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Discretionary Denials at the PTAB

BY

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Request for Comments

Due by:

December 3, 2020

The United States Patent and Trademark Office (Office or USPTO) seeks public comments on considerations for instituting trials before the Office under the Leahy-Smith America Invents Act (AIA). The USPTO is considering the codification of its current policies and practices, or the modification thereof, through rulemaking and wishes to gather public comments on the Office's current approach and on various other approaches suggested to the Office by stakeholders. To assist in gathering public input, the USPTO is publishing questions, and seeks focused public comments, on appropriate considerations for instituting AIA trials.

The Need for Rule Making

Additional Views from *Facebook v. Windy City*, No. 18-1400 (2020)

Facebook also argues that the POP opinion in Proppant is entitled to Chevron deference because it was "provided after notice, public comment, and hearing." Facebook, Inc. v. Windy City Innovations, LLC, No. 18-1400, ECF No. 56, at 2. The government elaborates on this point, contending that the interpretation rendered in the POP opinion in Proppant resulted from a "highly structured process," "following notice to the public; . . . further written briefing by the parties and six amici; and an oral hearing." Facebook, Inc. v. Windy City Innovations, LLC, No. 18-1400, ECF No. 76, at 6.

To the extent that Facebook or the government argues that this is comparable to notice-and-comment rulemaking, we disagree. While the POP in Proppant issued an order listing the issues it intended to review, solicited briefs from the parties and amici, and held an oral hearing, the POP procedure falls short of traditional notice-and-comment rulemaking that could receive Chevron deference.

For example, the announcement that a POP has been convened and the issues it will review is not published in the Federal Register. Instead, it is issued as an order in the docket of the case. See SOP 2, at 7 (internal citation omitted). There is no formal opportunity for public comment.

Discretionary Denials

35 U.S.C. §§ 314 (a), (b)

35 U.S. Code § 314 - Institution of inter partes review

(a)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 1 of the claims challenged in the petition.

35 U.S.C. 314(a)

(b)Timing.—The Director shall determine ***whether*** to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after— **(1)** receiving a preliminary response to the petition under section 313; or **(2)** if no such preliminary response is filed, the last date on which such response may be filed.

35 U.S.C. §§ 324 (a), (c)

35 U.S. Code § 324 - Institution of post-grant review

(a)Threshold.—The Director ***may*** not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

…

(c)Timing.—The Director shall determine ***whether*** to institute a post-grant review under this chapter pursuant to a petition filed under section 321 within 3 months after—**(1)**receiving a preliminary response to the petition under section 323; or **(2)**if no such preliminary response is filed, the last date on which such response may be filed.

Cuozzo Speed Technologies, LLC v. Lee, 136 S. Ct. 2131, 2140 (2016)

The Patent Office's decision to initiate inter partes review is "preliminary," not "final." *Ibid.* And the agency's decision to deny a petition is a matter committed to the Patent Office's discretion. See § 701(a)(2); 35 U.S.C. § 314(a) (no mandate to institute review); see also *post,* at 2153, and n. 6.

SAS Institute Inc. v. Iancu, 138 S. Ct. 1348, 1356 (2018)

> Whether to institute proceedings upon such a finding, he says, remains a matter left to his discretion. See *Cuozzo*, 579 U.S., at ____, 136 S.Ct., at 2140. But 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. The text says only that the Director can decide "whether" to institute the requested review — not "whether *and to what extent*" review should proceed. § 314(b).

Oil States Energy v. Greene's Energy Group, 138 S. Ct. 1365, 1371 (2018)

The decision whether to institute inter partes review is committed to the Director's discretion. See *Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. ___, ___, 136 S.Ct. 2131, 2140, 195 L.Ed.2d 423 (2016).

Thryv, Inc. v. Click-to-Call Technologies, LP, 140 S. Ct. 1367, 1371 (2020)

After receiving the petition and any response, the PTO "Director shall determine whether to institute an inter partes review under this chapter." § 314(b). The Director has delegated institution authority to the Patent Trial and Appeal Board (Board). 37 CFR § 42.4(a) (2019). As just noted, the federal agency's "determination... whether to institute an inter partes review under this section" is "final and nonappealable." 35 U.S.C. § 314(d).

Serial Petitions

1. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *General Plastic, Valve I, Valve II* and their progeny, for deciding whether to institute a petition on claims that have previously been challenged in another petition?

2. Alternatively, in deciding whether to institute a petition, should the Office (a) altogether disregard whether the claims have previously been challenged in another petition, or (b) altogether decline to institute if the claims have previously been challenged in another petition?

"*General Plastic*" factors (for exercising discretion under 35 U.S.C. §§314(a) and 324(a))

- Whether the same petitioner previously filed a petition directed to the same claims of the same patent.
- Whether, when the petitioner filed the first petition, it knew, or should have known, of the prior art asserted in the second petition.
- Whether, when the petitioner filed the second petition, it already received the patent owner's preliminary response to the first petition or received the PTAB's decision on whether to institute review on the first petition.
- The time period between when the petitioner learned of the prior art asserted in the second petition and the filing of the second petition.
- Whether the petitioner provides an adequate explanation for the delay between the filing of multiple petitions directed to the same claims of the same patent.
- The PTAB's resources.
- The requirement for the PTAB to issue a final determination not later than one year after the date of institution.

(See *General Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, 2017 WL 3917706 (PTAB Sept. 6, 2017).)

