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Discretionary Denial of Inter Partes Review and the Patent Trial and Appeal Board

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NOTES

DISCRETIONARY DENIAL OF INTER PARTES REVIEW AT THE PATENT TRIAL AND APPEAL BOARD

*Xinni Cai**

The inter partes review (IPR) is an administrative procedure conducted by the Patent Trial and Appeal Board (PTAB), an adjudicative body within the U.S. Patent and Trademark Office (USPTO). IPR provides an opportunity for third parties to challenge a patent's validity after it has already been granted. A petitioner can file a petition with the PTAB to "institute" IPR. If the review is instituted, the PTAB considers the evidence presented and issues a final written decision, either holding the patent valid or striking it down as invalid. Although IPR was introduced as an alternative to litigation, it is often used alongside litigation. In response to this dual track, the PTAB has introduced a practice of exercising discretion in determining whether to institute or deny institution of an IPR.

The PTAB's discretionary-denial practice uses the NHK-Fintiv factors, established in two precedential PTAB decisions, that allow the PTAB to consider the progress of a parallel court proceeding in its decision whether to institute. The PTAB's use of these factors has created controversy and uncertainty for stakeholders, who have found it difficult to predict whether the PTAB will exercise its discretion, and whether their valuable patents may be deemed invalid as a result.

This Note argues that the PTAB has exceeded its statutory authority in its practice of discretionary denial, and that the U.S. Supreme Court should bar this practice. Furthermore, this Note argues for legislative reform that would not only allow the PTAB to consider evidence of the resources already expended in a parallel litigation, but would also prohibit the consideration of circumstances such as scheduled trial dates, which are often subject to change. The proposed action would restore stability and confidence in the PTAB's IPR procedure.

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INTRODUCTION.....	610
I. POST-GRANT PROCEDURES AT THE PATENT OFFICE:	
INTER PARTES REVIEW	612
A. <i>Basics of the Patent System and Patent</i>	
<i>Administrative Procedures</i>	613
B. <i>Rules Regarding Inter Partes Review</i>	618
C. <i>Administrative Law Principles</i>	620
II. DISCRETIONARY DENIAL OF INSTITUTION OF IPR	621
A. <i>The Standard for Discretionary Denial</i>	621
i. Relevant Supreme Court Precedents.....	622
ii. Introduction of Discretionary Denial in	
<i>General Plastic</i>	623
iii. Expansion of Discretionary Denial Under	
<i>NHK and Fintiv</i>	624
iv. Application of the <i>NHK-Fintiv</i> Factors in Recent	
PTAB Decisions.....	627
a. <i>Stipulation at the District Court</i>	628
b. <i>Overlap with 35 U.S.C. § 325</i>	628
B. <i>The Courts' Review of Discretionary Denial</i>	629
C. <i>Current Proposals for Reform</i>	632
i. Proposed Rulemaking at the USPTO.....	632
ii. Proposed Legislation by Congress.....	634
III. JUDICIAL REVIEW OF THE <i>NHK-FINTIV</i> FACTORS AND	
CONGRESSIONAL REFORM	635
A. <i>Legal Validity of the NHK-Fintiv Factors</i>	636
i. Reviewability of the PTAB's Actions by the Court ...	636
ii. Validity Under the Administrative Procedure Act....	638
a. <i>Improper Rulemaking Analysis</i>	638
b. <i>Chevron Analysis</i>	639
B. <i>Legislative Action</i>	641
CONCLUSION	644

INTRODUCTION

The patent system recognizes innovation, celebrating ingenuity and creativity by rewarding an inventor who displays these qualities with economic gain. The necessity of such a system was recognized by the Framers of the U.S. Constitution, who explicitly gave Congress the power to “promote the Progress of Science and useful Arts.”¹ In exercising this power, Congress established the U.S. Patent and Trademark Office (USPTO),

1. U.S. CONST. art. I, § 8, cl. 8.

which, among other responsibilities, handles both the grant of patents² as well as several post-grant administrative procedures for invalidating improperly granted patents.³ One such procedure is the inter partes review (IPR), which is conducted by the Patent Trial and Appeal Board (PTAB), a body within the USPTO that conducts adjudicative proceedings.⁴

IPR was originally introduced to target problems arising from patent trolls,⁵ but its usage has widely exceeded expectations.⁶ In many respects, the IPR procedure is conducted like litigation, but differs in one important aspect: it is much more accessible than litigation, being both cheaper and faster.⁷ Due to its accessibility, IPR has become the “most popular post grant procedure” available at the USPTO.⁸ At the same time, IPR has also been highly criticized for being unfairly unfavorable toward patent owners.⁹

The IPR procedure has recently drawn attention due to the PTAB’s introduction of a practice of exercising its discretion when determining whether to institute review, beginning in 2019.¹⁰ When considering a petition for IPR, the PTAB now considers both the factors laid out in its organic statute,¹¹ as well as external factors known as the *NHK-Fintiv* factors.¹² The statutory factors include, for example, the amount of effort already invested in a parallel litigation, as well as any overlap in issues between the IPR proceeding and the parallel litigation.¹³ The PTAB has drawn its authority to exercise discretion from 35 U.S.C. § 314(a), which states that the “Director *may* not authorize an inter partes review” unless there is a reasonable likelihood that the petitioner will prevail.¹⁴

2. *General Information Concerning Patents*, U.S. PAT. & TRADEMARK OFF. (Mar. 14, 2018), <https://www.uspto.gov/patents/basics/general-information-patents> [https://perma.cc/3W5W-NF27].

