Supercell Oy v. Gree, Inc.	E.D. Tex.		2, 3, 4*, 5	1, 6	Denied
35	Owens Corning Roofing & Asphalt, LLC v. Kirsch Rsch & Dev., LLC	N.D. Ohio	1†, 2†		3, 4, 5, 6	Instituted
36	Unified Pats., LLC v. Justservice.net LLC	W.D. Tex.	2, 3*, 4, 6	5	1	Instituted
37	Ability Opto-Elec. Tech. Co. v. Largan Precision Co.	N.D. Cal.	2†, 3†, 4	5	1, 6	Instituted
38	Beckman Coulter, Inc. v. Sysmex Corp.	D. Del	3*, 6	4*	1, 2, 5	Instituted
39	Medtronic, Inc. v. Teleflex Life Sci. Ltd.	D. Minn.	1†, 2† 6		3, 4, 5	Instituted
40	Canon Inc. v. Optimum Imaging Techs. LLC	E.D. Tex.	4*	1, 2, 3, 5	6	Denied
41	Intel Corp. v. FG SRC LLC	W.D. Tex., D. Del., W.D. Wash.	2*, 3, 4, 6	5	1	Instituted
42	Cisco Sys., Inc. v. Monarch Networking Sols. LLC	E.D. Tex.	4*	2, 3, 5	1, 6	Denied
43	Cellco P'ship v. Huawei Techs. Co.	E.D. Tex.	4*	2, 3, 5, 6	1	Denied
44	Samsung Elecs. America, Inc. v. Snick LLC	E.D. Tex.	3, 4, 6†	2, 5	1	Instituted

	Parties	Parallel Proceeding	Factors Against Denial († strongly against; * slightly against)	Factors in Favor of Denial († strongly in favor; * slightly in favor)	Neutral	Decision
45	Medtronic Corevalve Inc. v. Colibri Heart Valve LLC	C.D. Cal.	4†	1, 2, 5	3, 6	Instituted
46	Brunswick Corp. v. Volvo Penta of the Americas, LLC	D. Del.	2, 3, 4†	5	1, 6	Instituted