Valve Corp. v. Elec. Scripting Prods., Inc. (2019 WL 1490575 (PTAB Apr. 2, 2019)("*Valve I*")(denying institution in view of *General Plastic* factors)

In *Valve I*, the Board denied institution of three petitions that followed-on a petition against overlapping claims of the same patent filed by another party, for which the Board denied institution. The Board:

- Held that application of the *General Plastic* factors is not limited to instances when multiple petitions are filed by the same petitioner.
- Explained that when different petitioners challenge the same patent, the Board considers any relationship between those petitioners when weighing the *General Plastic* factors. Here, the petitioner was a co-defendant with and licensed the accused technology to the initial petitioner.

Valve Corp. v. Electronic Scripting Prods., Inc. (2019 WL 1965688 (PTAB May 1, 2019)("*Valve II*")

In *Valve II*, the Board elaborated on *General Plastic* factor one ("**whether the same petitioner previously filed a petition directed to the same claims of the same patent**"), noting that the factor applies to a petitioner that joins an IPR (as a co-defendant in district court litigation) even where it has not previously filed a petition.

Parallel Petitions

3. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in the Consolidated Trial Practice Guide, for deciding whether to institute more than one petition filed at or about the same time on the same patent?

4. Alternatively, in deciding whether to institute more than one petition filed at or about the same time on the same patent, should the Office (a) altogether disregard the number of petitions filed, or (b) altogether decline to institute on more than one petition?

PTAB Trial Practice Guide

When filing more than one petition against a patent, the petitioner must, in the petition or a separate, five-page filing:

Rank the petitions based on merit.

Explain:

- the material differences between the petitions (preferably in table form); and
- why the Board should institute two petitions if it determines the petitioner has satisfied the institution threshold for one of them under Section 314(a).

(See PTAB Trial Practice Guide 2019 Update at 26-27.)

Proceedings in Other Tribunals

5. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *Fintiv* and its progeny, for deciding whether to institute a petition on a patent that is or has been subject to other proceedings in a U.S. district court or the ITC?

6. Alternatively, in deciding whether to institute a petition on a patent that is or has been subject to other proceedings in district court or the ITC, should the Office (a) altogether disregard such other proceedings, or (b) altogether decline to institute if the patent that is or has been subject to such other proceedings, unless the district court or the ITC has indicated that it will stay the action?

"*Fintiv*" Factors

- 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. The Board is more likely to deny institution where the district court trial date is before the final written decision deadline, and less likely to deny institution where the trial date is contemporaneous with or later than the final written decision date, in view of the other factors.
- 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.
- Other circumstances that impact the Board's exercise of discretion, including the merits.

(*Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020)(precedential).)

Informative Example Applications of "*Fintiv*" Factors

Apple Inc. v. Fintiv, Inc., 2020 WL 2486683 (PTAB May 13, 2020) (Informative) (Denied Institution)

- The district court trial was scheduled to begin two months before the final written decision's due date.
- The district court had invested in the validity issues.
- There was a substantial overlap in the patentability challenges.
- The petition was not strong on the merits.

Sand Revolution II, LLC v. Continental Intermodal Group, 2020 WL 3273334 (PTAB June 16, 2020) (Informative) (Granted Institution)

- In contrast, the Board has instituted review in view of the Fintiv factors where:
- It was uncertain whether the trial would take place before the final written decision.
- The district court had not made a significant investment in the validity issues.
- The petitioner stipulated not to raise in the district court the same patentability grounds raised in the IPR.
- The petition was strong on the merits.

Informative Example Applications of "*Fintiv*" Factors

2. Proximity of trial date – Decisions have held that trial three months or less before the Final Written Decision deadline weighs in favor of denying institution:

- *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 15 (P.T.A.B. May 13, 2020) - **two months**
- *E-One, Inc. v. Oshkosh Corp.*, IPR2019-00161, Paper 16 (P.T.A.B. May 15, 2019) - **one month**
- *Netflix, Inc. et al. v. Uniloc 2017 LLC*, IPR2020-00008, Paper 13 (P.T.A.B. Apr. 13, 2020) - **two months**
- *Next Caller Inc. v. TRUSTID, Inc.*, IPR2019-00961, Paper 10 (P.T.A.B. Oct. 16, 2019) - **three months**
- *U.S. Venture, Inc. v. Sunoco Partners Marketing & Terminals L.P.*, IPR2020-00728, Paper 10 at 8-9 (P.T.A.B. Oct. 1, 2020) - factor 2 favored denial where **the trial date was not set** but the Board estimated trial "some three or four months before we issue our final decision"

Informative Example Applications of "*Fintiv*" Factors

4. Overlap between the issues being tried in different tribunals – Board has exercised its discretion when a petition challenges non-asserted claims, even where none of the challenged claims were asserted:

- *Next Caller Inc. v. TRUSTID, Inc.*, IPR2019-00961, Paper 10 at 14 (P.T.A.B. Oct. 16, 2019 - **none** of the challenged claims were asserted in the co-pending litigation
- *VIZIO, Inc. v. Polaris PowerLED Technologies, LLC*, IPR2020-00043, Paper 30 at 10-11 (P.T.A.B. May 4, 2020) - "Petitioner has not provided argument as to why the additional challenges to the dependent claims in the Petition provide a meaningful distinction between the two proceedings."

Other Considerations

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

Questions?

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Resources

- Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 203 (proposed Oct. 20, 2020)
- Charles R. Macedo, Practical Law Practice Note, ***Understanding PTAB Trials: Key Milestones In IPR, PGR And CBM Proceedings*** (available at https://www.arelaw.com/publications/view/practicallaw1014/)
- Kenneth R. Adamo et al., Trial Lawyer's Guide to Post Grant Patent Proceedings, Chapter 4 (2020 ed.)

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We wish everyone a happy holiday season!