3. *What Are AIA Proceedings*, U.S. PAT. & TRADEMARK OFF. (Aug. 13, 2021, 3:57 PM), <https://www.uspto.gov/patents/patent-trial-and-appeal-board/about-ptab/what-are-aia-proceedings> [https://perma.cc/C7SC-FB8Z].

4. *Inter Partes Review*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents/ptab/trials/inter-partes-review> [https://perma.cc/N4UP-NDZX] (June 21, 2022, 10:47 AM).

5. Patent trolls, or non-practicing entities, are entities that hold patent rights but do not make, use, or sell their inventions. Instead, they use their patents to threaten litigation against companies that may potentially infringe their patents in order to extract settlements. *See infra* notes 59–60 and accompanying text.

6. Robert Stoll, *A Review at Five Years of Inter Partes Review*, IPWATCHDOG (Sept. 12, 2017, 11:45 AM), <https://www.ipwatchdog.com/2017/09/12/five-years-inter-partes-review/id=87424/> [https://perma.cc/XP9E-S9NZ].

7. *See infra* notes 69–72.

8. *See Stoll, supra* note 6.

9. *Id.*

10. Matthew Bultman, *Turning Away a Patent Challenge: The NHK-Fintiv Rule Explained*, BLOOMBERG L. (Mar. 3, 2021, 6:00 AM), <https://news.bloomberglaw.com/ip-law/turning-away-a-patent-challenge-the-nhk-fintiv-rule-explained> [https://perma.cc/NU6W-HQLE].

11. *See infra* Part I.B.

12. *See infra* Part II.A.

13. *Id.*

14. 35 U.S.C. § 314(a) (emphasis added). The PTAB has interpreted the word “may” here to mean that the agency has discretion in deciding whether to institute IPR. *See infra* Part II.A.2.

The PTAB's exercise of discretion has created much uncertainty for both petitioners and patent owners alike, as it has become difficult to predict when and how the PTAB will exercise its discretion.¹⁵ As a result, several parties have unsuccessfully filed petitions for certiorari to the U.S. Supreme Court to have the procedure reviewed,¹⁶ the USPTO has requested comments for a rulemaking to codify or change the PTAB's practice of considering the *NHK-Fintiv* factors,¹⁷ and a bill to eradicate the use of the factors has been proposed in Congress.¹⁸ Regardless of the outcome of the pending challenges, it is clear that some change to the policy—either formalizing the procedure or eradicating it—will be needed to bring stability and trust back to the PTAB's post-grant administrative proceedings.

This Note will explore in depth the PTAB's practice of discretionary denial and will ultimately propose a solution to address the uncertainty caused by the current practice. Part I.A will introduce the patent practices and post-grant proceedings at the USPTO, and Part I.B will focus on the IPR procedure in particular. Part II will explain the current practice of the PTAB's discretionary denial of IPR using the *NHK-Fintiv* factors. Lastly, Part III will consider how the *NHK-Fintiv* factors should be treated going forward to reduce uncertainty in post-grant administrative proceedings.

I. POST-GRANT PROCEDURES AT THE PATENT OFFICE: INTER PARTES REVIEW

The IPR procedure was introduced in the Leahy-Smith America Invents Act¹⁹ (AIA), passed in 2011, which brought about the largest overhaul of the patent system since 1952.²⁰ Part I.A discusses the basics of the patent system and the history behind the passage of the AIA. Part I.B discusses the IPR procedure in more detail, including the statutory criteria for institution and conduct of the procedure by the PTAB. Part I.C introduces the administrative law principles necessary to analyze the legality of the PTAB's use of the *NHK-Fintiv* factors when considering whether to institute IPR.

15. Joseph Matal, *PTAB Discretionary Denials Are Unpredictable and Illegal*, LAW360 (Dec. 13, 2021, 4:14 PM), <https://www.law360.com/articles/1448126/ptab-discretionary-denials-are-unpredictable-and-illegal> [<https://perma.cc/JQG9-Y9Q6>]; *NHK-Fintiv Rule Pushes District Court Defendants to File More Ex Parte Reexaminations*, RPX RATIONAL PAT. (Sept. 15, 2021), <https://www.rpxcorp.com/data-byte/nhk-fintiv-rule-pushes-district-court-defendants-to-file-more-ex-parte-reexaminations/> [<https://perma.cc/K5K2-BRRE>].

