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## Discretionary Denials of IPR Petitions at the PTAB: Co-Pending Litigation and Balance of Efficiency, Fairness, and Patent Quality

Discretionary denials of IPR petitions are here to stay and this is a much-needed win for patentees at the PTAB.

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Score one for the patentees! In its March precedential opinion *Apple v. Fintiv*, the Patent and Trial Appellate Board identified a set of factors to be weighed when determining whether an inter partes review should be instituted when a related, parallel proceeding is pending in the district court or before the International Trade Commission. *Fintiv*, IPR2020-00019, Paper 11 (PTAB March 20, 2020) (precedential, designated May 5, 2020). The six factors enumerated in *Fintiv* aim to balance efficiency, fairness, and patent quality. They also create a process for a patentee to end an IPR before institution in those instances where similar issues are set to be decided between the same parties within a similar time frame, but in a different tribunal setting.

Before to the *Fintiv* decision, the case law covering discretionary denials of IPR petitions was nascent and centered around *NHK Spring v. Intri-Plex Techs.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential, designated May 7, 2019)). In *NHK*, the PTAB denied institution based on efficiency grounds because the petitioner was pursuing the same invalidity challenges in a parallel district court proceeding. Importantly, the PTAB made the decision to deny institution based in part on the fact that a validity determination would be reached by the district court before a final written decision would be rendered by the PTAB.

Although *NHK* addressed one potential fact pattern, there was a need for additional guidance on



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the effect of co-pending litigation when it comes to evaluating an IPR petition. Enter the recent *Fintiv* decision. In this precedential decision, the PTAB identified the following six factors, which it now considers when determining whether to institute IPR when a related, parallel proceeding is pending before another tribunal: (1) whether the court presiding

over the parallel proceeding granted a stay or is likely to grant a stay if IPR is instituted; (2) the proximity of the court's trial date to the PTAB's deadline for issuing a final written decision; (3) the court and the parties' investment in the parallel proceeding; (4) any overlap between the issues raised in the IPR petition and the issues pending in the parallel proceeding; (5) whether the IPR petitioner is a defendant in the parallel proceeding; and (6) any other circumstances that impact the PTAB's exercise of discretion, including consideration of the merits of the arguments set forth in the petition. The PTAB makes it clear that no one factor is dispositive; rather, it takes a holistic view and assesses whether the efficiency and integrity of the system are best served by denying or instituting review.

Two recent decisions have further clarified the application of the *Fintiv* factors. In May, the PTAB revisited the IPR petition filed in *Apple v. Fintiv*. See *Apple v. Fintiv*, IPR2020-00019, Paper 15 (PTAB May 13, 2020) (informative, designated July 13, 2020). Analyzing the six factors, the PTAB noted that the co-pending district court case involved the same parties, the same prior art, and the same patent claims. The PTAB also recognized that the parties had already invested

significant resources in the district court litigation and emphasized the fact that the district court trial date was scheduled in advance of the final written decision deadline. The PTAB ultimately concluded that no factors weighed in favor of institution and thus denied institution of the IPR petition.

One month later, the PTAB applied the *Fintiv* factors in *Sand Revolution II v. Continental Intermodal Grp.-Trucking*, IPR2019-01393, Paper 24 (PTAB June 16, 2020) (informative, designated June 16, 2020). After evaluating each of the *factors*, the PTAB found that institution was warranted. While some factors weighed against institution—for example, the co-pending litigation had the same parties, the prior art being asserted in the two proceedings overlapped, and the parties had already expended resources in connection with the parallel litigation—the PTAB determined that these factors only weighed marginally in favor of denying institution. Instead, the PTAB used its discretion to institute the IPR petition, given that a final written decision in the IPR would likely come out before the trial date in the parallel proceeding and, importantly, in light of what the PTAB considered to be meritorious invalidity arguments presented in the petition.

What does this mean going forward? For one, any discretionary denials of IPR petitions are a win for patentees. Like a motion to dismiss in district court, a patentee now has a path to ending a validity challenge early and cost-effectively. However, what we do not yet know is how the *Fintiv* factors will be applied to cases that don't fit neatly into the six factors. For example, what happens when a defendant litigates the validity of a patent in the International Trade Commission but drops its validity challenges before they are adjudicated? Can that defendant then bring the same validity challenges in an IPR petition? Such a strategy—done so that the petitioner can have a second bite at the apple after learning the patentee's arguments and strategy—seems to undermine the integrity of the system and is the type of gamesmanship that the PTAB should prevent. One thing is clear, however, discretionary denials of IPR petitions are here to stay and this is a much-needed win for patentees at the PTAB.

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