

THROWING DISCRETION TO THE WIND:
DISCRETIONARY DENIALS IN INSTITUTING *INTER PARTES*
REVIEW UNDER THE *NHK-FINTIV* FRAMEWORK

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INTRODUCTION

In 2011, Congress engaged in substantial reform of the patent system by passing the America Invents Act (AIA).¹ As part of those changes, the AIA also included new post-grant proceedings, such as *inter partes* review (IPR), for parties to challenge patent validity after the patent had been issued by the United States Patent & Trademark Office (USPTO).² In part, the changes to post-grant proceedings were implemented because existing options were slow. The pre-existing post-grant proceedings were being used as an addition to challenging the patent in the district courts rather than as an alternative.³ IPRs are effectively required to be completed within eighteen months, making them a compelling choice for resolving patent validity issues based on patents and printed publications.⁴ For each petition for IPR, however, the USPTO Director retains authority, delegated to the Patent Trial and Appeals Board (“the Board”), to decide whether or not the petition should be instituted.⁵ If the Board decides to institute, it must issue a final written decision on each instituted ground within one year.⁶ Increasingly, petitions are being denied on a basis stemming from procedural grounds instead of on the merits of the petition itself.⁷

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1. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections of 35 U.S.C.) [hereinafter AIA].

2. See *infra* Section I.B

3. See *infra* Section I.B

4. Jonathan Stroud et al., *Stay Awhile: The Evolving Law of District Court Stays in Light of Inter Partes Review, Post-Grant Review, and Covered Business Method Post-Grant Review*, 11 BUFF. INTELL. PROP. L.J. 226, 235 (2015); see also *infra* Section I.B.

5. See *infra* Section I.B

6. 35 U.S.C. § 316(a)(11).

7. See *infra* Section I.C

Particularly, a significant number of denials are being made under 35 U.S.C. § 314(a) due to the status of parallel district court proceedings.⁸

Two principal cases, *NHK Spring Co., v. Intri-Plex Technologies, Inc.*⁹ and *Apple Inc. v. Fintiv, Inc.*,¹⁰ consolidated the factors that now guide the Board's institution decisions where there is a corresponding civil case. These factors include: whether the district court is likely to grant a stay; the proximity of the trial date in the civil litigation; the investment in the parallel proceeding; overlap between issues raised in the petition and the parallel proceeding; whether the parties in the parallel proceeding are the same as those in the petition; and other circumstances, including the merits of the petition.¹¹ Consequently, patent owners have been taking advantage of the framework provided by *NHK Spring* and *Fintiv* to challenge patents in districts with very active dockets where courts are also less likely to grant stays.¹² Although a challenger is authorized to petition for IPR within one year of being served in a civil action, the Board is increasingly denying institution of IPRs based on the proximity of scheduled trial dates even though the IPR petition was timely filed, often well before the statutorily imposed one-year deadline.¹³ To add insult to injury, the trial dates used in the Board's decision-making often subsequently end up being postponed.¹⁴

This Note proposes modifications to the factors in the *NHK-Fintiv* framework to better allow IPR to serve its intended function as an alternative to litigation. The Board should account for the petitioner's promptness in filing, recognizing that issues in an IPR may be complex and Congress expressly provided a one-year deadline to enable adequate preparation. The Board should also concentrate on the merits of the petition instead of determining the petition's fate on the basis of hypothetical trial dates that may not come to fruition. Furthermore, the focus of the Board should not only be on the past investment in the proceedings, but the future investment required to complete each proceeding. IPRs will typically be

8. See *infra* Section I.C

9. *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018) (precedential, designated May 7, 2019).

10. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (precedential, designated May 5, 2020).

11. *Id.* at 5–16.

12. See *infra* Section I.C

13. See *infra* Section I.D

14. See *infra* Section II.A

completed more cheaply and quickly.¹⁵ The expertise of the Board in evaluating the merits may also help resolve overlap with the parallel proceeding and simplify issues before the district court, yielding improved outcomes. Parties could also be required to self-impose estoppel provisions, similar to those that would apply after an IPR terminates, to reduce overlapping issues that would weigh against institution. Additionally, district courts should consider a default position of granting a stay for an IPR, as Congress wanted IPR to serve as a litigation alternative and such a position would provide more clarity to the Board.

Part I of this Note provides an overview of the history of post-grant proceedings prior to the AIA and the motivation for replacing those proceedings with IPR. It also details the recent rise in decisions denying institution of IPRs for procedural reasons under § 314(a) along with the cases that provided the factors the Board uses to make its institution decisions and how those factors have been applied in subsequent cases. Part II makes proposals for changes to the factors that would likely curb the dramatic rise of decisions denying IPRs on procedural grounds rather than their merits. Such changes would help IPR resume its congressionally-envisioned role as an alternative to district court litigation for resolving patent validity issues.

I. HISTORY

A. *Post-Grant Proceedings Prior to the AIA*

The patent system was established in the United States Constitution as an imperative “to 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.”¹⁶ The USPTO was established by Congress in 1802 “to issue patents on behalf of the government.”¹⁷ To ensure that only valid and meritorious patents are issued, “the USPTO examines applications and grants patents on inventions when applicants are

15. See *infra* Sections II.A, II.C

16. U.S. CONST. art. I, § 8, cl. 8.

17. *General Information Concerning Patents*, U.S. PATENT & TRADEMARK OFFICE (July 2021), <https://www.uspto.gov/patents/basics/general-information-patents#heading-6> (last visited Dec. 18, 2021) [<https://perma.cc/4HNK-2TY8>].

entitled to them.”¹⁸ Unfortunately, the examination process is imperfect, given that the examiners only spend a total average time of eighteen hours (or less) on each patent application across the typical two or three-year prosecution.¹⁹ Mark Lemley argues that this may be an intentional plan of “rational ignorance”²⁰ whereby the USPTO strategically does not thoroughly investigate the objective validity of patents,²¹ consequently over-issuing patents as a means to manage its backlog of applications.²² Since the vast majority of patents are never litigated, acquiring perfect knowledge to make an accurate assessment of validity would often be too costly to justify.²³ However, evidence suggests that nearly 43% of all challenged patents between 2008 and 2009 were determined to be invalid in whole or in part.²⁴ Patents of questionable validity can deter new or continuing research in areas purportedly covered by those patents.²⁵ The issuance of such patents also exacerbates the patent thicket, increasing costs for follow-on innovation.²⁶

18. *Id.*

19. Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U.L. REV. 1495, 1500 (2001). In that time, the examiner has the burden of, amongst other duties, “reading the application, searching for and identifying the relevant prior art, reading the relevant prior art, deciding whether the application should be allowed by comparing the claims to the prior art, and writing an ‘Office Action’ explaining the reasons why any claims are rejected.” *Id.*

20. “The basic idea of rational ignorance is that any person will spend only a certain amount of time or money to obtain a piece of information. If obtaining that information costs more than it is worth, an individual will (or should) rationally choose to remain ignorant of it.” *Id.* at 1497 n.6.

21. *Id.* at 1497.

22. The USPTO’s performance and accountability report for the 2019 Fiscal Year lists 497,164 applications that are undocketed or awaiting a first action by the examiner. U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT, FISCAL YEAR 2019, at 169 tbl.5 (2019), <https://www.uspto.gov/sites/default/files/documents/USPTOFY19PAR.pdf> [<https://perma.cc/CH3X-7HNC>].

23. Lemley, *supra* note 19, at 1497.

24. John R. Allison et al., *Our Divided Patent System*, 82 U. CHI. L. REV. 1073, 1099 (2015); see also Ronald J. Mann & Marian Underweiser, *A New Look at Patent Quality: Relating Patent Prosecution to Validity*, 9 J. EMPIRICAL LEGAL STUD. 1, 7 (2012) (finding only 40.2% of patents litigated in the Federal Circuit between 2003 and 2009 valid).

25. See FED. TRADE COMM’N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 5 (2003), <https://www.ftc.gov/sites/default/files/documents/reports/promote-innovation-proper-balance-competition-and-patent-law-and-policy/innovationrpt.pdf> [<https://perma.cc/W6UH-RGV2>].

26. *Id.* at 6–7; see also Kevin R. Davidson, *Retooling Patents: Current Problems, Proposed Solutions, and Economic Implications for Patent Reform*, 8 HOUS. BUS. & TAX. L.J. 425, 442 (2008) (“excessive numbers of low-quality patents can prevent healthy rates of innovation”).

To increase confidence in issued patents, Congress enacted the Bayh-Dole Act to remedy errors made during the initial examination process and improper issuances through administrative mechanisms.²⁷ Prior to 1980 and the passage of the Bayh-Dole Act, however, no mechanism existed for the USPTO²⁸ to reexamine the validity of issued patents.²⁹ The statute was part of an initiative to promote industrial innovation by strengthening the patent system following the economic recession of the late 1970s in the United States.³⁰ Previously, “methods of achieving administrative review of an issued patent were very limited” and “such review could not be achieved other than at the initiative of the patentee.”³¹ The reexamination statute aimed to provide three key benefits: (1) providing an opportunity for the USPTO to review possibly invalid patents; (2) introducing a new procedure to settle validity disputes more quickly and cheaply than through protracted litigation; and (3) providing an alternative forum, supervised by experienced patent judges, for assessing patent validity to federal courts.³²

The Bayh-Dole Act implemented an *ex parte* reexamination procedure that essentially repeated the initial examination process between the examiner and applicant but limited the scope of review to prior art patents and printed publications.³³ Any party was permitted to petition the PTO to review the issued patent in question.³⁴ Patent owners could use the process to bolster the patent’s validity if potential prior art emerged following the

27. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985) (explaining that “[t]he legislative history of the reexamination statute makes clear that its purpose is to cure defects in administrative agency action with regard to particular patents and to remedy perceived shortcomings in the system by which patents are issued”).