16. *Apple Inc. v. Optis Cellular Tech., LLC*, No. 2021-1043, 2020 WL 7753630 (Fed. Cir. Dec. 21, 2020), *cert. denied*, 142 S. Ct. 859 (2021) (mem.); *Intel Corp. v. VLSI Tech. LLC*, No. 2021-1614, 2021 WL 5968443 (Fed. Cir. May 5, 2021), *cert. denied*, 142 S. Ct. 1363 (2021) (mem.).

17. Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66502, 66502 (Oct. 20, 2020).

18. Dani Kass, *Leahy's Bill Seeks to 'Course Correct' from Iancu's PTAB*, LAW360 (Sept. 27, 2021, 10:11 PM), <https://www.law360.com/articles/1424694/leahy-s-bill-seeks-to-course-correct-from-iancu-s-ptab> [<https://perma.cc/D9RR-GHTU>].

19. Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections of 28 and 35 U.S.C.).

20. ALLEN BRUFKY, BARRY KRAMER & ROBERT L. KELLY, 25 WEST'S LEGAL FORMS: INTELLECTUAL PROPERTY § 1.4 (2021).

A. *Basics of the Patent System and Patent Administrative Procedures*

A patent is a property right in an invention that is granted to the inventor by the USPTO, an administrative agency within the U.S. Department of Commerce.²¹ The USPTO awards patents to inventors who fulfill the statutory requirements set by Congress,²² and the patent lasts for twenty years.²³

To acquire a patent, a patent applicant must first file an application with the USPTO that includes a written description of the invention, as well as a set of claims.²⁴ The claims define the invention for which patent protection is sought, while the written description supports those claims by providing a detailed explanation of what the invention is.²⁵ When examining patent applications, the USPTO looks to the statutory criteria outlined in 35 U.S.C. §§ 101, 102, 103, and 112. Section 101 establishes patentable subject matter as “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.”²⁶ Sections 102 and 103 provide criteria that a patent application must meet to be considered novel and nonobvious, respectively.²⁷ These inquiries usually involve interrogating the body of information that was publicly available at the time of filing²⁸ and determining whether the patent applicant’s claims are truly new and a significant improvement over the existing “prior art.”²⁹ Sections 102 and 103 define what types of references can be considered by the patent office when examining a patent application.³⁰ References known as prior art considered during patent examination include previously published patent applications, granted patents, articles, databases, websites, internet publications, and public statements related to the invention.³¹ Sections 102 and 103 also allow the USPTO to consider whether the invention was on sale or in public use prior to the filing of the patent application.³² Prior art is then compared to the applicant’s claims to determine if said claims are sufficiently new and nonobvious.³³ Section 112 provides the requirements that the

21. *General Information Concerning Patents*, *supra* note 2; *see also infra* notes 36–38 and accompanying text.

22. *About Us*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/about-us> [<https://perma.cc/QX7V-GNWG>] (June 16, 2022, 11:01 AM).

23. The default lifetime of a patent is twenty years. However, this lifetime can be extended in certain circumstances, such as by patent term extension or patent term adjustment. *See, e.g.*, MPEP § 2710 (9th ed. Rev. 10.2019, June 2020).

24. 35 U.S.C. §§ 101–103, 112.

25. MPEP § 608.01, (k).

26. 35 U.S.C. § 101.

27. *Id.* §§ 102–103.

28. *Id.* § 102.

29. *Id.* § 103.

30. *Id.* §§ 102–103.

31. UNDERSTANDING PRIOR ART AND ITS USE IN DETERMINING PATENTABILITY, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/sites/default/files/documents/May%20Info%20Chat%20slides%20%28003%29.pdf> [<https://perma.cc/2BRJ-L2BL>].

32. MPEP § 2152.02(c) (9th ed. Rev. 10.2019, June 2020).

33. 35 U.S.C. §§ 102–103.

written application has to meet for the patent to be granted.³⁴ The requirements include some substantive legal queries, such as whether the patent applicant has provided enough information to demonstrate that they actually invented the subject matter claimed, and whether the application discloses enough information to enable others to practice the claimed invention.³⁵

The main benefit of possessing a patent is receiving the right to exclude others from making, using, offering for sale, or selling the claimed invention.³⁶ The patent does not grant an affirmative right to practice the invention.³⁷ Instead, holding a patent allows the owner to sue competitors for infringement and prevent others from entering the same space.³⁸

In addition to granting patents, the USPTO can also review patents through a body within the USPTO known as the Patent Trial and Appeal Board.³⁹ The PTAB handles appeals of patent applications that have been denied⁴⁰ and provides procedures for invalidating granted patents.⁴¹ There are several different procedures available at the PTAB for invalidating granted patents, some of which have changed over time.⁴²

Prior to the passage of the Leahy-Smith America Invents Act in 2011,⁴³ the two procedures available for invalidating patents were *ex parte* reexamination⁴⁴ and *inter partes* reexamination.⁴⁵ *Ex parte* reexamination was implemented by Congress in 1980 and was designed to grant the USPTO a broader opportunity to review patents of questionable validity.⁴⁶ The procedure was presented as an alternative to litigation.⁴⁷ An additional benefit of *ex parte* reexamination was that, if conducted prior to litigation, the *ex parte* reexamination decision could be used by courts to defer the

34. *Id.* § 112.

