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Apple's 'Fintiv' Challenge Ups Pressure for Patent Review Rules
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- Fed. Cir. revived challenge to PTO 'discretionary denial' rule
- PTO incentivized to take public comment on official rule

The Federal Circuit's revival of a challenge to the US Patent and Trademark Office's controversial "rule" used to deny certain patent validity challenges, could push the agency to complete a formal rulemaking that codifies the practice and the factors considered under it.

The March 13 decision gave new life to an Apple Inc. lawsuit attempting to knock out a pair of Patent Trial and Appeal Board precedents collectively known as NHK-Fintiv, which allow the board to refuse a patent review if it's already involved in district court litigation.

Tech companies including Google LLC, Intel Corp., and Cisco Systems LLC—all common targets of infringement suits—have long criticized the rule. They say it deprives them of a way to avoid potentially lengthy litigation that can result in hefty verdicts that sometimes stretch into the billions.

Sending the case back to district court, the US Court of Appeals for the Federal Circuit agreed that Apple should be allowed to argue the Fintiv rule wasn't preceded by a proper notice and public-comment period as required by the Administrative Procedure Act.

The PTO is already moving toward a formal rulemaking on what's known as discretionary denial factors—like those under Fintiv—so the court decision simply adds fuel to the fire, said Holland & Hart LLP partner Matt Harvey.

"Lots of different stakeholders are asking for it, and I think the PTO genuinely wants to be responsive to stakeholders," Harvey said. "They all actually want the same thing."

Public Comment Debate

Whether Apple will be successful on remand hinges on whether the Northern District of California decides the Fintiv rule should've been subject to the notice-and-comment procedures under the APA. The PTO designated the PTAB's *Apple v. Fintiv* decision as precedential in 2020.

The rule was controversial and resulted in a nearly 40% denial rate for "inter partes reviews" in the first months after its precedential designation.

Last June, PTO Director Kathi Vidal took public feedback into account and issued guidance defining circumstances in which Fintiv won't apply, including when a petition presents "compelling evidence of unpatentability" or is based on a parallel proceeding at the International Trade Commission.

Vidal also has issued various director review decisions further clarifying her guidance. The patent office wasn't immediately available for comment.

The Federal Circuit found that, at minimum, the agency's Fintiv actions were reviewable by a court, and it allowed Apple to keep pressing its APA argument. Notably, the panel didn't say it agreed with Apple; it simply gave the tech giant another chance to make the claim while finding Apple is a repeat defendant that is "non-speculatively threatened with harm" from the rule change.

The decision to make Fintiv precedential—and later to modify it—was "not a minor ministerial change," said Ropes & Gray LLP partner Scott McKeown. "That degree of change in practice is something you'd expect to go through notice and comment."

Applying Political Pressure

While the remand doesn't result in a direct reversal of Fintiv, it does put the agency's policymaking processes under the microscope.

Even if Apple succeeds, the district court is likely to leave the director's June memorandum in place and instruct her to conduct a formal rulemaking on the Fintiv factors, said Eliot Williams, co-chair of Baker Botts LLP's PTAB trials practice group.

"What I think's going on here is they just did not like that we have this director's memo that looks like a fairly detailed policy interpretation," he said of the Federal Circuit's reasoning. "That, I think, is what made them uncomfortable."

The decision puts a premium on the PTO finalizing a rulemaking on discretionary denial principles, which Vidal told Bloomberg Law is her top priority for the year. The agency submitted its proposal to the Office of Information and Regulatory Affairs on March 9, government records show. The contents of the proposed rule haven't yet been made public.

It's possible that the rule package could be issued before the remanded court case is wrapped up, which would moot the dispute, said Ropes & Gray's McKeown.

"It may be the case that it turns into a race to see which one happens first," McKeown said. "It's more political intrigue, at this point, than it is anything meaningful for practitioners."

Limited Practical Impacts

While the ruling isn't likely to change things for practitioners any time soon, big tech companies will still be motivated to pursue changes to Fintiv based on the amount of money they stand to lose when their patent-validity requests are denied.

PTO data and a Bloomberg Law analysis both show that far fewer patent-review petitions are now being denied under the Fintiv factors, and many practitioners believe that the rule has come to have little to no impact on the majority of cases.

That's partly because petitioners learned to work around Fintiv, promising the board that they wouldn't pursue certain invalidity arguments in parallel infringement cases if an administrative review is instituted.

The rule further lost its potency after Vidal clarified scenarios in which Fintiv doesn't apply.

In that context, any impacts of the ruling on Fintiv's longevity is of marginal consequence to practitioners, said Christina Ondrick, a patent trial principal at McKool Smith.

"I don't know that the Federal Circuit's ruling is that big of a deal under current practice because we have Director Vidal's memo on the Fintiv practices that have really significantly decreased the number of Fintiv denials," she said.

Still, big tech companies say they've been unfairly denied opportunities to fight back against district-court challengers that accuse them of infringement.

Juries routinely order tech companies to pay millions or even billions of dollars in patent cases, and they're willing to seize any opportunity to improve their chances of getting challengers' patents invalidated, Holland & Hart's Harvey said.

"I think these companies feel like they're sued so often, and there's always the risk of some mega award."

The case is Apple Inc. v. Vidal, Fed. Cir., No. 22-01249.