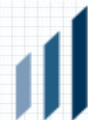


# Discretionary Denial at the PTAB Based on Parallel Litigation

Elisabeth Hunt & Stuart Duncan Smith

*February 24, 2021*

# Presenters



**Elisabeth Hunt**  
*Shareholder*  
**Post-Grant Proceedings**

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BS, Electrical Engineering, Princeton University  
MS, Electrical Engineering and Computer  
Science, Massachusetts Institute of Technology  
PhD, Electrical Engineering and Computer  
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JD, Suffolk University Law School



**Stuart Duncan Smith**  
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## TECHNOLOGY AREAS & SERVICES



## DIFFERENTIATORS

93%

with a science or engineering degree

56%

with industry experience

71%

with advanced degrees (MS, PhD, MD)

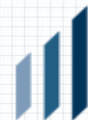
48%

with PhD

153

attorneys and technology specialists

# Post-Grant Proceedings Group Recognition



## Patexia.

- Ranked in the top five among all law firms for best overall performance over the last five years.
- Ranked in all categories and among the best performing and most active firms for both petitioner-side and patent owner-side cases.

*Patexia 2020 IPR Intelligence Report*



- Listed in the category of Patents: prosecutions (including reexamination and post-grant proceedings)
- Recognized Wolf Greenfield as having “an exceptional success rate for patent owners and petitioners, especially in inter partes reviews.”

*The Legal 500 United States 2020*

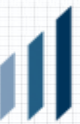


- Repeatedly ranked nationally for PTAB litigation
- “The firm is notable in the PTAB arena, with impressive expertise in post-grant proceedings and IPRs.”
- Ranked 11<sup>th</sup> most active law firm in representing petitioners before the PTAB
- Ranked 25<sup>th</sup> most active firm overall (representing both petitioners and patent owners)

*Managing IP 2020*



# Different Forms of Discretionary Denial

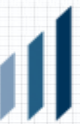


- 35 U.S.C. § 314(a) says the PTAB “**may not**” institute IPR “unless” the petition shows a reasonable likelihood of prevailing on at least one claim, but does not say the PTAB **must** institute if that threshold is met.
- Federal Circuit: “[T]he PTO is permitted, but never compelled, to institute an IPR proceeding.”

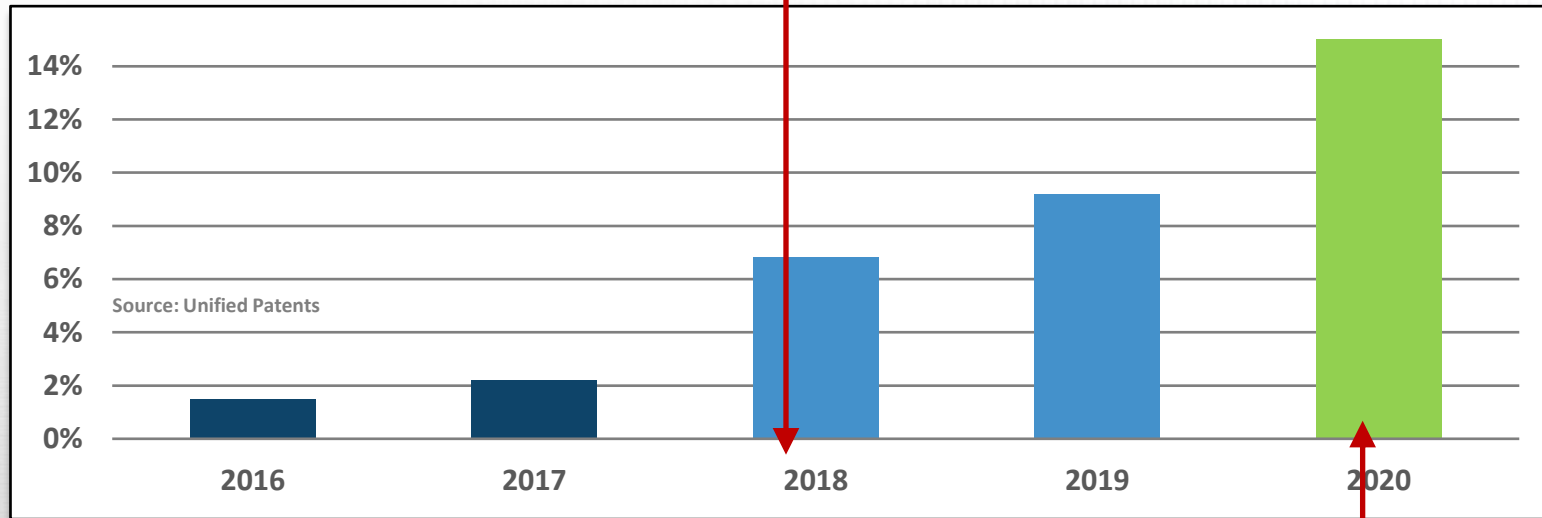
*Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016)