35. *Id.*; *see also* MPEP §§ 2161–2164.

36. *General Information Concerning Patents*, *supra* note 2.

37. *Id.*

38. 35 U.S.C. § 271.

39. *Patent Trial and Appeal Board*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents/ptab> [<https://perma.cc/VQW6-XTF3>] (Aug. 15, 2022, 4:55 PM).

40. *New to PTAB?*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents/patent-trial-and-appeal-board/about-ptab/new-ptab> [<https://perma.cc/XDX7-7XPW>] (July 27, 2022, 2:29 PM).

41. *See infra* notes 45, 65–66 and accompanying text.

42. *Id.*

43. Note that the AIA changed the name of the PTAB. Before the AIA was passed, it was known as the Board of Patent Appeals and Interferences. PTAB was the name assigned by the AIA. *See New to PTAB Archived*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents/ptab/ptab-inventors> [<https://perma.cc/M649-XHSP>] (Aug. 13, 2021, 4:02 PM).

44. Greg Reilly, *The Justiciability of Cancelled Patents*, 79 WASH. & LEE L. REV. 253, 267–68 (2022).

45. Peggy P. Ni, *Rethinking Finality in the PTAB Age*, 31 BERKELEY TECH. L.J. 557, 563–64 (2016).

46. Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 55–56 (2016).

47. *Id.*

question of patent validity to the expertise of the USPTO.⁴⁸ Ex parte reexamination allowed the USPTO to reconsider the novelty or nonobviousness of the patent based only on printed prior art and under a preponderance of the evidence standard.⁴⁹ The procedure is similar to the initial patent examination in that it only involves the patentee and the examiner; there is no third-party involvement in ex parte reexamination.⁵⁰ One major drawback of the ex parte reexamination was that it excluded any third-party participation beyond filing the initial request.⁵¹ In fact, 29 percent of ex parte reexaminations between July 1981 and September 2014 were filed by the patent owner themselves, likely using the procedure as a mechanism to strengthen the patent.⁵² Despite its drawbacks, the ex parte reexamination procedure is still available at the USPTO today.⁵³

On the other hand, inter partes reexamination was later introduced by Congress in 1999 and was designed to coexist with the ex parte procedure.⁵⁴ Inter partes reexamination attempted to address the limitations of ex parte examination by allowing third parties to participate in the procedure.⁵⁵ However, due to various other drawbacks of the procedure of inter partes reexamination, it was never widely used as a means for challenging the validity of patents.⁵⁶

While ex parte and inter partes reexamination were low-cost options available for invalidating patents, they were unpopular and slow, with some reexaminations taking up to thirty-eight months to reach a final decision.⁵⁷ Since the use of these pre-AIA procedures were limited, third parties still relied on costly litigation to initiate patent challenges.⁵⁸ The lack of low-cost options for invalidating patents became a serious concern for companies and courts due to the prevalence of patent infringement suits brought by non-practicing entities (NPEs).⁵⁹ NPEs are patent holders that do not make,

48. *Id.*

49. Reilly, *supra* note 44, at 267–68.

50. *Id.*

51. *Id.*

52. Vishnubhakat, *supra* note 46, at 57. Certain Federal Circuit cases at the time had indicated that patents that survived reexamination should be viewed by the courts with more deference than ordinary patents. *Id.* at 57 n.52.

53. MPEP § 2209 (9th ed. Rev. 10.2019, June 2020). Although it is much less popular than the IPR, ex parte reexamination is also still used by some patent challengers. *See, e.g., NHK-Fintiv Rule Pushes District Court Defendants to File More Ex Parte Reexaminations*, RPX RATIONAL PAT. (Sept. 15, 2021), <https://www.rpxcorp.com/data-byte/nhk-fintiv-rule-pushes-district-court-defendants-to-file-more-ex-parte-reexaminations> [<https://perma.cc/TFU8-SX6H>].

