

January 11, 2021

USPTO Rulemaking on Discretion to Institute Trials Before the PTAB – A Balancing Act

by [Cynthia B. Rothschild](#)

The U.S. Patent and Trademark Office is considering promulgating rules relating to the Patent Trial and Appeal Board's discretion to institute trials. The rulemaking will consider various factors that may go into account in the determination of whether to institute AIA trials in light of serial and parallel petitions as well as proceedings in the district courts and ITC.

Congress designed the AIA to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. See e.g., H.R. Rep. No. 112-98, pt. 1, at 40 (2011). However, even in the situation where the petitioner has satisfied the institution standard, the Director has discretion to deny the petition. See, e.g., 35 U.S.C. §§ 314(a) and 324(a); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131-2156 (2016). The Director also has authority to determine the manner in which multiple proceedings involving the same patent may proceed. See e.g., 35 USC §§ 315(d) and 325(d).

This rulemaking is expected to be modeled after guidance provided by the PTAB's Consolidated Trial Practice Guide, as well as recent precedential opinions, including: *General Plastic Industries Co. Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357 (PTAB Sept. 6, 2017), providing a nonexclusive list of factors that the Board considers when evaluating discretionary denial of follow-on (or serial) petitions under 35 USC 314(a); and *Apple Inc., v. Fintiv*, IPR2020-00019 (PTAB March 20, 2020), summarizing the factors the Office may consider for discretionary denial. The six *Fintiv* factors are:

- whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
- proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
- investment in the parallel proceeding by the court and the parties;
- overlap between issues raised in the petition and in the parallel proceeding;
- whether the petitioner and the defendant in the parallel proceeding are the same party; and
- other circumstances that impact the Board's exercise of discretion, including the merits.

The rulemaking is expected to be controversial, with patent challengers arguing that denial of institution, particularly under the *Fintiv* factors, is in contrast to the intent of Congress to provide a less expensive forum to resolve patent disputes, forces defendants to file IPRs early, and can result in forum shopping. In contrast, patent

owners note that there is nothing that entitles defendants to two bites at the apple to challenge a patent, discretionary denial of an IPR petition under *Fintiv* reduces the possibility of contradictory outcomes in district court and the PTAB, and that there is no statutory provision that prevents the USPTO from considering the stage of a parallel litigation when deciding whether to institute an IPR. Public comment was requested regarding rulemaking related to: (1) serial petitions; (2) parallel petitions; (3) proceedings in other tribunals; and (4) any other considerations related to these issues. 85 FR 66502 (Oct. 20 2020). Comments may be viewed at <https://www.regulations.gov>, docket PTO-C-2020-0055.

Interestingly, the PTAB recently made two decisions precedential where the board instituted review of patents while there was a pending court litigation. In *Sotera Wireless, Inc. v. Masimo Corporation*, IPR2020-01019 (December 1, 2020), Masimo Corporation had sued Sotera Wireless in the Southern District of California. Sotera filed a stipulation in district court stating that if the board reviews the patent, the company will not pursue any invalidity argument in the trial that is raised, or reasonably could have been raised, in the IPR. The consideration of minimal overlap between the two proceedings led the board to institute review. In *Snap, Inc. v. SRK Technology LLC*, IPR2020-00820 (October 21, 2020), SRK Technology had sued Snap Inc., in the Central District of California. The district court decided to stay the infringement case until the PTAB issues a final written decision, and the board again instituted the case, indicating that the stay allays concerns about inefficiency and duplication of efforts.