- Discretionary denial can occur in several circumstances:
  1. Prior art or arguments previously presented to the Patent & Trademark Office (35 U.S.C. § 325(d))
  2. Follow-on petitions
  3. Parallel petitions
  4. **Parallel litigation**
  5. Weak petitions

# Discretionary Denial is Increasingly Common

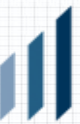


- The percentage of petitions discretionarily denied has increased since ***SAS v. Iancu*, 138 S. Ct. 1348, was decided on April 24, 2018**



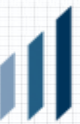
- A large increase in 2020 coincided with: ***Apple v. Fintiv*, IPR2020-00019, Paper 11 (Mar. 20, 2020) (Precedential May 5, 2020)**

# Discretionary Denial Based on Parallel Litigation



- ***NHK Spring v. Intri-Plex*, IPR2018-00752, Paper 8 at 20 (Sep. 12, 2018) (designated precedential May 7, 2019) (“[T]he advanced state of the district court proceeding is an additional factor that weighs in favor of denying the Petition....”)**
- ***Apple v. Fintiv*, IPR2020-00019, Paper 11 at 6 (Mar. 20, 2020) (Precedential May 5, 2020):**
  1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
  2. proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision;
  3. investment in the parallel proceeding by the court and the parties;
  4. overlap between issues raised in the petition and in the parallel proceeding;
  5. whether the petitioner and the defendant in the parallel proceeding are the same party; and
  6. other circumstances that impact the Board’s exercise of discretion, including the merits.
- **Hundreds of decisions have now applied the *Fintiv* factors in determining whether to deny IPR institution based on parallel litigation.**

# The Impact of Litigation Schedule



**Factor 2:** “proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision”

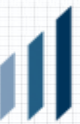
- IPR takes about 18 months from petition to final written decision. Some courts have similar average time to jury trial.
- The PTAB can credit the court’s schedule (despite that trial dates may later slip), but can also credit evidence of uncertainty:
  - “We **generally take courts’ trial schedules at face value** absent some strong evidence to the contrary. ... Because the currently scheduled District Court trial is scheduled to begin two months before our deadline to reach a final decision, this factor weighs somewhat in favor of discretionary denial in this case.”
- “[A]t this point **it is unclear that the court in the related district court litigation will adhere to any currently scheduled** jury trial date or, if it is changed, when such a trial will be held. ... [W]e find that this factor weighs marginally in favor of not exercising discretion to deny institution....”

*Apple v. Fintiv*, IPR2020-00019, Paper 15 at 13 (May 13, 2020) (Informative July 13, 2020).

*Sand Revolution v. Continental*, IPR2019-01393, Paper 24 at 9-10 (June 16, 2020) (Informative July 13, 2020).



# The Board Weighs “Proximity” Between Trial and FWD



- Court trial date at around the same time or after the final written decision: **“the decision whether to institute will likely implicate other factors”**

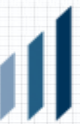
*Apple v. Fintiv*, IPR2020-00019, Paper 11 at 9 (Mar. 20, 2020) (Precedential) (“If the court’s trial date is at or around the same time as the projected statutory deadline or even significantly after the projected statutory deadline, the decision whether to institute will likely implicate other factors discussed herein, such as the resources that have been invested in the parallel proceeding.”).