54. Vishnubhakat, *supra* note 46, at 58.

55. Ni, *supra* note 45, at 563; Vishnubhakat, *supra* note 46, at 57.

56. Vishnubhakat, *supra* note 46, at 57.

57. Ni, *supra* note 45, at 563–64.

58. *See* Dennis Crouch, *Chief Judge Rader: Improving Patent Litigation*, PATENTLYO (Sept. 27, 2011), <https://patentlyo.com/patent/2011/09/rader-patent-litigation.html> [<https://perma.cc/P2Z7-UMUJ>]. Chief Judge Randall Ray Rader noted that one of the main drivers of cost in patent litigation was the high cost of discovery, even though fewer than one out of every 10,000 pages disclosed actually resulted in a trial exhibit. *Id.*

59. Ni, *supra* note 45, at 562.

use, or sell patented products and instead monetize their patent holdings through litigation by targeting companies that may potentially infringe their unpracticed patents.⁶⁰ The asymmetrically high cost of litigation allowed NPEs “to extract settlements from patent infringement defendants.”⁶¹ Industry groups and companies called for patent reform to address the problem of expensive patent litigation.⁶²

Partially in response to the dissatisfaction with the procedures available, the AIA was passed in 2011 and was the first major patent reform legislation passed since 1952.⁶³ In addition to modernizing the patentability standards,⁶⁴ the AIA also introduced three new procedures for challenging patent validity: (1) inter partes review (IPR), which replaced inter partes reexamination;⁶⁵ (2) post-grant review (PGR); and (3) covered business method (CBM) review.⁶⁶ The IPR, PGR, and CBM review procedures allow a petitioner to challenge a patent by raising several grounds of invalidity to the PTAB, after which the PTAB determines the sufficiency of the grounds raised to invalidate the patent.⁶⁷ By introducing these procedures, the AIA sought to “improve patent quality and restore confidence in the presumption of validity that comes with issued patents.”⁶⁸ These procedures were designed to be more accessible by virtue of having relatively lower fees than the immense costs of litigation.⁶⁹ For context, in 2015, the median cost of bringing an IPR through a PTAB hearing was \$275,000, and the cost of bringing an IPR through appeal was \$350,000. In contrast, a low-stakes (i.e., \$1 to \$10 million at risk) patent infringement litigation cost nearly \$2 million through final disposition.⁷⁰ For infringement actions with more than \$25 million at risk, the median cost to reach final disposition was \$5 million.⁷¹ The

60. *Id.*

61. *Id.*

62. *Id.* at 564.

63. Brufsky, *supra* note 20. When the AIA was passed, the U.S. patent system was long overdue for a refresh. For instance, the United States was one of the only countries that still awarded patents on a “first-to-invent” basis, while the rest of the world had adopted a “first-to-file” system, which awarded a patent to the applicant who applied for one first. Richard G. Braun, *America Invents Act: First-to-File and a Race to the Patent Office*, 8 OHIO ST. ENTREPRENEURIAL BUS. L.J. 47, 47 (2013).

64. For example, adopting a first-to-file system involved significant changes to what is considered prior art under 35 U.S.C. § 102. Compare MPEP § 2131 (9th ed. Rev. 10.2019, June 2020), with *id.* § 2139.

65. See 35 U.S.C. § 311.

66. Ni, *supra* note 45, at 564–65.

67. *AIA Trial Types*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents/ptab/trials/aia-trial-types> [<https://perma.cc/GZZ7-6A6U>] (Sept. 10, 2020, 10:28 AM).

68. *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 272 (2016) (citing 157 CONG. REC. 9778 (2011) (statement of Rep. Robert W. Goodlatte)).

69. Anne S. Layne-Farrar, *The Cost of Doubling Up: An Economic Assessment of Duplication in PTAB Proceedings and Patent Infringement Litigation*, AM. BAR ASS'N (May 1, 2018), https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2017-18/may-june/cost-doubling-up/ [<https://perma.cc/A7RG-YNWX>].

70. *Id.*

71. *Id.*

procedures introduced by the AIA were also designed to reach a resolution much faster due to a statutorily mandated one-year timeline.⁷²

IPRs, PGRs, and CBM reviews differ in the references that can be considered in the review and their purposes for consideration.⁷³ Chronologically, PGRs occur first—a petition for PGR can be filed immediately after a patent is granted and up to nine months thereafter.⁷⁴ Petitioners for PGR can rely on §§ 101, 102, 103, and 112 grounds to disqualify the patent in question.⁷⁵ On the other hand, IPRs can only be filed starting from nine months after the patent is granted, after the window for filing PGRs closes.⁷⁶ IPRs are also only limited to review on the novelty and nonobviousness grounds of §§ 102 and 103, based on printed publications.⁷⁷ CBM review is a procedure that is similar to PGR, but is limited in scope to patents for financial products or services for which the petitioner was first sued or charged with infringement.⁷⁸ This Note will limit its discussion to the dispute surrounding discretionary institution as it relates to the IPR practice because it is the most widely used of the three new procedures.

