

New PTO Guidance Helps Clarify Discretionary Denial of IPR and PGR Petitions

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In Brief

- A compelling case of unpatentability or stipulations about not pursuing the same grounds in district court will remove petitions from consideration for discretionary denial.
- ITC investigations are no longer a basis for discretionary denial.
- Current statistics on median time-to-trial can be used for proximity of district court trial date.

Under 35 U.S.C. §314(a), the Patent Trial and Appeal Board (Board) has discretion to deny institution of inter partes review (IPR) or post-grant review (PGR) petitions. One ground on which the Board has denied institution is a parallel district court proceeding presenting the same or similar invalidity issues. Since one purpose of post-grant review is “to establish a more efficient and streamlined patent system,” the Board has developed precedents allowing for the denial of institution where an IPR or PGR proceeding would duplicate a pending district court litigation. This basis for discretionary denial has become increasingly controversial, so on June 21, the PTO issued new binding [guidance](#) to try to address those concerns and bring more clarity to this basis for discretionary denial.

Starting with *NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752 (Paper 8) (PTAB Sept. 12, 2018), the Board established that a parallel district court litigation can be a basis for discretionary denial. Building on *NHK Spring*, in *Apple, Inc. v. Fintiv*, IPR2020-00019 (Paper 11) (PTAB Mar. 20, 2020), the Board established a six-factor test for discretionary denial based on a parallel district court litigation, specifically: (1) a stay or likelihood of a stay in district court; (2) whether trial would occur before final written decision; (3) investment in the district court action; (4) overlapping issues; (5) identity of parties; and (6) other circumstances. These precedents led to an increasing number of denials of institution, although in the last 12 months, the rates of denial on this ground have decreased.

The Board’s approach allowing denial of institution based on parallel district court litigation has become highly controversial, with many parties, practitioners, and industry players objecting. The criticisms have included the fact that the statute sets timelines for filing IPR and PGR petitions, but these precedents allow for denial of timely petitions. The current six-factor *Fintiv* test has also been criticized as resulting in a subjective and unpredictable standard, especially in view of how district court trial dates can vary and change. The Board has also extended

this basis for discretionary denial to proceedings, such as ITC investigations, even though the ITC cannot cancel patent claims. Indeed, in response to these concerns, there is a bill pending in Congress that would restrict this basis for discretionary denials.

In view of these concerns from various stakeholders, on June 21, PTO Director Katherine K. Vidal issued an interim procedure for discretionary denials in AIA post-grant proceedings with parallel district court litigation (Guidance). This Board-binding Guidance seeks to provide clarity and limitations on application of the *Fintiv* six-factor test. First, the Guidance establishes that if an IPR or PGR petition presents a compelling case of unpatentability, discretionary denial will not be granted. Second, the Guidance establishes that a pending ITC investigation will not be a ground for discretionary denial. Third, to address the issue of duplication, the Guidance establishes that if a petitioner submits a stipulation not to pursue in a parallel district court action “the same grounds as in the petition or any grounds that could have reasonably been raised” in the petition, discretionary denial will not be allowed under *Fintiv*. Fourth, the Guidance establishes that in considering the proximity of a district court trial date, the parties may rely on most recent published statistics on median time-to-trial, plus other relevant timing factors.

While the Guidance does not obviate the six-factored *Fintiv* analysis, it does bring more clarity to the issue of discretionary denials for parallel district court actions. Importantly, submitting the stipulation discussed above would remove a petition from discretionary denial consideration, as would a Board determination that a petition presents a compelling case of unpatentability. Likewise, the Guidance attempts to deal with the uncertainty of trial dates and removes ITC investigations from discretionary denial consideration. The Guidance should aid both petitioners and patent owners in assessing the probability and applicability of this basis for discretionary denial.

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