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Patent Office Rolls Back Director Vidal's Guidance on PTAB Discretionary Denials

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On Friday, February 28, the Patent Office officially rescinded Dr. Vidal's June 21, 2022, memorandum addressing IPR discretionary denial ("2022 Memorandum"). The 2022 Memorandum provided guidance to the PTAB in applying discretionary denial based on the six *Fintiv* factors—and had the effect of restricting the Board's ability to discretionarily deny institution.

The issues addressed by the 2022 Memorandum were: (1) "where a petition presents compelling evidence of unpatentability," (2) where the parallel litigation is a U.S. International Trade Commission (ITC) proceeding, (3) "where a petitioner presents a stipulation not to pursue in a parallel proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB," and (4) the data to use in determining the schedule for the co-pending district court litigation. 2022 Memorandum at 2-3. The impact of the Patent Office's rescission of the 2022 Memorandum on each of these factors are addressed below.

Compelling Evidence of Unpatentability. The 2022 Memorandum addressed *Fintiv* Factor 6, "other circumstances that impact the Board's exercise of discretion, including the merits." The 2022 Memorandum explained that "compelling, meritorious challenges will be allowed to proceed at the PTAB even where district court litigation is proceeding in parallel," and such challenges are "those in which the evidence, if unrebutted in trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence." *Id*. at 4. Thus, under the 2022 Memorandum, a petition that would "plainly lead" to a finding of invalidity would necessarily be instituted regardless of co-pending litigation. With this guidance rescinded, the strength of the Petition is just one of six factors the PTAB should consider, and strength is no longer dispositive in the discretionary denial analysis.

Co-Pending ITC Proceedings. Prior to the 2022 Memorandum, the PTAB applied the *Fintiv* factors to ITC Proceedings and frequently found, given the speed of an ITC proceeding, that institution should be denied. The 2022 Memorandum determined that "the PTAB no longer discretionarily denies petitions based on applying

Fintiv to a parallel ITC proceeding." *Id*. at 7. With this rescinded, the PTAB will likely return to its prior practice of denying institution of patents that are asserted in a co-pending ITC proceeding.

Sotera-type Stipulations. Under the 2022 Memorandum, the PTAB would not discretionarily deny institution where the Petitioner stipulated "not to pursue in a parallel district court proceeding the same grounds as in the petition or any grounds that could have reasonably been raised in the petition." *Id*. at 7. The 2022 Memorandum found that such a stipulation mitigated concerns under *Fintiv* factor 4. With this guidance no longer in effect, the existence of a *Sotera*-type stipulation will likely remain part of the *Fintiv* analysis, but such a stipulation will no longer be dispositive as to whether the PTAB should exercise discretion to deny institution.

District Court Trial Statistics. Under the 2022 Memorandum, in addressing *Fintiv* factor 2, proximity of the court's trial date to the Board's projected statutory deadline for a final written decision, the PTAB could consider not just the current case schedule but also "statistics on median time-to-trial for civil actions in the district court in which the parallel litigation resides." *Id*. at 8-9. Analysis of the average time to trial statistics in the relevant district gave Petitioners an additional avenue to argue against discretionary denial. This additional avenue was notably invoked where the challenged patent was asserted in a Court that sets a relatively early trial date. Petitioners will likely not be able to rely on such trial statistics in place of the actual case schedule issued by the district court.

The ultimate takeaway from the Office rescinding the 2022 Memorandum is that discretionary denial will be more common going forward. Petitioners will be well served to file Petitions as early as possible to best position the statutory deadline for the PTAB to issue a final written decision ahead of the trial schedule. And Petitions may ultimately not be successful at all in certain very fast-moving jurisdictions, such as the ITC, increasing the importance of that venue where available.