- Court trial date earlier than the final written decision: **“generally has weighed ... in favor of exercising authority to deny institution” (to varying degrees)**

*Apple v. Fintiv*, IPR2020-00019, Paper 11 at 9 (Mar. 20, 2020) (Precedential) (“If the court’s trial date is earlier than the projected statutory deadline, the Board generally has weighed this fact in favor of exercising authority to deny institution under *NHK*.”).

Trial Set For <u>After</u> FWD	Trial 0-3 months before FWD	Trial 3-6 months before FWD	Trial 6-12 months before FWD	Trial more than 1 year before FWD
Approx. <u>All</u> Instituted	Approx. <u>80%</u> Instituted	Approx. <u>Half</u> Instituted	Approx. <u>One-Third</u> Instituted	Approx. <u>None</u> Instituted

# Parallel ITC Investigations



- Some argue that a parallel ITC investigation should not be a basis for discretionary denial of IPR, since “decisions of the ITC involving patent issues have **no preclusive effect in other forums.**”

*Texas Instruments v. Cypress Semiconductor*, 90 F.3d 1558, 1569 (Fed. Cir. 1996)

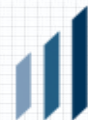
- The Board in *Fintiv* declined to adopt that reasoning:

[E]ven though the Office and the district court would not be bound by the ITC’s decision, **an earlier ITC trial date may favor exercising authority to deny institution** under *NHK* if the ITC is going to decide the same or substantially similar issues to those presented in the petition. ...

We recognize that ITC final invalidity determinations do not have preclusive effect, but, as a practical matter, it is difficult to maintain a district court proceeding on patent claims determined to be invalid at the ITC.

*Apple v. Fintiv*, IPR2020-00019, Paper 11 at 8-9 (Mar. 20, 2020) (Precedential).

# Parallel ITC Investigations



- The ITC has a statutory mandate to move quickly (19 U.S.C. § 1337(b)(1)), which can cause problems for IPR petitioners. For example, consider the following analysis in *Regeneron v. Novartis*, IPR2020-01317, Paper 15 (Jan. 15, 2021):

Factor 1

“a **stay of the ITC Investigation is unlikely** given that the hearing in the ITC Investigation is scheduled to occur in April 2021”

Favors  
Denial

Factor 2

“the **advanced stage of the ITC investigation** weighs in its favor for this factor”

Favors  
Denial

Factor 3

“We acknowledge Petitioner’s diligence in bringing this IPR proceeding, but the **investment by the parties and the ITC in the parallel proceeding outweighs** the effort expended so far in this proceeding.”