There are additional methods for challenging the validity of a patent outside of those available at the USPTO. An alleged infringer could challenge the validity of a patent during the course of litigation.⁷⁹ Patents can also be challenged in infringement actions brought before the U.S. International Trade Commission (ITC) for disputes involving imported goods.⁸⁰ While the IPR procedure will be the primary focus of this Note, it is important to recognize that the IPR procedure does not exist in a vacuum and can overlap with these additional methods of invalidating patents, most commonly litigation at the district court level.⁸¹

72. One study has observed that the median time from filing to judgment is 658 days (about 1.8 years). Stephen Yelderman, *Do Patent Challenges Increase Competition?*, 83 U. CHI. L. REV. 1943, 1981 (2016). Of note, an IPR challenge can take up to twenty-four months if the USPTO spends the entirety of the six months allotted to determine whether the review should be instituted and grants a six-month extension to reach a final written decision. *Id.* at 1999–2000. However, this is the maximum amount of time, not the median.

73. 35 U.S.C. §§ 311, 321; Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329–31 (2021) (codified at 35 U.S.C. § 321 note).

74. 35 U.S.C. § 321.

75. *Id.*

76. *Id.* § 311.

77. *Id.*; see also *infra* note 95 for a more detailed discussion on printed publications.

78. See *Major Differences Between IPR, PGR, and CBM*, U.S. PAT. & TRADEMARK OFF., https://www.uspto.gov/sites/default/files/ip/boards/bpai/aia_trial_comparison_chart.pptx [<https://perma.cc/E22M-ZBRJ>] (last visited Oct. 7, 2022).

79. 35 U.S.C. § 282.

80. 19 U.S.C. § 1337; see also *Intellectual Property Developments*, U.S. INT’L TRADE COMM’N, https://www.usitc.gov/intellectual_property.htm [<https://perma.cc/Q7M6-G4Q2>] (last visited Oct. 7, 2022).

81. Ni, *supra* note 45, at 567 (“There is a substantial percentage of dual-track litigation at district courts and at the PTAB. In one study, eighty percent of IPRs involved patents also asserted in district court litigation. This percentage is especially high when compared to the thirty-three percent of *ex parte* reexaminations involving patents also in litigation.”).

B. Rules Regarding Inter Partes Review

The IPR is a streamlined review conducted at the PTAB that considers the validity of a granted patent.⁸² The administrative patent judges (APJs) at the PTAB act in an adjudicative capacity when reviewing petitions to consider whether a granted patent is invalid.⁸³ The review is conducted as a streamlined quasi-trial of sorts, and involves oral arguments and discovery.⁸⁴ However, unlike judges in a court, APJs are experts in patent law and have technical expertise as well. For instance, APJs are often patent lawyers and former patent examiners, or come from other specialized backgrounds.⁸⁵

Conducting IPRs is an important part of the PTAB's duties. Since it was introduced in 2011, the IPR has been the most commonly used procedure out of those available at the PTAB.⁸⁶ Over 90 percent of the petitions filed at the PTAB are petitions for IPR.⁸⁷ In the 2021 fiscal year (October 1, 2020 through September 30, 2021), 1,308 petitions for IPR were filed.⁸⁸ By way of comparison, there were 326 ex parte reexamination filings, ninety-three petitions for PGR, and zero petitions for CBM review in the same time period.⁸⁹ From September 16, 2012 (when the AIA went into effect) through June 30, 2021, 13,200 total AIA petitions (IPR, PGR, and CBM review) were filed with the PTAB.⁹⁰

To initiate an IPR proceeding, a petitioner must file a petition for IPR at least nine months after the grant or reissue of a patent.⁹¹ If the petitioner has

82. *Inter Partes Review*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents/ptab/trials/inter-partes-review> [<https://perma.cc/2H9J-5P9H>] (June 21, 2022, 10:47 AM).

83. 35 U.S.C. §§ 311, 318.

84. *Id.* § 316(a)(5), (10).

85. *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 268 (2016).

86. U.S. PAT. & TRADEMARK OFF., TRIAL STATISTICS: IPR, PGR, CBM: PATENT TRIAL AND APPEAL BOARD (2018), https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180930a.pdf [<https://perma.cc/CC49-VRXD>]; U.S. PAT. & TRADEMARK OFF., PTAB TRIAL STATISTICS: FY19 END OF YEAR OUTCOME ROUNDUP: IPR, PGR, CBM: PATENT TRIAL AND APPEAL BOARD (2019), https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2019_roundup.pdf [<https://perma.cc/VTS6-65S3>]; U.S. PAT. & TRADEMARK OFF., PTAB TRIAL STATISTICS: FY20 END OF YEAR OUTCOME ROUNDUP: IPR, PGR, CBM: PATENT TRIAL AND APPEAL BOARD (2020), https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2020_roundup.pdf [<https://perma.cc/926Z-TWJ6>]; U.S. PAT. & TRADEMARK OFF., PTAB TRIAL STATISTICS: FY21 END OF YEAR OUTCOME ROUNDUP: IPR, PGR, CBM, PATENT TRIAL AND APPEAL BOARD (2021), https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2021_roundup.pdf [<https://perma.cc/AW2Y-EKW4>] [hereinafter PTAB Trial Statistics 2021].