28. *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 608 (1898) (“It has been settled by repeated decisions of this court that when a patent has received the signature of the secretary of the interior, countersigned by the commissioner of patents, and has had affixed to it the seal of the patent office, it has passed beyond the control and jurisdiction of that office, and is not subject to be revoked or canceled by the president, or any other officer of the government.”).

29. Eric J. Rogers, *Ten Years of Inter Partes Patent Reexamination Appeals: An Empirical View*, 29 SANTA CLARA COMPUT. & HIGH TECH. L.J. 305, 310 (2013).

30. Allan M. Soobert, *Breaking New Grounds in Administrative Revocation of U.S. Patents: A Proposition for Opposition and Beyond*, 14 SANTA CLARA COMPUT. & HIGH TECH. L.J. 63, 80 n.66 (1998).

31. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985).

32. Rogers, *supra* note 29, at 308. *See also* *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 602 (Fed. Cir. 1985). The scope of prior art in a reexamination is narrowed from what is typically considered under 35 U.S.C. § 102(a) to exclude the examples of the invention “in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.” 35 U.S.C. § 102(a)(1).

33. Rogers, *supra* note 29, at 310.

34. H.R. REP. NO. 12-98, pt. 1, at 45 (2011).

initial examination.³⁵ Third parties aiming to invalidate the patent could petition for reexamination to avoid litigation, but would not be permitted to participate in the reexamination process beyond the initial petition.³⁶ The *ex parte* nature of the proceeding may have limited the appeal of the reexamination proceeding to third parties.³⁷ Critics faulted the *ex parte* format for favoring the patent owner.³⁸ In addition to the limits on prior art and the exclusion of third parties from the proceeding, other limitations such as the inability to challenge issued patents “based on § 101 (utility, eligibility) or § 112 (indefiniteness, enablement, written description, best mode)” and no right to appeal within the USPTO or in court made *ex parte* reexamination “a less viable alternative to litigation for evaluating patent validity than Congress intended.”³⁹

In 1999, Congress added *inter partes* reexamination (IPX) via the American Inventors Protection Act as a second reexamination procedure which allowed third-party requesters to respond to all pleadings submitted by the patentee and gave third parties the right to appeal.⁴⁰ The procedure was available to any party other than the patent owner and for any patent filed on or after November 29, 1999.⁴¹ However, the procedure was seldom used.⁴² A 69% majority of challenged patents survived the IPX proceeding and generally emerged with new claims added.⁴³ Consequently, some viewed the procedure as “more likely to strengthen a patent than to weaken

35. Jarrad Wood & Jonathan K. Stroud, *Three Hundred Nos: An Empirical Analysis of the First 300+ Denials of Institution for Inter Partes and Covered Business Method Patent Reviews Prior to In re Cuzco Speed Technologies, LLC*, 14 J. MARSHALL REV. INTELL. PROP. L. 112, 116 (2015).

36. Stroud et al., *supra* note 4, at 230–31.

37. *Id.* at 231.

38. Rogers, *supra* note 29, at 310; see Brian J. Love et al., *Determinants of Patent Quality: Evidence from Inter Partes Review Proceedings*, 90 U. COLO. L.R. 68, 95 n.116 (2019) (citing USPTO data that “about 87% of patents challenged in ex parte reexamination survived, and two-thirds were re-issued with new claims”). “[E]x parte reexamination was often used strategically by patentees to re-write their own issued claims before asserting them.” *Id.*

39. H.R. REP. NO. 12-98, pt. 1, at 45 (2011).

40. *Id.* at 46. See American Inventors Protection Act, Pub. L. 106–113, 113 Stat. 1536, § 1501A et seq. (1999) (creating *inter partes* reexamination) (codified in 35 U.S.C. §§ 311–318).

41. Rogers, *supra* note 29, at 311.

42. The USPTO only received twenty-seven requests for IPX by 2004 and only fifty-three requests across a five-year period of study where the USPTO issued 900,000 patents. H.R. REP. NO. 12-98, pt. 1, at 46 (2011).

43. Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L.R. DIALOGUE 93, 95 n.9 (2014).

it,” and it was scarcely viewed as a promising alternative to litigation.⁴⁴ The lack of statutory deadlines for reaching decisions in both *ex parte* and *inter partes* reexaminations also resulted in prolonged post-grant proceedings.⁴⁵ Evidence also suggests that third-party requesters “used the pre-AIA types of reexamination—in particular *inter partes* reexamination—in addition to litigation, instead of as a litigation alternative.”⁴⁶

*B. Post-AIA Post-Grant Proceedings:
The Dawn of Inter Partes Review*

In 2011, Congress approved the AIA⁴⁷ which significantly overhauled the American patent system by changing the patent regime from a first-to-invent system to a first-to-file system.⁴⁸ Additionally, the legislation replaced IPX with IPR in response to the perceived failures of existing administrative review procedures to provide an effective venue for third parties to challenge issued patents as an alternative to district court litigation.⁴⁹ Congress created IPR in response to the same concerns of improper granting of poor patents that initially motivated the implementation of *ex parte* reexamination.⁵⁰ *Ex parte* reexamination continues as an option under the AIA, but IPR is vastly more popular than other post-grant proceedings.⁵¹ IPR, which is available to all issued patents, is less limited than IPX, which only applied to patents filed on or after November 29, 1999.⁵² IPR also provides for joinder,⁵³ increasing the ability

44. *Id.*

45. Stroud et al., *supra* note 4, at 232; *see also* Aashish Kapadia, *Inter Partes Review: A New Paradigm in Patent Litigation*, 23 TEX. INTELL. PROP. L.J. 113, 116 (2015).

46. Stroud et al., *supra* note 4, at 231–32.

47. AIA, *supra* note 1.

48. Kapadia, *supra* note 45, at 115.

49. *Id.*

50. *See* *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S.Ct. 1367, 1374 (2020) (“By providing for inter partes review, Congress, concerned about overpatenting and its diminishment of competition, sought to weed out bad patent claims efficiently.”).

51. *See* Love et al., *supra* note 38, at 96 (noting 6,500 IPR petitions were filed between September 2012, when IPR became available, and the end of 2017). Only 1,919 petitions for IPXs were filed between 1999 and 2012 and fewer than 14,000 *ex parte* reexamination petitions have been filed since 1981. *Id.* at 96 n.120. The AIA also added two additional post-grant administrative challenges, post-grant review and covered business method patent review, but those procedures have also been used less frequently than IPR. *Id.* at 96–97.

52. Kapadia, *supra* note 45, at 116.

53. 35 U.S.C. § 315(c).

of the Board to manage a larger number of petitions by instituting parallel reviews of the same patent, which expands the availability of the proceedings to more parties.⁵⁴ A petition for IPR can be filed nine months after a patent has been granted or following the termination of post-grant review, if instituted.⁵⁵ The scope of the petition, as in *ex parte* reexamination, is limited to challenges based on § 102 (novelty) and § 103 (obviousness) and only on the basis of patents and printed publications.⁵⁶ A party who is not the patent owner may file a petition to institute an IPR within one year of service in a civil action challenging the validity of claims in the same patent.⁵⁷ However, a party who has filed suit in district court challenging the validity of claims in a patent is estopped from filing an IPR on the same patent,⁵⁸ notwithstanding counterclaims.⁵⁹

In addition to providing broader availability, IPR offers the advantage of shorter and more predictable timelines. IPR is limited to a duration of one year between the Board's decision to institute the IPR and the Board's deadline for issuing a final written decision.⁶⁰ This one-year term begins following the three-month window for the Board to make a decision on institution.⁶¹ The patent owner is also allotted three months to file its initial response to the challenge.⁶² Consequently, an IPR should typically terminate within eighteen months of filing.⁶³ Significantly, IPR replaces IPX's examinational format with an adjudicative proceeding.⁶⁴ The adversarial proceeding takes place before a panel of administrative patent

54. Kapadia, *supra* note 45, at 116.

55. 37 C.F.R. § 42.102 (2019).

56. 35 U.S.C. § 311(b).

57. 37 C.F.R. § 42.101 (2019).

58. 35 U.S.C. § 315(a).

59. 35 U.S.C. § 315(a)(3).

60. 35 U.S.C. § 316(a)(11).

61. 35 U.S.C. § 314(b). The Board is authorized to institute "on behalf of the Director." 37 C.F.R. § 42.4(a) (2019).

62. 37 C.F.R. § 42.107 (2019). 35 U.S.C. § 313; *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018).

63. Kapadia, *supra* note 45, at 116. There are two exceptions to the typical one-year period for a written decision: 1) the period may be extended no more than six months if good cause is shown, or 2) the Director "may adjust the time periods . . . in the case of joinder." 35 U.S.C. § 316(a)(11). For an illustration of the representative timeline and a general procedural overview, see Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,757 (Aug. 14, 2012) (to be codified at 37 CFR pt. 42).

