

Intellectual Property Alert

Akin Gump
STRAUSS HAUER & FELD LLP

Interim USPTO Guidance: Compelling Evidence of Unpatentability Forecloses *Fintiv* Denial

June 28, 2022

Key Points

- On June 21, 2022, USPTO Director Katherine K. Vidal issued a memorandum titled “[Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings With Parallel District Court Litigation.](#)”
- Under this new guidance, Director Vidal clarifies how the PTAB will apply *Apple Inc. v. Fintiv Inc.*, a 2020 precedential decision which laid out considerations for denying institution of a post-grant proceeding because of a parallel district court litigation.
- Director Vidal identified three specific scenarios in which the PTAB will no longer deny institution under *Fintiv*: where the parallel proceeding venue is the ITC; where the petitioner stipulates not to pursue similar arguments in the parallel litigation; and where the petition presents compelling evidence of unpatentability.
- The new guidance also instructs that the *Fintiv* analysis will take into consideration a district court’s median time-to-trial and not just the actual scheduled trial date.
- This guidance will remain in place while the USPTO undergoes formal rulemaking.

Background

Following the Patent Trial and Appeal Board’s (PTAB) 2020 precedential decision in *Apple Inc. v. Fintiv Inc.*, discretionary denials based on parallel litigation have been raised in roughly half of all cases following an infringement complaint in district court.

In these past two years, the PTAB considered the following *Fintiv* factors when determining whether to deny institution of a post-grant proceeding:

1. Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. Proximity of the court’s trial date to the board’s projected statutory deadline for a final written decision;
3. Investment in the parallel proceeding by the court and the parties;
4. Overlap between issues raised in the petition and in the parallel proceeding;

Contact Information

If you have any questions concerning this alert, please contact:

Megan R. Mahoney

Associate

mmahoney@akingump.com

New York

+1 212.872.8143

Daniel L. Moffett

Partner

dmoffett@akingump.com

San Antonio

+1 210.281.7155

Rubén H. Muñoz

Partner

rmunoz@akingump.com

Philadelphia

+1 215.965.1263

5. Whether the petition and the defendant in the parallel proceeding are the same party; and
6. Other circumstances that impact the board's exercise of discretion, including the merits.

The application of these factors at the PTAB has garnered considerable attention and has been the subject of much debate among stakeholders, as evidenced by the more than 800 comments submitted to the Office on this topic.

New USPTO Guidance

On June 21, 2022, United States Patent and Trademark Office (USPTO) Director Vidal provided **updated guidance** on the PTAB's application of the *Fintiv* factors. Director Vidal noted that these clarifications are to benefit the patent system and the public good, and are in response to the 822 comments the USPTO received from its October 2020 **Request for Comments** on the PTAB's approaches to exercising discretion to institute a post-grant proceeding. These clarifications also come shortly after the introduction of the **PTAB Reform Act of 2022** in Congress, a bill that would abolish *Fintiv* denials entirely.

Until the USPTO undergoes formal rulemaking on this topic, Director Vidal's interim guidance instructs that the PTAB will not rely on the *Fintiv* factors to discretionarily deny institution where:

- The request for denial is based on a parallel ITC proceeding.
- The petitioner stipulates not to pursue in a parallel district court proceeding the same grounds as in the petition and any grounds that could have reasonably been raised in the petition.
- The petition presents compelling evidence of unpatentability.

The interim guidance also clarifies that *Fintiv* factor two, which considers the proximity of the trial date in the parallel district court proceeding, should instead focus on the median time-to-trial for civil actions in the relevant district court.

Parallel ITC Proceedings

Prior to this new guidance, declining to deny institution based on a parallel International Trade Commission (ITC) proceeding was already an established trend. Relying on the distinction between district court litigation and ITC investigations—namely that the ITC does not have authority to invalidate a patent—the PTAB was no longer applying *Fintiv* to discretionarily deny petitions based on a parallel ITC investigation. The new guidance therefore simply memorializes what was already the predominant practice at the PTAB.

Estoppel Stipulations

Since the precedential decision in *Sotera Wireless, Inc. v. Masimo Corporation*, where the PTAB found that petitioner's broad stipulation to not pursue similar arguments in the parallel litigation weighed strongly in favor of institution, petitioners in post-grant proceedings have increasingly avoided discretionary denials under *Fintiv* with similar stipulations. These *Sotera* stipulations, which generally preclude the petitioner from asserting in district court any grounds that were raised or reasonably could have been

raised before the PTAB, help to mitigate concerns over potentially conflicting decisions or duplicative efforts between the district courts and the PTAB.

Sotera stipulations have already been a successful strategy for petitioners looking to avoid *Fintiv* denials. The USPTO released a [PTAB Parallel Litigation Study](#) in conjunction with the interim guidance evidencing this success rate for petitioners; in the last four fiscal quarters, the PTAB denied review in 52 out of 258 petitions that made such stipulations. The most recent quarter had only two denials out of 68 petitions with *Sotera* stipulations. The new interim guidance now provides petitioners a blanket exception to *Fintiv* denials if they are willing to submit to such stipulations.