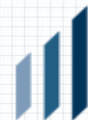
Favors  
Denial

Factor 6

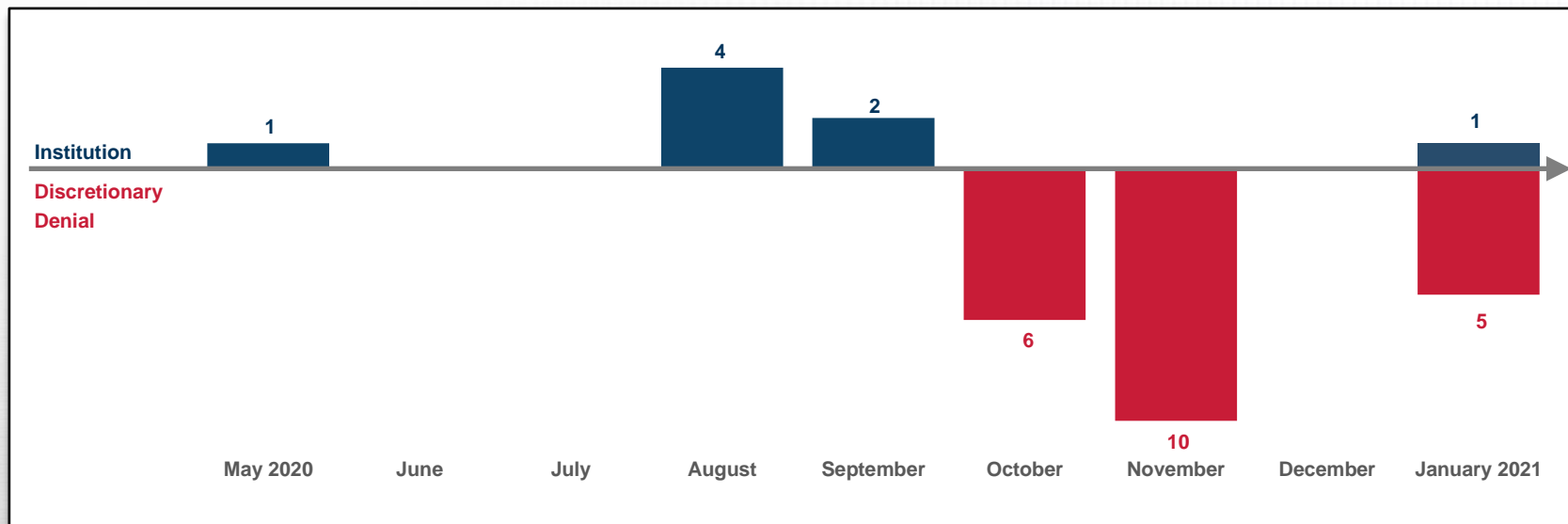
“Even **assuming that the Petition has merit**, instituting review in this proceeding will do little to resolve the disputes.... The outcome of the ITC Investigation will be known months before we could reach a final determination.”

Favors  
Denial

# The PTAB's Approach to Parallel ITC Investigations



- The PTAB's application of *Fintiv* to parallel ITC investigations:

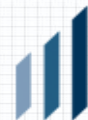


- Several petitioners have pending requests for the Precedential Opinion Panel to review *Fintiv*'s application to ITC investigations.

See, e.g., *Garmin v. Philips*, IPR2020-00754, Paper 12 & Ex. 3007 (Nov. 19, 2020); *SK Innovation v. LG Chem*, IPR2020-00987, Papers 17 & Ex. 3002 (Dec. 30, 2020)



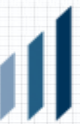
# Case Study: Overcoming a Parallel ITC Investigation



- Two IPR petitions, challenging two different patents, same parallel ITC investigation:

<i>Philip Morris v. RAI</i> , IPR2020-00919, Paper 9 (Nov. 16, 2020) ( <b>discretionarily denying an earlier petition</b> )	<i>Philip Morris v. RAI</i> , IPR2020-01094, Paper 9 (Jan. 25, 2021) ( <b>instituting a later petition</b> on a different patent)
Factor 1 was neutral: “this factor neither weighs in favor of or against discretionary denial”	Factor 1 was neutral: same analysis
<b>Factor 2 favored denial:</b> “the ITC is likely to reach a final determination ahead of the date of our final written decision”	<b>Factor 2 favored denial:</b> same analysis
<b>Factor 3 favored institution:</b> “significant effort remains at this stage of the ITC proceeding”	<b>Factor 3 favored institution:</b> same analysis
<b>Factor 4 “marginally” favored institution:</b> “the challenges that do not overlap weigh marginally against exercising discretion to deny institution”	<b>Factor 4 “strongly” favored institution:</b> Petitioner relied only on prior art products in the ITC, “weighs strongly against exercising discretion to deny institution”
<b>Factor 5 favored denial:</b> the parties were the same	<b>Factor 5 favored denial:</b> same analysis
Factor 6 was neutral: “we find that the merits do not tip the scale either in favor of or against exercising discretion to deny institution”	<b>Factor 6 favored institution:</b> the merits of one of the grounds is “particularly strong,” which “weighs against exercising discretion to deny institution”

# Overlap of Issues Between IPR and Litigation



**Factor 4:** “overlap between issues raised in the petition and in the parallel proceeding”

- “[I]f the petition includes **the same or substantially the same claims, grounds, arguments, and evidence** as presented in the parallel proceeding, this fact has favored denial.”