64. H.R. REP. NO. 12-98, pt. 1, at 46-47 (2011).

judges (APJs),⁶⁵ and the “parties are entitled to oral arguments and discovery.”⁶⁶ At least three APJs comprise each panel.⁶⁷ As mentioned, the decision to institute the IPR proceeding is determined by the Board, and the decision is final and may not be appealed.⁶⁸ In order to merit institution, the threshold was elevated from a “significant new question of patentability” standard to one requiring petitioners to demonstrate a “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”⁶⁹ After institution, the petitioner “is entitled to a final written decision addressing all of the claims it has challenged.”⁷⁰

In addition to considering whether the petitioner meets the statutory institution standard, “[t]he Board will also take into account whether various considerations . . . warrant the exercise of the Director’s discretion to decline to institute review.”⁷¹ Section 314(a) of U.S. Code Title 35 states, “[t]he Director may not authorize an *inter partes* review to be instituted unless . . .”, which has been interpreted to give the Director the discretion to deny petitions.⁷² “The Director shall prescribe regulations . . . setting forth the standards for showing sufficient grounds to institute a review under section 314(a).”⁷³ In the course of prescribing regulations, the Director must “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.”⁷⁴ The case-specific analysis works to take into account the considerations specified in section 316(b) and

65. “All APJs have a technical degree in science or engineering, as well as experience working as a patent examiner or patent lawyer (if not both)” Love et al., *supra* note 38, at 109.

66. Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1977 (2013).

67. 35 U.S.C. § 6(c).

68. 35 U.S.C. § 314(d); *see* *Thryv, Inc. v. Click-To-Call Techs.*, LP 140 S. Ct. 1367, 1377 (2020) (holding that an agency decision to refuse to institute *inter partes* review is unreviewable). A party may request a rehearing. 37 C.F.R. §§ 42.71(c), (d).

69. H.R. REP. NO. 12-98, pt. 1, at 47 (2011); 35 U.S.C. § 314(a).

70. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1359 (2018).

71. U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD CONSOLIDATED TRIAL PRACTICE GUIDE NOVEMBER 2019, at 55, <https://www.uspto.gov/TrialPracticeGuideConsolidated> [hereinafter TRIAL PRACTICE GUIDE].

72. *Id.*; *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 273 (2016) (“[T]he agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”).

73. 35 U.S.C. § 316(a)(2).

74. 35 U.S.C. § 316(b).

the efficiency goals of the AIA while also addressing “the potential for abuse of the review process by repeated attack on patents.”⁷⁵

C. *The Rise of Discretionary Denials*

Following the enactment of the AIA, the Board interpreted 35 U.S.C. § 314(a) as simply establishing the statutory requirements for institution.⁷⁶ However, the USPTO noted during the notice and comment rulemaking process for IPR regulations that the Board could decline to institute when review could not be timely completed in the statutory window.⁷⁷ The Board eventually began identifying actual circumstances it considered unreasonable for completing review and used § 314(a) to decline institution.⁷⁸ “The Board retains the discretion to deny institution of the petition as a whole under 35 U.S.C. §§ 314(a) and 325(d) under appropriate circumstances, even when the petition includes at least one claim subject to a challenge that otherwise meets the criteria for institution.”⁷⁹ Such discretion to deny institution regardless of the “reasonable likelihood” threshold being satisfied was soon backed up in 2016 in *Harmonic Inc v. Avid Technology, Inc.*, where the Federal Circuit stated, “the PTO is permitted, but never compelled, to institute an IPR proceeding.”⁸⁰ The Supreme Court confirmed this discretion in *Cuozzo Speed Technologies*,

75. *General Plastic Indus. Co. v. Canon Kabushiki Kaisha*, No. IPR2016-10357 et al., Paper 19 at 16–17 (P.T.A.B. Sept. 6, 2017) (precedential as to § II.B.4.i).

76. Joel D. Sayres & Reid E. Dodge, *Unfettered Discretion: A Closer Look at the Board’s Discretion to Deny Institution*, 19 CHI.-KENT J. INTELL. PROP. 536, 539 (2020).

77. *Id.* at 539 n.15 (citing “egregious examples” of a petition that “seeks review of several hundred claims based upon a thousand references, or . . . a determination of patentability [that] would require dozens of depositions of non-party controlled witnesses in foreign countries.”).

78. *See Zetec, Inc. v. Westinghouse Electric Co.*, No. IPR2014-00384, Paper 10 at 7–8 (P.T.A.B. July 23, 2014) (declining to institute a petition asserting 127 grounds of unpatentability based on 314(a)).

79. TRIAL PRACTICE GUIDE, *supra* note 71, at 64; *see Deeper, UAB v. Vexilar, Inc.*, No. IPR2018-01030, Paper 7 at 42 (P.T.A.B. Jan. 24, 2019) (informative, designated Apr. 5, 2019) (“But even when a petitioner demonstrates a reasonable likelihood of prevailing with respect to one or more claims, institution of review remains discretionary.”) (applying discretion to deny institution where a reasonable likelihood of prevailing was shown as to only two out of twenty-three challenged claims and only one of four asserted grounds of unpatentability).

80. *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (citing 35 U.S.C. § 314(a) for the proposition that “[t]he Director *may not* authorize an inter partes review to be instituted *unless* the Director determines . . . there is a reasonable likelihood that the petitioner would prevail . . .”).

LLC v. Lee.⁸¹ Increasingly, the Board declines to institute IPR even when the statutory requirements are met.⁸² In 2018, the Supreme Court in *SAS Institute, Inc. v. Iancu* determined that while § 314(a) does provide discretion on whether to institute, it does not give discretion to the Board to decide the patentability of fewer than all of the challenged claims.⁸³ The potential burden of having to address all claims raised in a petition prompted the USPTO to make clear “that it would exercise its discretion to deny petitions under section 314(a) in cases involving voluminous or excessive grounds, a low percentage of asserted claims or grounds that meet the ‘reasonable likelihood’ threshold, or indefinite claims.”⁸⁴

The IPR institution rate has fallen each year from an institution rate of about 83% in 2013, the first full year of IPR’s existence, to just under 59% in 2021.⁸⁵ The data also suggests that the percentage of denials made on procedural grounds,⁸⁶ rather than on the merits, has been steadily increasing since 2016.⁸⁷ In 2020, this trend has continued with nearly as many procedural denials occurring by September 2020 than occurred in the entirety of 2019.⁸⁸ In the first nine months of 2020, § 314(a) was the basis for the procedural denial 73% of the time (110 out of 151 denials).⁸⁹ Of the

81. *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 273 (2016).

82. Sayres & Dodge, *supra* note 76, at 536.

83. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1351 (2018) (“Nor does it follow that, because § 314(a) invests the Director with discretion on the question *whether* to institute review, it also invests him with discretion regarding *what* claims that review will encompass.”).

84. Sayres & Dodge, *supra* note 76, at 541–42.

85. *PTAB Annual Report*, UNIFIED PATENTS, <https://portal.unifiedpatents.com/ptab/annual-report?year=2021> [<https://perma.cc/4G95-NUUM>].

86. Procedural grounds may include denials resulting from serial petitions challenging the same patent, parallel district court litigation concerning the same patent as the IPR, or a petition that cannot be instituted on all of the challenged claims. Robert Colletti et al., *The Recent Rise of Discretionary Denials at the Patent Trial and Appeal Board*, JD SUPRA (Nov. 19, 2020), <https://www.jdsupra.com/legalnews/the-recent-rise-of-discretionary-97285/> [<https://perma.cc/KFX4-FZ39>].

87. *Id.*; see also *PTAB Procedural Denials and the Rise of § 314*, UNIFIED PATENTS (May 13, 2020), <https://www.unifiedpatents.com/insights/2020/5/13/ptab-procedural-denial-and-the-rise-of-314> (last visited Dec. 19, 2021) (stating the “percentage of procedural denials as a percentage of all decisions has almost doubled from 2016 (5.2%) to 2019 (11.8%)”).

88. *PTAB/District Court Trial Date Denials Spiraling Upward: PTAB Discretionary Denials Third-Quarter Report*, UNIFIED PATENTS (Oct. 21, 2020), <https://www.unifiedpatents.com/insights/2020/10/21/ptabdistrict-court-trial-date-denials-spiraling-upward-ptab-discretionary-denials-third-quarter-report> [<https://perma.cc/STF4-5UFV>] [hereinafter *PTAB Discretionary Denials Third-Quarter Report*].

89. *Id.*

110 § 314(a) denials, 43% percent were denied under the *NHK-Fintiv* framework,⁹⁰ which considers the status of related parallel district court litigation (see part I, section D, *infra*). The other notable categories of § 314(a) denials are due to serial or “follow-on” IPR petitions and parallel IPR petitions.⁹¹ Section 314(a) denials for parallel petitions⁹² represent about 40% of denials in 2020.⁹³ Denials based on filing of serial IPR petitions⁹⁴ represented only 13% of § 314(a) denials.⁹⁵ The notable growth in such discretionary denials also prompted the USPTO to seek public comment on “Discretion to Institute Trials Before the Patent Trial and Appeal Board.”⁹⁶ Examination of parallel district court cases shows that § 314(a) denials with parallel proceedings in the Eastern District of Texas comprise about 17% of § 314(a) denials.⁹⁷ Parallel proceedings in the Northern District of California constitute 45%, and the Delaware District Court is associated with another 15% of § 314(a) denials.⁹⁸ However, as these numbers include all cases dating back to the creation of IPR, they likely are a lagging indicator of where cases were previously filed.⁹⁹ More recent data suggests that recent § 314(a) denials have been a consequence of trial dates in the Eastern or Western Districts of Texas.¹⁰⁰

90. See sources cited *supra* notes 9–11.

91. Mark Taylor, *Recent PTAB Discretionary Denials Rulings – Changes to § 314 and § 325*, Vimeo (May 28, 2020), <https://vimeo.com/423800698> [<https://perma.cc/2VGX-SQCF>], at 07:25.