Compelling Evidence of Unpatentability

While the merits of a post-grant petition have always been part of the institution analysis under *Fintiv* factor six, the interim guidance has now made a petition's merits dispositive if the unpatentability evidence meets a "compelling" threshold. That is, under the interim guidance, the PTAB no longer has the discretion to deny institution under *Fintiv* where there is "compelling evidence of unpatentability."

The interim guidance's definition of "compelling evidence" leaves the precise threshold flexible and fact-specific. Specifically, Director Vidal defines a compelling challenge as one where "the evidence, if unrebutted in trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of evidence." By way of example, Director Vidal cites three recent institution decisions to illustrate "compelling evidence"—[Illumina, Inc. v. Trustees of Columbia University](#), [Synthego Corporation v. Agilent Technologies, Inc.](#) and [Samsung Electronics v. Scramoge Technology Ltd.](#)

- In *Illumina, Inc. v. Trustees of Columbia University*, the PTAB instituted review based on the strength of petitioner's evidence—specifically, the history of *inter partes* review (IPR) proceedings between the same parties where the PTAB had already held substantially similar claims unpatentable. The PTAB concluded that this evidence outweighed the other *Fintiv* factors.
- In *Synthego Corporation v. Agilent Technologies, Inc.*, the PTAB cited Federal Circuit precedent that directly contradicted the patent owner's argument that the alleged anticipatory art was not enabling. Controlling law purportedly undermining the patent owner's position seems to have been sufficient for the PTAB to institute review over the patent owner's other merits-based arguments.
- In *Samsung Electronics v. Scramoge Technology Ltd.*, the PTAB found petitioner's evidence of unpatentability strong, and specifically noted that the patent owner's preliminary response did not address the merits of the petitioner's invalidity challenges.

In each of these cases, the PTAB instituted review despite only *Fintiv* factor six—the merits of the petition—weighing against exercising its discretion to deny. Further, in each of these cases, the PTAB explicitly considered the content of the patent owner's preliminary response when determining whether to institute review.

By formally creating a *Fintiv* exception for petitions with "compelling evidence," the new guidance gives an increased significance to the merits of the petition and preliminary response. If the evidence is merely sufficient to meet the statutory institution threshold—a "reasonable likelihood" of prevailing for IPR, or "more likely than not" unpatentable for post-grant review—then the PTAB will conduct a *Fintiv*

analysis. However, if there is “compelling evidence of unpatentability,” the guidance precludes discretionary denial under *Fintiv*, regardless of the remaining factors.

Trial Proximity

The final clarification of the interim guidance is a direct response to concerns about aggressive yet unreliable trial schedules. The new guidance provides that the median time-to-trial, instead of the actual trial date alone, should also be considered under *Fintiv* factor two. Doing so controls for fluctuations in a trial schedule, which Director Vidal notes may not by itself be a good indicator of whether the district court would resolve the patentability issue before the PTAB’s final written decision. The new guidance also articulates that unlike *Fintiv* factor six, the proximity to trial should not be a dispositive factor.

Open Issues and Potential Impact on Discretionary *Fintiv* Denials

While the new guidance’s *Fintiv* exceptions for parallel ITC proceedings and *Sotera* stipulations provide concrete direction for petitioners, the exception for “compelling evidence of unpatentability” provides less clarity for either side. Even with the definition provided in the interim guidance, the line between the statutory institution threshold, where a *Fintiv* analysis is available, and the threshold for a “compelling” challenge, where it is not, is unclear. For example, will “compelling” challenges be limited to cases like *Illumina, Inc.*, *Synthego Corporation*, and *Samsung Electronics*, where special circumstances, such as prior decisions on identical claims, controlling law, and unrebutted arguments, make the challenges uniquely “compelling”? Or is the “compelling” threshold based entirely on the views of a particular panel? In addition, the suggestion in the interim guidance that the strength of evidence is assessed as if “unrebutted” raises further questions. Specifically, in assessing whether “compelling evidence” exists, how should the Panel weigh the evidence submitted with a preliminary response, if one is filed? Should expert testimony accompany a preliminary response? The panels in the three decisions cited in the interim guidance all considered the preliminary response when assessing the strength of the merits. At the very least, until the PTAB provides further clarity on “compelling evidence” through decisions or additional guidance, Director Vidal’s selection of “compelling evidence” cases suggests that patent owners should address the merits of the unpatentability arguments if they are going to seek discretionary denial, and petitioners should attempt to point out how their challenge is uniquely compelling.

Ultimately, the new guidance seemingly codifies the current trends in discretionary denials at the PTAB. In the simultaneously released [PTAB Parallel Litigation Study](#), the USPTO outlines the sharp decline of *Fintiv* denials, which peaked at 11% of all *Fintiv* outcomes in early 2021, but has since dropped to 2% in early 2022. The new guidance may result in even fewer *Fintiv* denials, as each of the clarifications seem to weigh against the PTAB exercising its discretion to deny institution. In particular, a compelling, meritorious petition can now independently prevent a *Fintiv* denial, which could shift petitioner’s and patent owner’s priorities before institution.

akingump.com