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Vidal's Latest Director Review Decisions Fail to Simplify the 'Compelling Merits' Analysis



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“The Director’s statement in both *Commscope* and *AviaGames* that the standard for a ‘compelling merits’ determination is higher than ordinary institution seems like a helpful clarification. In practice however, it remains confusing.”

U.S. Patent and Trademark Office (USPTO) Director Kathi Vidal has been on a tear recently, reviewing *sua sponte* a number of Patent Trial and Appeal Board (PTAB) decisions and designating others precedential. Many of those decisions have helped to make America Invents Act (AIA) proceedings more rigorous and fair, such as the Director’s decisions correcting the PTAB for relying on conclusory expert statements and putting at least some teeth in the real parties in interest requirement. Her most



recent interventions in *Commscope Technologies v. Dali Wireless* IPR2022-01242 and *AviaGames, Inc. v. Skillz Platform, Inc.*, IPR2022-00530 however, add more confusion than clarity to the *Fintiv* analysis, and more work for parties and the Board, without improving fairness or efficiency.

'Compelling Merits' Confusion Continues

Apple v. Fintiv directs Administrative Patent Judge (APJ) panels to weigh the efficiency and fairness of having parallel district court and PTAB proceedings (summarized in five factors) against other relevant facts (a sixth catchall factor), including whether the petition presents a strong case on the merits. In *Commscope*, the Board instituted inter partes review (IPR), notwithstanding *Fintiv*, because, the panel said, the “Petitioner presents compelling unpatentability challenges.” To support this conclusion, the panel pointed to its ordinary merits analysis of the petition. The Director then intervened, vacated the institution decision, and directed the Board to reconsider its *Fintiv* analysis.

First, the Director’s *Commscope* opinion faulted the Board for jumping to the “compelling merits” without first addressing the efficiency and fairness factors. The Director also criticized the Board’s “compelling merits” analysis, instructing that “[m]erely pointing to its analysis under the lower institution standard is insufficient to demonstrate that the Petition presents a compelling unpatentability challenge” that would overcome the other *Fintiv* factors.

Under *Commscope*, it seems that panels are supposed to first analyze the efficiency and fairness factors, and, only if those weigh against institution, proceed to the “compelling merits” factor. At the “compelling” merits stage, the Board is to apply a higher standard than what is required for institution.

AviaGames is similar. There, a district court found the patent invalid under Section 101 and, since the patent had already been found invalid, the PTAB panel denied institution under *Fintiv*. The Director vacated the panel decision. She instructed the APJs to conduct a “compelling merits” analysis and institute trial if the merits of the petition were “compelling.”

More Work, Little Effect

Commscope and *AviaGames* will add uncertainty and more work for IPR practitioners and the PTAB, but likely little else. First, *Commscope*’s requirement to analyze *Fintiv*’s fairness and efficiency factors doesn’t seem to accomplish anything. Under the Director’s *Fintiv* guidance, a “compelling” merits determination “alone demonstrates that the PTAB should not discretionarily deny institution under *Fintiv*.” Thus, however the efficiency factors come out, the guidance instructs the panel to institute the proceedings when there is a “compelling” case on

the merits. Since the “compelling” merits make the fairness and efficiency factors irrelevant, under the guidance, it not clear what panels accomplish by analyzing those factors. Courts usually skip over issues that don’t affect the outcome, and the PTAB should too.

AviaGames is also wasteful of party and judicial resources. There, the patent was already held invalid, and *still* the Director IPR proceedings might need to go on. The Director argues that the Federal Circuit could reverse the district court and leave the petitioner unable to re-file its IPR if the case were remanded. That would seem to justify a *stay* of IPR proceedings pending the appeal, not millions of dollars in litigation costs over moot issues. Moreover, even if the Federal Circuit did reverse, the patent owner would be free to raise the issues presented in its petition the district court. Terminating the IPR would not leave the petitioner defenseless in the litigation.

‘Compelling Merits’ Are in the Eye of the Beholder

The Director’s statement in both *Commscope* and *AviaGames* that the standard for a “compelling merits” determination is higher than ordinary institution seems like a helpful clarification. In practice however, it remains confusing.

According to the *Fintiv* guidance, a petition is “compelling” and should be instituted regardless of the efficiency and fairness factors, when the “the evidence, *if unrebutted in trial*, would plainly lead to a conclusion that one or more claims are unpatentable.” (emphasis added). The difficulty is that IPR petitions are one-sided documents drafted by attorneys paid to invalidate the patent. If an *unrebutted* petition fails to show unpatentability, either the petitioner made a mistake or the patent’s validity is so clear that it is not even arguable. In other words, the Director’s “compelling merits” guidance could be read to mean that all but the *weakest* petitions are “compelling.”

Commscope, the word “compelling,” and common sense suggest that’s not what the Director meant. However, neither the Guidance nor the Director’s recent decisions provide much clarity about what compelling means. Is “compelling” somewhere in between clear and convincing evidence and preponderance of the evidence? Is it higher than clear and convincing evidence? Practitioners and the PTAB don’t get much guidance. The result is more uncertainty in patent litigation.



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Pro Say

March 9, 2023 01:35 pm

What Josh said.



Josh Malone

March 9, 2023 08:09 am

Substantial new question, reasonable likelihood, more likely than not, presumption of validity, preponderance of evidence are all “nonce” phrases at USPTO. Utterly unpredictable. Total loss of confidence in granted patents. No matter what, parties are casting dice, with petitioners winning 5 of 6 rolls...randomly.

The only way out of this is for the Director to flip the burden and presumption at institution. They need to STAND BEHIND and DEFEND their patents. Inventors will not succeed until PTAB is neutered and the USPTO stops stabbing us in the back whenever we attempt to use our patents.

IPRs should be dismissed unless the petitioner is a small operating company being

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