92. See *Apple Inc. v. Seven Networks, LLC*, No. IPR2020-00254, Paper 13 (P.T.A.B. July 28, 2020) (exercising discretion under § 314(a) to deny institution as an improper parallel petition).

93. *PTAB Discretionary Denials Third-Quarter Report*, *supra* note 88.

94. See *General Plastic Indus. Co. v. Canon Kabushiki Kaisha*, No. IPR2016-01357, Paper 19 (P.T.A.B. Sept. 6, 2017) (precedential); *NVIDIA Corp. v. Samsung Elecs. Co.*, No. IPR2016-00134, Paper 9 (P.T.A.B. May 4, 2016).

95. *PTAB Discretionary Denials Third-Quarter Report*, *supra* note 88.

96. Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66502 (Oct. 20, 2020).

97. *PTAB Discretionary Denials: In the First Half of 2020, Denials Already Exceed All of 2019*, UNIFIED PATENTS (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/PHA2-SF8U>].

98. *Id.*

99. *Id.*

100. *Id.*

D. Discretionary Denials under the NHK-Fintiv Framework

The Patent Trial and Appeals Board’s Trial Practice Guide August 2018 Update included new guidance on “consideration of various non-exclusive factors in the determination of whether to institute a trial.”¹⁰¹ The update allowed patent owners to address whether certain reasons, such as “events in other proceedings related to the same patent, either at the Office, in district courts, or the ITC . . . may bear on the Board’s discretionary decision to institute or not institute.”¹⁰² On March 7, 2018, NHK Spring petitioned for IPR of U.S. Patent No. 6,183,841 (“the ‘841 patent”) owned by Intri-Plex Technologies on the grounds that claims 1, 4, 7, and 10 of the patent were invalid for reasons of anticipation and obviousness.¹⁰³ Intri-Plex argued in its preliminary response that institution should be denied under § 325(d)¹⁰⁴ because “the Petition simply repackages and restyles arguments made by the Examiner” that Intri-Plex had successfully overcome during prosecution.¹⁰⁵ Furthermore, those same arguments were already being asserted by NHK Spring in the parallel district court case.¹⁰⁶ Intri-Plex had sued NHK International and its parent company, NHK Spring, in the Northern District of California for infringement of the ‘841 patent on March 3, 2017.¹⁰⁷ Service was effective as of March 10, 2017.¹⁰⁸ Thus, NHK

101. *PTAB Trial Practice Guide Update* (Aug. 2018), U.S. PATENT & TRADEMARK OFFICE, <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/ptab-trial-practice-guide-august-2018> [https://perma.cc/Q5QC-8ZWP]. AIA Trial proceedings before the Board include *inter partes* review, post-grant reviews, covered business method reviews, and derivation proceedings. TRIAL PRACTICE GUIDE, *supra* note 71, at 2.

102. TRIAL PRACTICE GUIDE, *supra* note 71, at 58. For an example of an ITC decision being used to preclude PTAB review under *NHK-Fintiv*, see, e.g., *Garmin Int’l, Inc. v. Koninklijke Philips N.V.*, No. IPR2020-00754, Paper 11 (Oct. 27, 2020).

103. *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 1 at 8, 17 (P.T.A.B. Mar. 7, 2018).

104. See 35 U.S.C. § 325(d) (“In 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 to the Office.”).

105. *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8 at 11 (P.T.A.B. Sept. 12, 2018) (precedential, designated May 7, 2019).

106. *Id.*

107. *Intri-Plex Techs., Inc. v. NHK Int’l Corp.*, No. 3-17-cv-1097, 2018 WL 3023394 (N.D. Cal. 2017).

108. *Intri-Plex Techs., Inc. v. NHK Int’l Corp.*, No. 3-17-cv-1097 (N.D. Cal. Mar. 10, 2017), Dkt. 16.

Spring's petition for IPR filed on March 7, 2018 was timely.¹⁰⁹ Intri-Plex also argued that institution should be denied under § 314(a) because the petition was filed only two days before the time-bar under § 315(b), and because the IPR proceeding occurring in parallel with the district court litigation would be an inefficient use of resources.¹¹⁰

After weighing the factors regarding § 325(d), the Board determined that the analysis supported exercising discretion under § 325(d) alone to deny institution.¹¹¹ However, the Board went on to find that an additional factor supported also denying institution under § 314(a).¹¹² The Board remarked that the decision to exercise discretion under § 325(d) “does not mean that we cannot consider and weigh additional factors that favor denying institution under § 314(a).”¹¹³ The Board noted that a jury trial set to begin on March 25, 2019, would conclude well before the deadline for the final decision from the Board in September 2019.¹¹⁴ Moreover, the district court litigation in which Petitioner was asserting “the same prior art and arguments” was “nearing its final stages” with expert discovery set to conclude in less than two months.¹¹⁵ The Board found “that the advanced state of the district court proceeding is an additional factor that weighs in favor of denying the Petition under § 314(a).”¹¹⁶ The Board agreed with Intri-Plex that “[i]nstitution . . . under these circumstances would not be consistent with ‘an objective of the AIA . . . to provide an effective and efficient alternative to district court litigation.’”¹¹⁷ While the Board in *NHK Spring* exercised its discretion to deny under both §§ 314(a) and 325(d),¹¹⁸ the Board's opinion primarily focused on the application of § 325(d).¹¹⁹

109. *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 1 (P.T.A.B. Mar. 7, 2018); *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8 at 19 (P.T.A.B. Sept. 12, 2018) (precedential, designated May 7, 2019).

110. *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8 at 11 (P.T.A.B. Sept. 12, 2018) (precedential, designated May 7, 2019).

111. *Id.* at 18.

112. *Id.* at 12.

113. *Id.* at 20.

114. *Id.*

115. *Id.*

116. *Id.*

117. *Id.*

118. *Id.* at 2.

119. Alexander D. Zeng & Benjamin Anger, *Fintiv Is the New Nhk Springs: New Informative Decisions Sharpen the PTAB's Focus on Discretionary Denials and Provide Guideposts for Parties*, KNOBBE MARTENS (Aug. 18, 2020), <https://www.knobbe.com/blog/fintiv-new-nhk-springs-new-informative-decisions-sharpen-ptabs-focus-discretionary-denials-and> [<https://perma.cc/3FXA-6B2C>].

However, the decision has mostly been cited for its discretion to deny under § 314(a).¹²⁰ Notably, while the Board's § 314(a) decision was based on the proximity of the trial date in the parallel district court proceeding, that trial date was subsequently postponed multiple times, ultimately being rescheduled several months after the deadline for the final written decision.¹²¹

On October 16, 2019, the Board granted institution in *Oticon Medical AB v. Cochlear Ltd.*, despite the patent owner's arguments that "discovery was well under way" in the related district court case.¹²² The patent owner argued that the petitioner waited nearly a year to file in order to gain tactical advantages.¹²³ The Board noted that while the petitioner may have gained a benefit from waiting to file, the petition was timely.¹²⁴ The Board distinguished the present case from *NHK* in that there was not yet a trial date set.¹²⁵ The Board also found that the proceeding would not be "directly duplicative of the District Court action" as an additional reference would be considered in the IPR.¹²⁶ The decision demonstrated that while the timing of the parallel decision can impact the choice of whether to institute, other factors such as overlapping issues in the proceedings may also affect the Board's decision.¹²⁷

On October 28, 2019, Apple Inc. filed an IPR petition challenging claims in U.S. Patent No. 8,843,125, owned by Fintiv, Inc.¹²⁸ Fintiv requested in its preliminary response on February 15, 2020, that the Board deny institution using its discretion under § 314(a) based on a district court

120. Jasper Tran et al., *Discretionary Denials of IPR Institution*, 19 CHI.-KENT J. INTELL. PROP. 253, 255 (2020).

121. *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8 at 20 (P.T.A.B. Sept. 12, 2018) (precedential, designated May 7, 2019); Petitioner's Supplemental Brief at 4, *Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC*, No. IPR2019-01393 (P.T.A.B. Apr. 13, 2020).

122. *Oticon Medical AB v. Cochlear Ltd.*, No. IPR2019-00975, Paper 15 at 24 (P.T.A.B. Oct. 16, 2019) (precedential, designated Mar. 24, 2020).

123. *Id.* at 22–23.

124. *Id.* at 23.

125. *Id.* at 24.

126. *Id.* at 23–24.

127. Andrew Holtman & Melissa Gibson, *What You Missed at PTAB: Contours of IPR Institution Denial* (Aug. 6, 2020), <https://www.akingump.com/a/web/vH4FfgevW7SFNDE7uB4jSU/law360-what-you-missed-at-ptab-Contours-of-ipr-institution-denial.pdf> [https://perma.cc/C6WL-9Z8M].

128. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 at 2 (P.T.A.B. Mar. 20, 2020) (precedential, designated May 5, 2020).

trial date set for November 16, 2020.¹²⁹ On March 20, 2020, the Board authorized supplemental briefing on the issue of discretionary denial since Apple had briefly addressed the issue, but at the time Apple filed the petition no trial date had been set.¹³⁰ On May 5, 2020, the six factors the Board requested the parties to address in its supplemental briefing order were designated as precedential¹³¹ on whether to institute an IPR that involves an ongoing parallel district court proceeding.¹³² The supplemental briefing request asked the parties to address the following six factors pulled from *NHK Spring* and subsequent proceedings on the same issue:

1. [W]hether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. [P]roximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
3. [I]nvestment in the parallel proceeding by the court and the parties;
4. [O]verlap between issues raised in the petition and in the parallel proceeding;
5. [W]hether the petitioner and the defendant in the parallel proceeding are the same party; and
6. [O]ther circumstances that impact the Board's exercise of discretion, including the merits.¹³³

129. *Id.*

130. *Id.*

131. Precedential decisions are designated by a panel to establish "binding agency authority concerning major policy or procedural issues, or other issues of exceptional importance." Standard Operating Procedure 2 (Revision 10), PATENT TRIAL & APPEAL BOARD, 2-3, 11, <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf> [<https://perma.cc/FSJ5-7EY4>]. Decisions other than precedential decisions are routine and are binding in the case in which it is made, even if not designated as precedential or informative, but is not otherwise binding authority on the agency. *Id.* at 3. Decisions may also be designated as informative and "set forth Board norms that should be followed in most cases, absent justification, although an informative decision is not binding authority on the Board." *Id.* at 11.

132. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (precedential, designated May 5, 2020).

133. *Id.* at 2, 5-16.

These *NHK-Fintiv* factors are intended to “balance considerations such as system efficiency, fairness, and patent quality.”¹³⁴

Just eight days after the designation of the six factors in the supplemental briefing order as precedential, the Board handed down its institution decision in *Apple v. Fintiv* in a decision designated as informative on applying the *NHK-Fintiv* factors.¹³⁵ The trial court postponed the originally scheduled trial date due to the COVID-19 pandemic to begin on March 8, 2021 (two months before the statutory deadline of May 13, 2021, for the Board’s final written decision).¹³⁶ The court evaluated each of the factors noting that the ongoing district court trial, which would commence prior to the final decision and had already addressed substantive issues, such as claim construction, which would overlap with the IPR trial.¹³⁷ The court also identified significant weaknesses in the petitioner’s challenges under factor six, which considerably undermined the institution proposal.¹³⁸

A second Board decision in June 2020, however, applied the *NHK-Fintiv* factors and weighed in favor of declining to deny institution in *Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC*.¹³⁹ The Board initially denied institution in February 2020, viewing the facts as bound by the precedential decision in *NHK Spring*.¹⁴⁰ However, in light of changing facts, in May 2020 the Board in *Sand Revolution II* requested supplemental briefing regarding the *NHK-Fintiv* factors recently designated as precedential.¹⁴¹ Upon rehearing, the Board noted, regarding the second *NHK-Fintiv* factor, that the district court indicated a “continuing degree of recognized uncertainty of the court’s schedule” as the original trial date had been shifted multiple times.¹⁴² The court also determined under the third

134. *Id.* at 5.

135. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 15 (P.T.A.B. May 13, 2020) (informative, designated July 13, 2020).

136. *Id.* at 10, 13.

137. *Id.* at 12–17.

138. *Id.* at 15–17.

139. *Sand Revolution II, LLC v. Cont’l Intermodal Grp. – Trucking LLC*, No. IPR2019-01393, Paper 24 at 7–14 (P.T.A.B. June 16, 2020) (informative, designated July 13, 2020).

140. *Id.* at 2 (citing *Sand Revolution II, LLC v. Cont’l Intermodal Grp. – Trucking LLC*, No. IPR2019-01393, Paper 12 (P.T.A.B. Feb. 5, 2020)).

141. *Sand Revolution II, LLC v. Cont’l Intermodal Grp. – Trucking LLC*, No. IPR2019-01393, Paper 19 at 3–4 (P.T.A.B. Apr. 7, 2020).

142. *Sand Revolution II, LLC v. Cont’l Intermodal Grp. – Trucking LLC*, No. IPR2019-01393, Paper 24 at 8–9 (P.T.A.B. June 16, 2020) (informative, designated July 13, 2020) (noting the district court included the qualified “or as available” with each calendared trial date).

factor that the district court had not invested significantly into the issue of validity, and consequently, this factor barely weighed in favor of exercising discretion to deny.¹⁴³ In deciding to institute, the Board determined that concerns of overlap were mitigated by “various prior-art references not at issue in the IPR” and found that the fourth factor weighed “marginally in favor of not exercising discretion to deny under 35 U.S.C. § 314(a).”¹⁴⁴ In view of the petitioner’s persuasive showing of a “reasonably strong case for the obviousness of most challenged claims,” the court found the merits of the petition under the sixth *NHK-Fintiv* factor to also favor not exercising discretion to deny.¹⁴⁵ Upon weighing all of the factors, the court modified its initial decision and granted institution of the IPR.¹⁴⁶ Rehearing is only available to IPR petitioners for thirty days¹⁴⁷ and, consequently, and may not be available to petitioners if the trial date is subsequently rescheduled after a decision on institution has already been made. For instance, in *Uniloc 2017 LLC v. Google LLC*, the scheduled trial date was used as part of the basis for denying institution in the IPR, and subsequently vacated after the district court action was transferred.¹⁴⁸

Despite increasingly citing *NHK Spring* and *Fintiv*,¹⁴⁹ the Board does not consistently deny institution based on the presence of a scheduled district court trial date, even when the trial date falls well before the deadline for the IPR final written decision. In *Apple Inc. v. Maxell, Ltd.*, a relatively strong preliminary showing of unpatentability outweighed the investment in the underlying litigation where trial was scheduled nine months before the deadline for the final written decision in the IPR.¹⁵⁰ In *Apple Inc. v. Seven Networks, LLC*, trial was scheduled approximately seven and a half months before the Board’s statutory deadline.¹⁵¹ The Board nevertheless

143. *Id.* at 10–11.

144. *Id.* at 11–12.

145. *Id.* at 13.

146. *Id.* at 14.

147. 37 C.F.R. § 42.71(d)(2) (2013).

148. *Google LLC v. Uniloc 2017 LLC*, IPR2020-00115, Paper 8 at 7, 10, 2020 WL 1523248 (P.T.A.B. Mar. 27, 2020); *Uniloc 2017 LLC v. Google LLC*, No. 18-cv-00504, 2020 WL 3064460, at *6 (E.D. Tex. June 8, 2020).

149. *See supra* Part I.C

150. *Apple Inc. v. Maxell, Ltd.*, No. IPR2020-00204, 2020 WL 3401274, Paper 11 at *20 (P.T.A.B. June 19, 2020).

151. *Apple Inc. v. Seven Networks, LLC*, No. IPR2020-00156, 2020 WL 3249313, Paper 10 at *9 (P.T.A.B. June 15, 2020).

instituted, due to the advantage of “allowing the panel to focus on multiple issues in depth” and the ability to avoid “potentially complicated and overlapping jury issues of ten patents.”¹⁵² Particularly when the merits are strong, “the institution of a trial may serve the interest of overall system efficiency and integrity because it allows the proceeding to continue in the event that the parallel proceeding settles or fails to resolve the patentability question presented in the PTAB proceeding.”¹⁵³

Despite a few instances of the Board granting institution notwithstanding a pending district court trial date, the Board is citing the *NHK-Fintiv* factors with greater regularity to favor denial.¹⁵⁴ Such was the case in *Cisco Systems*, where the majority found that all of the factors, except for the district court’s decision to grant a stay, which was neutral, favored denying institution.¹⁵⁵ In a rare dissent,¹⁵⁶ APJ Crumbley concluded, however, that only the second factor (the pending trial date) weighed in favor of discretionary denial, and “only slightly so.”¹⁵⁷ Judge Crumbley assessed factors one, three, four, and six as each weighing against denial, particularly the first factor, the possibility of a stay.¹⁵⁸ Judge Crumbley noted that the precedential order in *Fintiv* designating the factors to be considered did not actually control how the factors should be applied.¹⁵⁹ The dissent faulted the majority for deferring “to a district court proceeding merely because it is currently scheduled to be faster than this *inter partes* review would be, without considering whether the Board may nevertheless be a more efficient venue.”¹⁶⁰ Judge Crumbley pointed out that *Fintiv* provided that the factors should be evaluated under “a holistic view

152. *Id.* at *22.

153. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 at 15 (P.T.A.B. Mar. 20, 2020) (precedential, designated May 5, 2020).

154. *PTAB Discretionary Denials Third-Quarter Report*, *supra* note 88.

155. *Cisco Systems, Inc. v. Ramot at Tel Aviv Univ. Ltd.*, No. IPR2020-00122, Paper 15 at 7, 11 (P.T.A.B. May 15, 2020).

156. See Scott McKeown, *Judicial Independence & The PTAB*, PATENTS POST GRANT (Dec. 12, 2017), <https://www.patentspostgrant.com/judicial-independence-ptab/#more-12559> [<https://perma.cc/2VTZ-DW2X>] (finding ninety-eight percent unanimity across all Board institution decisions and final written decisions).

157. *Cisco Systems, Inc. v. Ramot at Tel Aviv Univ. Ltd.*, No. IPR2020-00122, Paper 15 at 12 (P.T.A.B. May 15, 2020) (Crumbley, J., dissenting).

158. *Id.*

159. *Id.*; but cf. *supra* nn. 135, 139 (applying the factors in decisions designated as informative, including one applying the factors to the facts in *Apple v. Fintiv*).

