August 18, 2021

Discretionary Denial Reversed on Rehearing in View of "New Evidence" of Stay

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In a recently rendered decision, the Patent Trial and Appeal Board ("Board") found that a subsequent stay of a parallel district court proceeding warranted a reversal of a discretionary denial of institution of *inter partes* review (IPR). [1] In its original institution decision, the Board exercised its discretion to deny institution under § 314(a) and the *Fintiv* factors: (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.[2]

Denial was based primarily on an anticipated trial date in the parallel court proceeding "eight to nine months" before the projected statutory deadline for the Board to issue its final written decision. The Board, however, noted that the case presented a "close call." Indeed, the Board found each of *Fintiv* factors 3, 4, and 6 weighed against exercising discretion to deny, while factor 1 was neutral given there was no evidence at that time that a stay was either likely or unlikely. For example, as Petitioner had filed its IPR petition less than one month after the complaint was filed, the Board found there had been very little investment in the parallel court proceeding, and that it was "impossible to determine the extent of any overlap" of issues and art between the two proceedings given the Petitioner had yet to disclose its invalidity contentions. The Board also found the merits of the petition to be "particularly strong." Still, the Board found that *Fintiv* factors 2 and 5—the anticipated date of the trial between the same parties—"slightly" outweighed those other factors that favored institution.

Petitioner sought rehearing of the decision in view of a stay entered by the district court shortly after the Board's original decision to deny institution.[3] Indeed, Petitioner filed the underlying motion to stay immediately after the Board's decision denying institution. Petitioner argued a stay was necessary for the petition, as well additional petitions filed by Petitioner with respect to a second patent asserted in the same district court case, to be evaluated by the Board on the merits. [4] The district court granted the motion and stayed the case stay pending resolution of the instant IPR as well as resolution of the two additional petitions filed by Petitioner—each of which, unlike the instant petition, had yet to receive a decision regarding institution at that time. In view of these "evolving facts of th[e] case" and "new evidence," Petitioner argued that each of the *Fintiv* factors weighed

against discretionary denial.

On rehearing, the Board agreed and instituted review with respect to all grounds asserted in the petition. In particular, the Board found that upon institution of the stay, *Fintiv* factors 1 and 2 now weighed strongly against exercising discretion to deny institution, noting the "district court's stay allays concerns about inefficiency and duplication of effort."[5] The Board also confirmed that each of *Fintiv* factors 3, 4, and 6 also still weighed against exercising discretion to deny institution.

This decision illustrates that the Board is open and agreeable to considering "new evidence" on rehearing with respect to discretionary denial, such as post-decision modifications to the trial date in a parallel proceeding, and, perhaps most notably, a stay. The original decision also demonstrates the significant weight the Board is inclined to afford to an early trial date in the overall *Fintiv* analysis, particularly absent evidence regarding the likelihood of a stay. Relatedly, the underlying decision by the district court to stay the parallel proceeding indicates that courts are beginning to recognize the impact pre-institution stays may have on the overall *Fintiv* analysis by the Board. Both petitioners and patent owners should thus remain mindful of the timing of stay motions at district court relative to institution decision deadlines at the Board.

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[1] *Phillip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, IPR2020-00921, Paper 13 (P.T.A.B. Aug. 5, 2021).

[2] *Phillip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, IPR2020-00921, Paper 9 (P.T.A.B. Nov. 16, 2020).

[3] *Phillip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, IPR2020-00921, Paper 10 (P.T.A.B. Dec. 15, 2020).

[4] The additional petitions were for post grant review (PGR) and *inter partes* review (IPR), respectively. S*ee Phillip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, IPR2020-01188, Paper 2 (P.T.A.B. June 26, 2020); *Phillip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, PGR2020-00071, Paper 2 (P.T.A.B. June 26, 2020).

[5] The Board noted that the stay of the district court action was, in fact, in place, including in view of the Board's recent institution of post-grant review as to the other patent asserted in the district court action.