Fed Circuit Apple Ruling Has Little Fintiv Impact: Counsel
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The Federal Circuit said tech firms can challenge the way the USPTO implemented Fintiv, but that won't mean much for practitioners, say counsel

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The latest Fintiv challenge highlights the importance of the USPTO following administrative rules, but won't have much practical effect on patent counsel and companies, say sources.

On Monday, March 13, the Court of Appeals for the Federal Circuit ruled in Apple v Vidal that the iPhone maker and other tech companies could proceed with a previously dismissed suit against the USPTO because Fintiv instructions were issued without notice-and-comment rulemaking.

The court emphasised that it wasn't reaching a decision on the merits of this challenge, but argued that Apple had standing to present it – reversing a decision from the District Court for the Northern District of California that such arguments couldn't be reviewed.

The Federal Circuit affirmed the lower court's ruling, however, that dismissed Apple's claims that the USPTO director had acted contrary to the inter partes review (IPR) provisions of the patent statute and that the Fintiv instructions were arbitrary and capricious.

As a result, Apple can't directly challenge Fintiv – the rule introduced in 2020 that compels Patent Trial and Appeal Board (PTAB) judges to discretionarily deny IPRs on the basis that parallel district court cases will finish first.

Some sources argue that the Federal Circuit was right to allow Apple to challenge the office under the Administrative Procedure Act (APA), which governs the way that agencies propose regulations.

Jonathan Stroud, general counsel at Unified Patents in Washington DC, says rules from other bureaus such as the Environmental Protection Agency and Federal Trade Commission get challenged all the time.

But this hasn't happened at the USPTO all that often, possibly because the rules don't directly affect entire markets and the office hasn't tried to promulgate too many controversial rules, he says.

He says the district court, when dismissing the case, had highlighted that institution decisions weren't appealable.

"The lower court clearly got it wrong. You've always been able to challenge any rule, guidance or action that any agency takes under the APA," he says.

"The APA creates a lot of different checks. If you get rid of that and let agencies take unilateral action that might affect a ton of their stakeholders, you open yourself up to agencies acting in an arbitrary and capricious manner."

Procedural problems

Sources speculate that this decision could motivate the office to ensure it follows the formal rulemaking process when implementing procedures in the future to avoid any APA issues.

The head of patent litigation at a generics pharma company in the US says this would be a good thing because it's important to be transparent.

"It's better for the industries to be able to weigh in so everything is properly considered," he says.

Some counsel argue that it can be complicated for the office to figure out when to go through such rulemaking processes, however.

Eliot Williams, co-chair of the PTAB practice group at Baker Botts in Washington DC, says board proceedings involve traditional administrative rule enforcement but also have an adjudicative component.

That makes it difficult because the office can't publish rules to encompass every fact scenario that will arise. The panel needs some discretion to fill in blanks when deciding cases, he says.

"There's definitely going to be a grey area here as to when the USPTO must do formal rulemaking and when it can rely on its powers to adjudicate cases," he says.

"The PTAB is open for business and has to cite cases today. It doesn't want to have to wait around for a year or longer for a formal rulemaking process to complete."

The USPTO might want to fight this case to get guidance on what's actually required, he adds.

On notice

In this particular case, the USPTO appears to be going through the potentially mandatory process anyway.

As reported by Managing IP, the Office of Information and Regulatory Affairs received the USPTO's plans to publish an Advanced Notice of Proposed Rulemaking (ANPRM) related to Fintiv on March 9 – before the Federal Circuit decision came out.

Notice-and-comment rulemaking requires agencies to issue a Notice of Proposed Rulemaking, but they can issue ANPRMs first to get more information.

Scott McKeown, partner at Ropes & Gray in Washington DC, says he doesn't think that Monday's Federal Circuit ruling will have a meaningful effect, assuming the rulemaking process goes forward.

But others think the USPTO should now try to proceed with rulemaking faster in response to the Federal Circuit's decision.

Williams at Baker Botts says that if he were advising the USPTO, he would tell the office to start off with a Notice of Proposed Rulemaking to save time.

"That would make the process go as fast as possible," he says.

Denials down

The notice-and-comment rulemaking regarding Fintiv may not affect companies very much because denials based on the decision are rare anyway, however.

The office implemented interim guidance in July 2022 addressing Fintiv, which severely limited when the board could use the rule to deny petitions.

The guidance stated that the PTAB wouldn't refuse petitions based on the doctrine if there was compelling evidence of unpatentability.

The memo also clarified that Fintiv wouldn't apply when petitioners raise Sotera stipulations, which are agreements not to pursue the same, or any, grounds that could have reasonably been raised before the PTAB in parallel proceedings.

The head of patent litigation at the generics company says this guidance has been incredibly helpful in cutting down on cases in which Fintiv is used to deny institution.

That said, having this process formalised as part of a notice-and-comment rulemaking could be a good thing for petitioners.

The patent litigation head says this makes it more likely that these limits on Fintiv will last through new administrations.

Speaking up

There's a possibility that the rulemaking process could change the office's interim guidance, however.

Gaurav Asthana, director of IP at software company Atlassian in San Francisco, says the process could make the USPTO think more deeply about the Fintiv factors as it takes comments on board.

But some don't expect that to happen.

Although the office hasn't gone through the formal notice-and-comment rulemaking process, it did institute a request for comments in October 2020. USPTO director Kathi Vidal published her 2022 interim guidance after hundreds of comments were received.

Blair Jacobs, principal at McKool Smith in Washington DC, predicts that the USPTO will receive additional comments from both sides but likely implement a very similar rule to the current policy given that the issues have already been considered.

The office will probably adhere to APA requirements, which will then moot the district court case, he says.

All in all, Apple's suit against the USPTO may not change much about companies' patent strategies even if the iPhone maker prevails. But stakeholders will want to keep it mind in future if the USPTO implements controversial instructions without going through the motions.