160. *Cisco Systems, Inc. v. Ramot at Tel Aviv Univ. Ltd.*, No. IPR2020-00122, Paper 15 at 2 (P.T.A.B. May 15, 2020) (Crumbley, J., dissenting).

of whether the efficiency and integrity of the system are best served by denying or instituting review.”¹⁶¹ In Judge Crumbley’s estimation, the efficiency and integrity of the patent system were best served in this case by the system provided by Congress: *inter partes* review.¹⁶²

The dissent further argued that the district court’s “expressed willingness to revisit the question of a stay” should not be considered “speculative,” as the majority concluded, but should be assessed in light of the other factors.¹⁶³ To Judge Crumbley, the overlap of the issues in the two proceedings and the current stage of the district court proceeding made the possibility of a stay altogether more likely.¹⁶⁴ A stay would eliminate or reduce duplicated effort; consequently, the likelihood of a stay diminished the importance of the scheduled district court proceeding in factor two.¹⁶⁵ The Board followed Judge Crumbley’s logic in *Medtronic Inc., v. Teleflex Innovations S.À.R.L.*, finding that overlap may favor institution by enabling the Board to determine issues either dispositive to issues being litigated or that would provide guidance to the district court.¹⁶⁶

As to the investment in the parallel proceedings, the dissent suggested that not only should investment already made be considered, but also the investment required if the litigation goes forward.¹⁶⁷ “[I]t is only if the former outweighs the latter that we should consider this factor to favor denial.”¹⁶⁸ The dissent viewed the lack of “significant briefing on any dispositive issue” as an indication that the investment required to go forward would outweigh the investment already made in a case that was in the early stages of claim construction.¹⁶⁹ The dissent also cautioned that although the stage of the case was similar to that in *NHK Spring*¹⁷⁰ that the Board in *NHK Spring* found the “advanced stage” of litigation only an *additional factor* for

161. *Id.* at 12.

162. *Id.* at 13.

163. *Id.* at 3–4.

164. *Id.* at 4–5.

165. *Id.* at 7.

166. *Medtronic, Inc v. Teleflex Innovations S.À.R.L.*, No. IPR2020-00135, 2020 WL 3053201, Paper 22 at *38 (P.T.A.B. June 8, 2020).

167. *Cisco Systems, Inc. v. Ramot at Tel Aviv Univ. Ltd.*, No. IPR2020-00122, Paper 15 at 7–8 (P.T.A.B. May 15, 2020) (Crumbley, J., dissenting).

168. *Id.* at 8.

169. *Id.*

170. Both cases had trial dates six to seven months away and expert discovery closed in two months. *Id.*

its denial decision and not sufficient on its own as the majority concluded in *Cisco*.¹⁷¹ Neither the majority, nor the dissent addressed the merits of the petition, but the dissent noted that none of the factors weighed strongly enough in favor of denial to make such an assessment necessary.¹⁷²

On August 31, 2020, Apple, Cisco, Google, and Intel filed a complaint against then-USPTO Director Andrei Iancu for declaratory and injunctive relief challenging the *NHK-Fintiv* rule.¹⁷³ The plaintiffs argued that the *NHK-Fintiv* rule drastically diminishes the availability of IPR, contrary to the goals of the AIA, and that the discretionary factors used by the Board are not supported by the text of the statute.¹⁷⁴ The complaint also challenged the rule as “arbitrary and capricious”¹⁷⁵ due to the vague nature of its factors leading to “speculative, unpredictable, and unfair outcomes” that contradict the AIA’s aims of administrative efficiency.¹⁷⁶ The plaintiffs presented IPR as a “centerpiece of Congress’s efforts to strengthen the U.S. patent system.”¹⁷⁷ The AIA House judiciary report was cited by the plaintiffs for the proposition that IPR was intended to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”¹⁷⁸ The tech companies noted that the efficiencies of IPR stems from the limited grounds to challenge patentability, limited scope of discovery, and restricted timeframe for instituting and reaching a final decision of only eighteen months.¹⁷⁹ The complainants argued that Congress anticipated that IPR would often proceed simultaneously with litigation, and several AIA provisions explicitly govern the interaction between such parallel proceedings.¹⁸⁰ Alleged infringers may file an IPR concerning the same patent claims being asserted in the pending infringement suit within one year of being served a

171. *Id.* at 8–9.

172. *Id.* at 11.

173. *Apple Inc. v. Iancu*, No. 5:20-cv-6128, 2020 WL 5198351, at *2–3 (N.D. Cal. 2020).

174. *Id.*

175. *Id.* at *2. Under the APA, a reviewing court shall “hold unlawful and set aside agency action, findings, and conclusions found to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.” 5 U.S.C. § 706(2)(A) (2010).

176. *Iancu*, 2020 WL 5198351, at *2.

177. *Id.* at *1.

178. *Id.* at *6 (citing H.R. REP. NO. 98, pt. 1, at 39–40 (2011)).

179. *Id.* at *6.

180. *Id.*

complaint for alleged infringement.¹⁸¹ The AIA prohibits filing an IPR if the petitioner has already filed a civil action challenging the validity of patent claims.¹⁸² However, assertion of counterclaims of invalidity in litigation are expressly disclaimed as not precluding an IPR on the same claims.¹⁸³

Unusually, the basis for the complaint was not an appeal from any particular IPR decision, but rather the complaints asserted that the *NHK-Fintiv* rule violates the Administrative Procedure Act (APA) because it was not adopted through notice-and-comment rulemaking.¹⁸⁴ Instead, the rule was promulgated through an internal USPTO process that designates select Board decisions as “precedential.”¹⁸⁵ The plaintiffs argued that such a system of creating binding rules provides “no opportunity for or consideration of public input.”¹⁸⁶ The USPTO, however, does at least provide a form for individuals to nominate decisions for designation as precedential or informative.¹⁸⁷ The case, however, was dismissed in November 2021, with the court concluding that institution decisions, including the consideration of parallel litigation as a factor in those decisions, are precluded from judicial review under § 314(d).¹⁸⁸

In a related case, Cisco appealed certain Board decisions denying their petitions to institute IPR and sought a writ of mandamus to review those decisions.¹⁸⁹ Cisco argued that the *NHK-Fintiv* rule violated the APA and

181. 35 U.S.C. § 315(b) (2011).

182. 35 U.S.C. § 315(a)(1) (2011).

183. 35 U.S.C. § 315(a)(3) (2011).

184. *Iancu*, 2020 WL 5198351, at *2.

185. *Id.*

186. *Id.*

187. PTAB Decision Nomination, U.S. PATENT & TRADEMARK OFFICE, [https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/ptab-decision-nomination?utm_campaign=subscriptioncenter&utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=\[https://perma.cc/7XLJ-FGDL\]](https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/ptab-decision-nomination?utm_campaign=subscriptioncenter&utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=[https://perma.cc/7XLJ-FGDL]).

188. *Apple Inc. v. Iancu*, No. 5:20-cv-06128-EJD at *10–11 (N.D. Cal. Nov. 10, 2021). The court went on to explain, “If the Director decides not to institute IPR, for whatever reason, there is no review. To inquire into the lawfulness of the *NHK-Fintiv* rule, 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. *Cuozzo* forbids this and so the Court must conclude that Plaintiffs’ challenge to the *NHK-Fintiv* rule is barred by § 314(d).” *Id.* at *10–11 (internal citations omitted). Apple’s petition for a writ of certiorari was denied in January 2022. Steve Brachman, *SCOTUS Denials of Apple and Mylan Petitions Unlikely to End Challenges to PTAB NHK/Fintiv Framework*, IPWATCHDOG (Jan. 20, 2022), <https://www.ipwatchdog.com/2022/01/20/scotus-denials-apple-mylan-petitions-unlikely-end-challenges-ptab-nhk-fintiv-framework/id=144671/> [https://perma.cc/YD87-JRR4].

189. *In re Cisco Systems Inc.*, v. Ramot at Tel Aviv Univ. Ltd., 834 Fed. Appx. 571, 572 (Fed. Cir. 2020).

AIA because it was not promulgated by notice-and-comment rulemaking.¹⁹⁰ The Court of Appeals for the Federal Circuit determined that it lacked jurisdiction to hear the appeals and that Cisco had not met the high standard for mandamus relief.¹⁹¹ The court also determined that it was barred from reviewing the appeals of the institution decisions under 35 U.S.C. § 314(d). The court noted that the Supreme Court had “left open the possibility that §314(d) may not bar appeals that implicate constitutional questions or concerns that the agency acted outside its statutory limits.”¹⁹² However, the Supreme Court in *Cuozzo* “made clear that § 314(d) bars review of matters ‘closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review.’”¹⁹³

II. ANALYSIS AND PROPOSAL

This Note proposes modifications to the *NHK-Fintiv* factors that the Board should consider in its institution decisions. Such modifications would likely diminish the number of procedural denials under § 314(a) and would enable IPR to serve its Congressionally envisioned function as an alternative to district court litigation. Specifically, this Note proposes that the Board also consider the diligence of a petitioner and complexity of the petition in an IPR in comparing its deadline for a final written decision to a scheduled trial date in making an institution decision. Additionally, this Note proposes elevating the merits of the petition to stand as its own factor as opposed to being part of the “catch-all” factor number six. Since IPR is generally a cheaper and faster process than a district court trial, the analysis should not only consider the parties present investment in the proceedings, but also the future investment necessary to reach a correct outcome. Finally, this Note examines the utility of assessing the district court’s likelihood of granting a stay in the parallel litigation.

190. *Id.* at 573.

191. *Id.*

192. *Id.*

193. *Id.* (quoting *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 274–75 (2016)).