*Apple v. Fintiv*, IPR2020-00019, Paper 11 at 12 (Mar. 20, 2020) (Precedential).

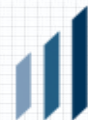
- “Petitioner’s assertion of **additional invalidity contentions in the District Court is not relevant** to the question of the degree of overlap for this factor.”

*Apple v. Fintiv*, IPR2020-00019, Paper 15 at 15 (May 13, 2020) (Informative).

- A stay of the litigation and material differences between the grounds may mitigate concerns with any overlap.

*Snap v. SRK*, IPR2020-00820, Paper 15 (Oct. 21, 2020) (Precedential Dec. 17, 2020).

# Limiting Issue Overlap by Stipulation



The Board's decisions give some examples, though each case will be decided on its own facts after weighing all the factors together:

Stipulation:

Result:

Broader

“if IPR is instituted, [Petitioner] will not pursue in the District Court Litigation **any ground raised or that could have been reasonably raised in an IPR**”

“factor weighs **strongly** in favor of not exercising discretion to deny institution”

*Sotera v. Masimo*, IPR2020-01019, Paper 12 at 18-19 (Dec. 1, 2020)  
(Precedential Dec. 17, 2020) (instituting IPR)

Narrower

“if the IPR is instituted, Petitioner will not pursue **the same grounds in the district court litigation**”

“this factor weighs **marginally** in favor of not exercising discretion to deny institution”

*Sand Revolution v. Continental*, IPR2019-01393, Paper 24 at 11-12 (June 16, 2020)  
(Informative July 13, 2020) (instituting IPR)

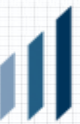
None

Overlapping invalidity grounds & **no stipulation**

“factor weighs in favor of discretionary denial”

*Apple v. Fintiv*, IPR2020-00019, Paper 15 at 15 (May 13, 2020)  
(Informative July 13, 2020) (discretionarily denying IPR)

# The Merits of the Petition Matter



**Factor 6:** “other circumstances that impact the Board’s exercise of discretion, including the merits”

- “We determine, on this preliminary record, that Petitioner has set forth **a reasonably strong case for the obviousness of most challenged claims**. Thus, this factor weighs in favor of not exercising discretion to deny institution....”

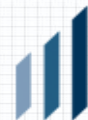
*Sand Revolution v. Continental*, IPR2019-01393, Paper 24 at 13 (June 16, 2020) (Informative).

- “It is sufficient that Patent Owner has pointed out that Petitioner’s case, at least as to two of three independent claims, is **a close call**. ... The merits, taken as a whole, do not tip the balance in favor of Petitioner and instead also weigh in favor discretionary denial in a balanced assessment of all the circumstances.”

*Apple v. Fintiv*, IPR2020-00019, Paper 15 at 17 (May 13, 2020) (Informative)

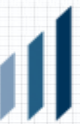


# The Future of *Fintiv* Discretionary Denial?



1. Pending litigation might address the PTAB's authority to discretionarily deny institution based on parallel litigation.
  - *Apple v. Maxell*, No. 20-2132 (Fed. Cir.) (dismissed, rehearing request denied Feb. 22, 2021)
  - *Mylan v. Janssen*, No. 21-1071 (Fed. Cir.) (argued Feb. 12, 2021)
  - *Apple v. Hirshfeld*, No. 5:20-cv-6128 (N.D. Cal.) (filed Aug. 31, 2020)
  - *US Inventors v. Hirshfeld*, No. 2:21-cv-00047 (E.D. Tex.) (filed Feb. 8, 2021)
2. The PTO might issue regulations regarding discretionary denial.
  - Request for Comments, 85 Fed. Reg. 66,502 (Oct. 20, 2020)
3. The PTAB might continue to provide guidance with precedential decisions.
4. A new administration might affect the direction of the PTAB's practices.

# Thank You



- Further Questions and Requests:



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