Group of big company general counsel calls for Fintiv overturn to “restore balance to the American patent system”

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Opponents of PTAB discretionary denials have so far failed to overturn *NHK-Fintiv* in the courts, and have secured little traction in Congress, but a new letter shows they embrace the old adage: “If at first you don’t succeed, then try, try again.”

The general counsel and some chief IP officers of 23 companies have gone to the executive branch with a plea for US Secretary of Commerce Gina Raimondo to repeal *NHK-Fintiv*, a move which they claim will “restore balance to America’s patent system”.

But this latest attempt looks likely to fail to persuade the US Patent and Trademark Office to reverse track on its policy of denying the institution of *inter partes* review petitions that attack the same patents being asserted in parallel district court litigation. The Secretary of Commerce doesn’t have direct legal authority to overturn *NHK-Fintiv* and has never tinkered with a USPTO administrative proceeding this way.

“It would be unprecedented that the Secretary of Commerce would step into the administrative operation of the USPTO – especially on such a detailed level,” says Russ Slifer, former deputy under Secretary of Commerce for IP and USPTO deputy director.

Signatures from general counsel and CIPOs at household names such as Intel, General Motors, Hyundai, Twitter, Honda, Micron, Dropbox, Roku and more are featured at the end of the letter.

The signatories write that the *NHK-Fintiv* rule is denying companies access to IPRs, which they described as a “pillar of the America Invents Act”. The rule effectively wipes out vital legal protections, with no public notice or comment period, they say, adding that this has caused “immediate and irreparable harm to American innovators and manufacturers”.

“The rule enables plaintiffs to manipulate the system through forum shopping and deny defendants access to agency proceedings that would assess the validity of what are often weak or invalid patents asserted against them,” they write.

According to the letter, *NHK-Fintiv* has allowed litigation financiers to obtain million- and billion-dollar judgments with patents “that never should have issued”. The general counsel claim that the American economy and national security are at stake because they cannot function without a reliable IP system.

“Investing the billions of dollars that it costs to develop and manufacture an advanced product is not viable when there is no dependable system for evaluating the many patents that can and will be asserted against it,” the letter says. “The current patent-review and litigation chaos undoubtedly has deterred some direct investment in the United States. If left unchecked, it will ultimately undermine American leadership in technology and advanced manufacturing and the good-paying jobs those sectors create.”

Challenges

Slifer, who served as USPTO deputy director from 2015 to 2017, says that Congress is considering bills designed to enhance semiconductor and technology competition in the US and there is high priority on improving the nation’s competitiveness globally. This paints the bigger picture about why the general counsel would choose to reach out to Raimondo now.

“The atmosphere is ripe for these particular technology companies to be lobbying for help from Commerce. If nothing else, it is elevating it above the normal conversation with the PTO and maybe some members of the Senate and elevating it to the Secretary and White House level. They are definitely stepping it up a notch from the typical lobbying from Congress to do something,” explains Slifer. “It is not a coincidence it is happening at a time a new director is waiting to be confirmed by the Senate.”

Though agreeing that Raimondo lacks the legal authority to overturn *Fintiv*, McKool Smith principal Nick Matich adds that the Secretary of Commerce is the USPTO director’s boss “and likely has significant influence over a policy decision like eliminating *Fintiv*”.

Still, the letter is unlikely to work for political reasons, adds Matich, who worked in the USPTO from 2019 to 2020 as a senior legal advisor to the USPTO Director and then as acting general counsel.

“The USPTO Director nominee, Kathi Vidal, committed to Senator Tillis that she would **leave *Fintiv* in place, perhaps with some modifications**,” Matich explains. “It would be politically difficult for Secretary Raimondo to force the acting director to undo *Fintiv* now or Ms Vidal to do it later. Either would likely cause a breach of trust with important members of Congress.”

It is also unlikely that *Fintiv’s* foes will succeed with legal challenges in the judiciary. The **US Supreme Court has rejected two petitions from Apple and Mylan** that sought to overturn *Fintiv*. Intel still has a similar appeal pending, but it will probably meet the same fate.

Though Senator Patrick Leahy has filed the **Restoring the America Invents Act**, which would do away with discretionary denials, among other things, the bill has not moved at all. Because Leahy is not running for re-election, Matich believes it is unlikely that the bill will succeed. What’s more, senators Tillis and Chris Coons – the most likely to replace Leahy as head of the Senate IP subcommittee – are both *Fintiv* supporters, though Tillis does want some changes to factors that place too much importance on court trial schedules which are subject to change.

Why would the opponents of *Fintiv* spend so much time, energy and money attacking the rule in the courts and lobbying Congress and the executive branch to put an end to discretionary denials?

Matich explains that it is all about patent litigation tactics:

“Filing an IPR often increases the expense of litigation by requiring the parties to fight in two places and delays the finality,” he says. “That usually works to the advantage of well-heeled defendants, because dragging out litigation makes it harder for small plaintiffs to enforce their patents and makes patent litigation less likely to be a worthwhile endeavour financially.”

Equally important, Matich continues, is that because the estoppel effects of filing an IPR are relatively weak, defendants will often get a second chance to make similar arguments in district court. “At a minimum, defendants get two forums for their defences and the plaintiff has to win in both,” he states.

However, even as the cries for change get louder, **discretionary denials are already on the downswing**. Data from Docket Navigator shows that the rate of IPR denials citing *Fintiv* dropped by half from 2020 to 2021 when there was parallel litigation pending in the Western District of Texas, District of Delaware or Northern District of California. There was a lesser but still significant decrease in *Fintiv* denials with co-pending litigation in the Eastern District of Texas.

This is because defendants are switching litigation strategies by filing IPRs earlier and by agreeing to estoppel rules which will bar them from raising the same invalidity grounds in an IPR and court case.

Documents

General counsel letter to Raimondo

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