A. *Parallel District Court Trial Dates and Petitioner Diligence*

The rulings in *NHK Spring* and *Fintiv* provide leverage to patent owners against petitioners for IPR, even if such petitions are filed within the one-year time bar.¹⁹⁴ Patent owners may seek out venues that rapidly schedule trial dates in order to avoid institution.¹⁹⁵ Such venue shopping may induce petitioners to consider filing earlier.¹⁹⁶ While it is true that petitioner delays could be strategic to attempt to impose costs on a patent owner,¹⁹⁷ the Board in *Fintiv* expressly recognized that “it is often reasonable for a petitioner to wait to file its petition until it learns which claims are being asserted against it in the parallel proceeding.”¹⁹⁸ Congress explicitly considered the importance of allowing petitioners time to properly prepare for filing an IPR.¹⁹⁹ Congress increased the proposed six-month deadline for filing for IPR to the current one-year statutory deadline.²⁰⁰ Senator Jon Kyl noted that technology companies “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.”²⁰¹ Senator Kyl also indicated the importance of giving sufficient preparation time for parties considering filing an IPR petition by providing “defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation. It is thus appropriate to extend the section 315(b) deadline to one year.”²⁰²

194. John C. Alemanni, *Fallout from the Fintiv Precedential Decision*, KILPATRICK TOWNSEND (July 8, 2020), <https://www.kilpatricktownsend.com/en/Blog/Post-Grant-Proceedings/2020/7/Fallout-from-the-Fintiv-Precedential-Decision> [<https://perma.cc/2XPM-K2HP>].

195. Daniel B. Weinger et al., *Tip #1 for Avoiding IPR Institution: Litigation Venue Selection*, MINTZ (Oct. 29, 2020), <https://www.mintz.com/insights-center/viewpoints/2231/2020-10-29-tip-1-avoiding-ipr-institution-litigation-venue> [<https://perma.cc/E8H9-HLWP>]; see also Scott McKeown, *Senate Judiciary Characterizes WDTX Practices as Unseemly & Inappropriate*, ROPES AND GRAY (Nov. 3, 2021), <https://www.patentspostgrant.com/senate-judiciary-characterizes-wdtx-practices-as-unseemly-inappropriate/> [<https://perma.cc/2HZZ-9AD4>] (noting that approximately 25% of all patent litigation is pending before one of the country’s more than 600 district court judges).

196. See Weingner, *supra* note 195.

197. See *supra* text accompanying notes 123–24.

198. *Apple, Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 at 11 (P.T.A.B. Mar. 20, 2020) (precedential, designated May 5, 2020).

199. 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl).

200. *Id.*

201. *Id.*

202. *Id.*

Moreover, scheduled trial dates used in IPR institution decisions are fluid and are often moved, as in *Fintiv*.²⁰³ Sometimes those dates are even postponed beyond the deadline for the Board's final written decision, as in the precedent-setting *NHK Spring* opinion.²⁰⁴ The scheduled trial date may even be vacated.²⁰⁵ While the Board may consider a rehearing, as in *Sand Revolution II*,²⁰⁶ its ability to do so is limited.²⁰⁷ Consequently, timely filed petitions may be dismissed based on hypothetical trial dates that may never occur. Congress intended IPR to quickly answer patent validity questions in only eighteen months, yet the Board is increasingly issuing procedural denials under the *NHK-Fintiv* rule, leaving such issues to resolution in the district courts which generally takes significantly longer.²⁰⁸ Congress calibrated the one-year filing window to provide a petitioner a full opportunity to gather prior art and evaluate the claims in the patent asserted in the parallel litigation.²⁰⁹ If petitioners are forced to file earlier to attempt to beat trial dates in fast-moving circuits, there will be less clarity surrounding the claims at issue, which will frustrate the efficiency of IPR and clear Congressional intent. Congress's intent that petitioners be given adequate time to prepare should be given consideration in determining whether to deny institution. Therefore, whether a petitioner causes unreasonable delays should be considered in the analysis.

While a petitioner should reasonably be able to file at any point within the one-year limit, the Board could examine the petitioner's diligence after a minimum of six months. If a petitioner expeditiously files for IPR within the first six months of being served, this should strongly favor institution unless the merits do not present a reasonable likelihood of success on at least one claim. If a petitioner files after six months, the Board may consider

203. See *supra* text accompanying note 136.

204. See *supra* text accompanying note 121; see also Andrew T. Dufresne et al., *How Reliable Are Trial Dates Relied on by PTAB in the Fintiv Analysis?*, PERKINS COIE (Oct. 29, 2021), https://www.1600ptab.com/2021/10/how-reliable-are-trial-dates-relied-on-by-the-ptab-in-the-fintiv-analysis/#_ftn1 [https://perma.cc/HX83-WDZ7] (finding that in fifty-five discretionary denials, the impending trial date cited as a reason for denying institution was only accurate in seven instances—four of those because the trial had already occurred before the institution decision. A plurality of trial dates saw delays of three to six months). *Id.*

205. See *supra* text accompanying note 148.

206. See *supra* text accompanying note 142.

207. See *supra* text accompanying note 147.

208. For patent cases filed since 2000, the median time to reach summary judgment in patent cases is 660 days. Love et al., *supra* note 38, at 101 n.151.

209. See *supra* text accompanying notes 197–200.

the status of parallel proceedings in addition to the merits. If, however, a petitioner demonstrates a valid reason for a slower response, such as the complexity of the patents asserted against the petitioner, the Board should let the IPR proceed, as Congress designed, regardless of other proceedings.

B. *The Merits of the Petition*

Presently, the merits of the petition are included as part of the catch-all sixth *NHK-Fintiv* factor. However, the merits should be separated and promoted to serve a stand-alone factor in considering discretionary denials. The purpose of creating IPR was to provide a more efficient and effective venue for reassessing the validity of issued patents.²¹⁰ The interest in that reevaluation should be especially strong where the patent has been asserted, as is the case for all denials under the *NHK-Fintiv* rule. If the merits of the petition are not strong or it is a close call, other factors may weigh in favor of a discretionary denial as was the case in *Fintiv*.²¹¹ But where a strong showing on the merits is made, like in *Sand Revolution II* or *Apple Inc. v. Maxell, Ltd.*, this can outweigh other factors, including a looming trial date in the parallel district court proceeding.²¹² However, because the actual merits of the petition are included only as part of the catch-all factor, the Board diminishes the emphasis on this highly important consideration and sometimes even fails to address the merits entirely. In *Cisco Systems*, despite disagreement over the other factors, neither the majority nor the dissent ultimately addressed the merits of the petition.²¹³ In the dissent's opinion, none of the factors supported denial enough to even make such an assessment required.²¹⁴

Nonetheless, the public interest in ensuring the validity of patents warrants an evaluation of the merits by a Board specifically selected to make such determinations. The Board's expertise should be valued when assessing the merits of the petition. As in *Apple Inc. v. Seven Networks, LLC*, consideration of the merits can benefit the efficiency and integrity of the patent system by allowing the Board to examine issues in depth and

210. See *supra* note 50.

211. See *supra* text accompanying note 138.

212. See *supra* text accompanying notes 145, 149.

213. See *supra* text accompanying notes 170, 171.

214. See *supra* text accompanying note 171.

simplify issues for the corresponding district court trials, if those courts were willing to grant stays to allow the Board to first provide its expertise.²¹⁵ The merits of the petition should be the primary factor, not an afterthought, governing institution decisions as Congress created IPR to specifically address such issues. Only if the merits do not strongly favor either institution or denial should other factors related to procedural concerns influence the institution decision.

C. *The Investment in the Proceedings*

The third *NHK-Fintiv* factor, the investment in the parallel proceeding by the court and the parties, also merits reevaluation, as proposed in the dissent in *Cisco Systems*, to consider not only the previous investment in the parallel proceeding but also the amount of future investment that is required to complete the civil litigation compared to the IPR. Past investment is a sunk cost, and a better metric for deciding on institution is the relative cost of completing the litigation versus the IPR. The median cost of an IPR through appeal was \$350,000.²¹⁶ Litigation costs are significantly higher, with median costs of \$1 million through the end of discovery and \$2 million through final judgment for low stakes patent infringement suits with no more than \$10 million at risk.²¹⁷ Although the USPTO recently increased IPR fees, IPR remains much cheaper than litigation.²¹⁸

Money and time invested should not be the only factor accounted for when considering the investment made in a parallel proceeding. It also should be considered whether the prior investment is likely to lead to a correct outcome. Whether a *Markman* hearing²¹⁹ has occurred or not is often

215. See *supra* text accompanying notes 150–52; see *infra* Part II.D.

216. Anne S. Layne Farrar, *The Cost of Doubling Up: An Economic Assessment of Duplication in PTAB Proceedings and Patent Infringement Litigation*, 10 LANDSLIDE, no. 5, May-June 2018, at 1, https://www.crai.com/sites/default/files/publications/The_Cost_of_Doubling_Up_An_Economic_Assessment_of_Duplication_in_PTAB_proceedings_Landslide_May_2018_Layne_Farrar.pdf [<https://perma.cc/RS24-UTDT>].

217. *Id.*

218. *Id.* at 3, 7.

219. *Markman* hearings are pretrial hearings held by courts to construe the meanings of terms used in patent claims. See Mark A. Lemley, *The Changing Meaning of Patent Claim Terms*, 104 MICH. L. REV. 101, 102 (2005). The name of these proceedings derives from *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), where the Supreme Court determined that claim construction was a question of law to be handled by the court. See *id.* at 376 n.3.

used as an indication of whether there has been significant investment in the litigation.²²⁰ It should be noted that the reversal rates for *Markman* hearings in the district courts have been studied and reported to be as high as 40%, although the actual rate is probably around 33%.²²¹ Congress created IPR as a mechanism to review patent validity before a panel of experienced APJs. In comparison, the reversal rate for IPRs in 2018 was only about 23%.²²² As indicated in *Medtronic Inc.*, finding overlap under the fourth *NHK-Fintiv* factor actually can favor institution, because the Board may be able to resolve or simplify issues that would complicate a jury trial or provide guidance to the district court, leading to the possibility of lower reversal rates.²²³

D. *The Decision to Grant a Stay*

Congress intended IPR to function as a substitute for district court litigation.²²⁴ Despite the clear legislative intent, the first *NHK-Fintiv* factor, whether to grant a stay, also presents a conundrum. Unless it is clear that the IPR will proceed, district court judges are often reluctant to grant stays in the litigation.²²⁵ However, if a stay is requested prior to the Board making its decision on institution, then the stay is less likely to be granted.²²⁶ The more likely the Board is to institute, the more likely a stay is to be granted,

220. See *Apple, Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 at 10 (P.T.A.B. Mar. 20, 2020) (precedential, designated May 5, 2020) (stating that “district court claim construction orders may indicate that the court and parties have invested sufficient time in the parallel proceeding to favor denial”); *but see id.* at 10 n.17 (noting “that the weight to give claim construction orders may vary depending upon a particular district court’s practices . . . some district courts may postpone significant discovery until after it issues a claim construction order, while others may not”).