87. *See supra* note 86 and accompanying text.

88. PTAB Trial Statistics 2021, *supra* note 86.

89. *Id.*; *Reexam Filings Up by 51%, Likely Due to NHK-Fintiv Rule*, RPX RATIONAL PAT. (Jan. 19, 2022), <https://www.rpxcorp.com/data-byte/2021-reexam-filings-up-by-51-due-to-nhk-fintiv-rule/> [<https://perma.cc/NUA7-3ZWC>].

90. U.S. PAT. & TRADEMARK OFF., PTAB ORANGE BOOK PATENT/BIOLOGIC PATENT STUDY (2021), <https://www.uspto.gov/sites/default/files/documents/PTABOBbiologicpatentstudy8.10.2021draftupdatedthruJune2021.pdf> [<https://perma.cc/KH2R-5TML>].

91. 35 U.S.C. § 311. If an earlier PTAB review is desired, a petitioner can instead petition for PGR, which can be filed up to nine months after the patent's grant. *Id.* § 321. The timeline

been served with a complaint alleging infringement of the patent, the petition must be filed within a year of being served.⁹² In order for the petition to be granted and for review to be instituted, the petition must identify the real parties of interest and the challenged claims in the petition, and the petitioner must pay the requisite fees.⁹³ The petitioner can only challenge a patent based on novelty and nonobviousness arguments under §§ 102 and 103, and can only rely on certain types of prior art,⁹⁴ namely patents and printed publications.⁹⁵ The PTAB does not consider invalidity arguments based on patent eligibility, written description, or enablement under an IPR proceeding.⁹⁶ However, if the prior art and arguments raised by the petitioner are cumulative or redundant as compared to those raised during the prosecution of the patent, the PTAB can deny the petition.⁹⁷

Importantly, the petition must also cross a threshold level of probability of success set by § 314(a) in order for the PTAB to institute the review.⁹⁸ The threshold requires that the information presented in the petition supports a reasonable likelihood that the petitioner would prevail.⁹⁹ The reasonable likelihood standard is essentially a prima facie standard and is interpreted to mean a 50 percent or greater chance that the petitioner will prevail.¹⁰⁰ Once the IPR is instituted, the PTAB conducts the trial phase of the procedure, which includes discovery and oral arguments,¹⁰¹ after which the PTAB can invalidate the patent in a final written decision if the petitioner has

for filing an IPR starts at the point at which the timeline for filing a PGR expires. *See Major Differences Between IPR, PGR, and CBM*, *supra* note 78.

92. 35 U.S.C. § 315(b).

93. *Id.* § 312.

94. *Id.* §§ 311–312.

95. *Id.* § 311(b) (“A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.”). The prior art being limited to printed publications means that no evidence of prior public use or sale of the invention can be considered, even if this evidence would have jeopardized patentability during examination. This is one major difference between IPR and PGR, which will consider any grounds of invalidity under §§ 102 and 103. *See Major Differences Between IPR, PGR, and CBM*, *supra* note 78. Prior art outside of printed publications can also be considered in litigation actions. 35 U.S.C. § 282(b)(2)–(3).

96. This is another significant difference between IPR and PGR. *See Major Differences Between IPR, PGR, and CBM*, *supra* note 78.

97. 35 U.S.C. § 325(d).

98. *Id.* § 314(a) (“The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”).

99. *Id.* Note that, in contrast, the threshold level for instituting the pre-AIA ex parte reexamination procedure was a substantial new question (SNQ) standard. *Id.* § 303. SNQ is considered a lower standard than reasonable likelihood for IPR. Ni, *supra* note 45, at 566.

100. *Message from Chief Judge James Donald Smith, Board of Patent Appeals and Interferences: USPTO Discusses Key Aspects of New Administrative Patent Trials*, U.S. PAT. & TRADEMARK OFF. (May 21, 2012, 12:55 PM), <https://www.uspto.gov/patents/laws/america-invents-act-ai-a/message-chief-judge-james-donald-smith-board> [<https://perma.cc/GWX5-ES33>].

101. *AIA Trial Types*, *supra* note 67.

demonstrated invalidity by a preponderance of the evidence.¹⁰² The PTAB is also statutorily required to issue a final written decision within twelve months of the institution, which can be extended by up to six months.¹⁰³ This requirement makes IPR proceedings desirable as a time-efficient alternative to litigation.¹⁰⁴ However, as Part II will explore, not all petitioners for IPR are granted.

