



## SCOTUS Declines Apple, Mylan Challenge to NHK-Fintiv Rule

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The [US Supreme Court](#) has rejected bids by [Apple](#) and [Mylan](#) to overturn the *NHK-Fintiv* rule, but more challenges to the controversial directive favoured by the [US Patent Trial and Appeal Board](#) (PTAB) are likely, say lawyers.

SCOTUS handed down its decision yesterday, January 18, dashing the hopes of the tech giant and generic drug maker of securing a reversal of PTAB's refusal to review patents owned by [Optis Cellular Technology](#) and [Janssen Pharmaceutica](#), respectively.

Introduced in 2020, the *NHK-Fintiv* rule dictates that the existence of a parallel district court lawsuit should preclude an IPR, promoting sharp rise in denials of *inter partes* review (IPR) petitions of patents over the past two years.

In 2013, the board instituted reviews in 87% of all filed petitions during the first year of the PTAB's review process, but this [sunk to an all-time low](#) of 56% in 2020, according to research carried out by [Unified Patents](#).

Apple and Mylan had contended in their petitions to SCOTUS that the rule compromised the integrity of the US patent system, by protecting poor quality patents.

In October, [Perkins Coie](#) released [findings](#) showing that the PTAB's references to the rule's dictate of parallel litigation precluding reviews are often derived from inaccurate data as the trial dates are "almost always pushed back".

### High standards for appeal

According to Gary Abelev, partner at [Hunton Andrews Kurth](#), SCOTUS' refusal to take on the cases is unsurprising, as the [America Invents Act](#) (AIA) is clear that institution decisions should not be appealed

"It is difficult to contest the USPTO's denial of institution, due to the high standard of the Administrative Procedure Act (APA) regarding decisions rendered by federal agencies," he explained.

This is because the act authorises courts to review such decisions only if the agency action, finding, and conclusion are found to be arbitrary, capricious, an abuse of discretion, or not in accordance with law, emphasised Abelev.

But as Brent Babcock, partner at Loeb & Loeb, pointed out, the problematic issues posed by the rule are "far from dead", and the courts, the USPTO, and PTAB practitioners should expect further kickbacks by disgruntled petitioners.

### 'Kicking the can down the road'

"The Supreme Court's denial of *certiorari* did nothing to resolve the ongoing controversy regarding the USPTO's invocation of the *NHK-Fintiv* factors to discretionarily deny IPR petitions; the denial simply kicks the can down the road," noted Babcock.

But there are signs, however, that the pendulum may be swinging once again in favour of IPRs at the PTAB.

According to new PTAB statistics, the board granted two-thirds of all petitions for review in the first two months of fiscal year 2022, a 7% increase over the institution rate for the previous fiscal year.

“The PTAB panels will continue to invoke the *NHK-Fintiv* factors to discretionarily deny petitions on occasion, but likely less frequently than at their peak in 2020,” said Babcock.

The steady decline in discretionary denials can be attributed to the PTAB’s response to the extensive criticism levelled at the *NHK-Fintiv* factors, he added.

Another factor could be PTAB practitioners becoming savvier due to their increasing familiarity with the discretionary denial issues, and factoring this into their PTAB and petition strategy.

“The PTAB has now issued dozens of decisions applying the *NHK-Fintiv* factors, and by so doing, a modicum of predictability has returned to PTAB institutions,” said Babcock.

Nicholas Matich, principal at McKool Smith, agreed that the trend of PTAB granting fewer *Fintiv* denials is likely to continue for the foreseeable future.

“That means that there will likely be fewer challenges to *Fintiv*—if only because there are fewer opportunities to challenge it,” explained Matich.

SCOTUS ‘not the last word’

But while this shift may temper the level of resistance against the rule, its existence and application will continue to be a source of rancour.

As Matich noted, the challenges are likely to continue given the significant interest the case has generated among big tech.

And the introduction of likely new USPTO director Kathi Vidal could herald a much-needed redress, according to Babcock.

“With the probable appointment of Vidal, the USPTO will likely promulgate new rules on PTAB discretionary denials in the first half of 2022,” he predicted.

“Following the departure of director Andrei Iancu in January 2021, the USPTO delayed issuing a rules package for more than a year, apparently until his successor can weigh in on the issue. Hopefully, that deliberative process will resume this spring with the new director.”

But if this resolution fails to materialise, the onus for clarification may once again reside with SCOTUS and Congress.

“The Supreme Court’s denial of *certiorari* is certainly not the last word on this still-controversial issue,” observed Teague Donahey, partner at Holland & Hart.

Intel has another *cert* petition waiting in the wings on *NHK-Fintiv*, for example, and the Supreme Court often lets issues percolate before stepping in, said Donahey.

He added: “Congress will also continue to face pressure to make legislative changes and, ultimately, that may well be how this issue gets resolved.”