221. Richard S. Gruner, *How High Is Too High?: Reflections on the Sources and Meaning of Claim Construction Reversal Rates at the Federal Circuit*, 43 *LOY. L.A. L. REV.* 981, 994–1000 (2010). “[T]he Court of Appeals for the Federal Circuit historically reverses in about fifteen percent of appeals.” Love et al., *supra* note 38, at 73 n.18.

222. Dan Bagatell, *Fed. Circ. Patent Decisions In 2018: An Empirical Review*, PERKINS COIE (Jan. 3, 2019, 1:34 PM), <https://www.perkinscoie.com/images/content/2/1/v3/216639/Fed.-Circ.-Patent-Decisions-In-2018-An-Empirical-Review.pdf> [<https://perma.cc/GL6R-SUZI>] (reporting an affirmance rate of nearly seventy-seven percent).

223. See *supra* text accompanying note 166.

224. Joel Sayres & Julie Wahlstrand, *To Stay or Not to Stay Pending IPR? That Should Be a Simpler Question*, 17 *CHI.-KENT J. INTELL. PROP.* 52, 61 n.43 (2018)

225. See Stroud et al., *supra* note 4, at 244.

226. *Id.*

but the likelihood of a stay being granted is itself dependent on the Board's likelihood of granting institution.

Exacerbating the problem is the inconsistency with which district courts have applied factors on motions to stay litigation for pending post-grant proceedings.²²⁷ For instance, filing an IPR petition near the statutory deadline has been construed as a lack of diligence that counsels against a stay, but also a reasonable step that should not impact the decision.²²⁸ Beyond forum shopping for quickly-scheduled trial dates, patent owners may be able to exploit the inconsistencies among various districts in granting stays in hopes of avoiding institution.²²⁹ Stays are far more likely to be granted in Delaware or the Northern District of California than the Eastern District of Texas, even though the latter has the highest share of patents challenged in IPRs.²³⁰

A potential solution would be to create a default presumption for district court proceedings to be stayed pending IPR.²³¹ Sayres and Wahlstrand propose that such a presumption could only be overcome if patent claims or other causes of action in the litigation did not overlap with the IPR.²³² Issuing stays for pending IPRs also serves as a case management strategy for district court judges looking to relieve the disproportional burden that patent cases place on their dockets.²³³ Furthermore, such a system would create clarity for the Board. If there is significant overlap between the

227. Sayres & Wahlstrand, *supra* note 224, at 53. Case law on such motions was once described as “a dog’s breakfast of different combinations of factors and different meanings ascribed to those factors.” *Id.* at 52–53 (quoting 157 Cong. Reg. S1380 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl)). A proposed piece of legislation, “Restoring the America Invents Act” was introduced which would detail factors, all intended to favor stays of district court litigation for IPR, for district courts to employ when deciding whether to grant a stay. *See* S. 2891, 117th Cong. § 2 (2021); Dennis Crouch, *Restoring the America Invents Act*, PATENTLY-O (Sept. 21, 2021), <https://patentlyo.com/patent/2021/09/restoring-america-invents.html> (last visited Mar. 4, 2022).

228. Sayres & Wahlstrand, *supra* note 224, at 54 nn.10–11 (citing cases).

229. *Id.* at 55; Daniel M. Klerman & Greg Reilly, *Forum selling*, 89 S. CAL. L. REV. 241, 263–64 (2016); Matthew Sag, *IP Litigation in U.S. District Courts: 1994-2014*, 101 IOWA L. REV. 1065, 1100 (2016).

230. Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 86 (2016); *see also* Stroud et al., *supra* note 4, at 238.

231. Sayres & Wahlstrand, *supra* note 224, at 55. A recent precedential Board decision held that a stay in district court pending the outcome of IPR strongly counsels against exercising discretion to deny institution under *NHK*. *See Snap, Inc. v. SRK Technology LLC*, No. IPR2020-00820, Paper 15 at 9 (P.T.A.B. Oct. 21, 2020) (precedential, designated Dec. 17, 2020).

232. Sayres & Wahlstrand, *supra* note 224, at 55.

233. Hon. William Alsup, *Huge Numbers of Patent Cases: How One District Judge Manages Them - The 2018 Supreme Court IP Review Address*, 18 CHI.-KENT J. INTELL. PROP. 111, 120 (2019).

proceedings, a stay would be likely to be granted, allowing the Board to take first steps to efficiently resolve many issues, or provide guidance to the district court on doing so. However, if the district court proceeding has many claims not at issue in the IPR, there would be little concern about duplicated effort. In this manner, IPR could better serve its congressionally-intended role.

E. Overlap of Issues

A recent PTAB precedential decision in *Sotera Wireless Inc. v. Masimo Corporation* may provide a model for reducing discretionary denials based on *NHK-Fintiv* due to concerns about redundancy.²³⁴ The petitioner in *Sotera* filed a broad stipulation in the district court proceeding that, “if IPR instituted, they will not pursue in the District Court Litigation any ground raised or that could have been reasonably raised in an IPR.”²³⁵ The petitioner’s broad stipulation to not pursue *any* ground raised, or that could have been reasonably raised satisfactorily, mitigated concerns about duplicative effort or conflicting outcomes and strongly favored not exercising discretion to deny institution.²³⁶ Parties are already precluded from raising any grounds that were raised during IPR or reasonably could have been raised.²³⁷ The statutory estoppel provisions only apply once the IPR has resulted in a final written decision.²³⁸ Petitioners could be required when petitioning for IPR where a parallel proceeding is underway to self-impose similar estoppel provisions to those that exist in 35 U.S.C. § 315(e)(2) to reduce the likelihood of repetitious issues and effort and likewise diminish the impetus for a discretionary denial.²³⁹

234. No. IPR2020-01019, Paper 12 (P.T.A.B. Dec. 1, 2020) (precedential).

235. *Id.* at 18. For a description of the scope of IPR to understand what could have been “reasonably raised” in an IPR, see *supra* note 56.

236. *Sotera Wireless, Inc. v. Masimo Corp.*, No. IPR2020-01019, Paper 12 at 18–19 (P.T.A.B. Dec. 1, 2020).

237. 35 U.S.C. § 315(e)(2) (2011).

238. *Id.*

239. Kenneth Darby et al., 2020 POST-GRANT REPORT 7 (Mar. 8, 2021), <https://www.jdsupra.com/legalnews/2020-post-grant-report-1614012/> [<https://perma.cc/7S26-CNXX>]. See also *Nanocollect Biomedical, Inc. v. Cytonome/ST, LLC*, No. IPR2020-00551, Paper 19 at 15, 23–24 (P.T.A.B. Aug. 27, 2020) (declining to deny institution under § 314(a) despite the fact that district court trial would start four months prior to the deadline for the Board’s final written decision because

CONCLUSION

Decisions that deny institution of IPR are increasingly made based on procedural grounds that fail to focus on the merits of the petition. The factors currently guiding the Board in its institution decisions with respect to IPRs that have parallel district court litigation incentivize forum shopping amongst patent owners to file infringement litigation in districts that are quick to schedule trial dates and are unlikely to stay proceedings for a pending IPR. Furthermore, denying IPR due to a parallel district court proceeding subverts Congress's purpose in creating IPR as a litigation substitute on patent validity issues relating to issued patents and printed publications. Congress explicitly provided a one-year window for a petitioner to file for IPR following notice of an infringement action, yet timely filed petitions are routinely denied due to underway parallel district court proceedings. The Board should do more than compare the district court trial date with its deadline for a final written decision imposed by the petitioner's filing date. District court trial dates are often postponed, and petitioners need time to gather evidence and adequately prepare for an IPR as Congress intended. Prompt petitions should always be assessed on their merits, whereas petitions filed closer to the statutory deadline should still have their merits considered, but with appropriate concern for strategic attempts to increase costs for the patent owner.

Congress intended IPR as a litigation alternative, and therefore more focus should be placed on the petition's merits instead of procedural concerns. Allowing the Board to apply its expertise can help the district courts by first resolving patentability issues. Moreover, IPRs generally conclude much faster than corresponding civil litigation and cost less. Focusing on determining which proceeding can produce a correct outcome with the least amount of future investment is more productive for the efficiency and integrity of the patent system.

Creating a presumption for district courts that litigation should be stayed for a pending IPR would create clarity for the Board in its institution decisions. Additionally, it would allow the Board to first address

the petitioner removed any overlap between the parallel proceedings by stipulating to not pursue the specific grounds that were raised or that could reasonably have been raised in an IPR).

overlapping issues, diminishing the burden on district courts. Together, these changes would be better aligned with Congress's intent to have IPR as a substitute proceeding and would greatly benefit the patent system's efficiency and also address concerns of improperly issued patents.