C. Administrative Law Principles

The PTAB is an administrative agency and is therefore subject to the provisions of the Administrative Procedure Act¹⁰⁵ (APA). Similar to how patent owners face challenges to the validity of their patents, the PTAB's actions are vulnerable to challenges claiming that the agency engaged in improper rulemaking,¹⁰⁶ as well as challenges under the landmark case of *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*¹⁰⁷

Actions taken by administrative agencies can be challenged on the grounds that the agency did not engage properly in the rulemaking procedures required by the APA.¹⁰⁸ The U.S. Court of Appeals for the District of Columbia Circuit identified four factors in *American Mining Congress v. Mine Safety & Health Administration*¹⁰⁹ to consider in this analysis: (1) whether, absent the legislative rule by the agency, the basis for enforcement would be inadequate;¹¹⁰ (2) whether the rule was published in the Code of Federal Regulations (CFR);¹¹¹ (3) whether the agency explicitly invoked its legislative authority;¹¹² and (4) whether the agency action amended a prior rule.¹¹³ Courts have given the fourth factor particular emphasis in this analysis.¹¹⁴ If any one of the four factors is met, then the agency has issued a new legislative rule, not an interpretive rule, and must therefore go through the proper rulemaking procedures.¹¹⁵ Such procedure requires that the agency publish a notice of the proposed rule in the Federal Register, give interested parties the chance to respond, consider the comments received, and publish the final rule with a concise general statement of the basis and purpose of the rule.¹¹⁶

102. 35 U.S.C. § 316(e). In contrast, an invalidity challenge before a district court must meet the higher "clear and convincing" standard. *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011).

103. 35 U.S.C. § 316(a)(11).

104. *See supra* note 72 and accompanying text.

105. 5 U.S.C §§ 551–559.

106. *Id.* § 706(2)(D).

107. 467 U.S. 837 (1984) (interpreting 5 U.S.C. § 706(2)(C)).

108. *See* 5 U.S.C. § 553.

109. 995 F.2d 1106 (D.C. Cir. 1993).

110. *Id.* at 1109, 1112.

111. *Id.*

112. *Id.* at 1109–10, 1112.

113. *Id.* at 1112.

114. *See, e.g.,* *Hemp Indus. Ass'n v. DEA*, 333 F.3d 1082, 1088–91 (9th Cir. 2003).

115. *Am. Mining*, 995 F.2d at 1112.

116. 5 U.S.C. § 553(b)(1)–(3), (c).

Agency actions can also be challenged for exceeding the agency's statutory authority under the *Chevron* analysis. First, the court must consider whether the agency action is subject to *Chevron* based on the factors laid out in *United States v. Mead Corp.*¹¹⁷: (1) whether Congress delegated authority to the agency to make rules carrying the force of law¹¹⁸ and (2) whether the agency action was promulgated with the force of law in exercise of that authority.¹¹⁹ If the agency action is not subject to the *Chevron* analysis, the court applies the analysis from *Skidmore v. Swift & Co.*¹²⁰ analysis instead, whereby the court defers to the action if it finds the agency's interpretation persuasive based on the thoroughness of its investigation, the validity of its reasoning, the consistency of its interpretation over time, and other persuasive factors.¹²¹

If Congress granted the agency rulemaking power and the agency's action is within the scope of its authority, then the Court engages in the two-step *Chevron* analysis.¹²² The first step considers whether Congress spoke directly to the precise issues that the agency regulated; if so, the agency must follow what is required by the statute.¹²³ On the other hand, if Congress left ambiguity in the organic statute to be interpreted by the agency,¹²⁴ the analysis proceeds to step two.¹²⁵ In the second step, the Court considers whether the agency's interpretation was within the permissible parameters of the statute.¹²⁶ If not, the agency's action is invalid.¹²⁷

II. DISCRETIONARY DENIAL OF INSTITUTION OF IPR

The PTAB introduced its practice of discretionary denial based on the *NHK-Fintiv* factors in two precedential opinions at the PTAB. The basis for these opinions lies in PTAB and Supreme Court precedent. Part II.A considers the precedential rulings that serve as the basis for the PTAB's discretionary-denial practice. Part II.B discusses how federal courts have treated challenges to PTAB procedures. Part II.C discusses current pending proposals for reform.

A. *The Standard for Discretionary Denial*

The PTAB has interpreted § 314(a) as granting the PTAB unfettered discretion in deciding whether to institute review, even if the petition meets

117. 533 U.S. 218 (2001).

118. *Id.* at 229.

119. *Id.*

120. *Skidmore v. Swift & Co.*, 323 U.S. 134 (1944).

121. *Id.* at 140.

122. *Chevron*, 467 U.S. at 842.

123. *Id.*

124. *Statute*, BLACK'S LAW DICTIONARY (11th ed. 2019) (defining "organic statute" as "[a] law that establishes an administrative agency or local government.>").

125. *Chevron*, 467 U.S. at 843.

126. *Id.* at 843–44.

127. *Id.*

all other statutory requirements.¹²⁸ When the AIA was passed, Congress gave the PTAB the power to deny institution under § 314(a) based on the reasonable likelihood standard, as well as the power to deny petitions raising redundant arguments or prior art under 35 U.S.C. § 325(d). However, since the IPR was introduced, the PTAB has determined that various circumstances allow for discretionary denial based on its authority under § 314(a).¹²⁹

Several PTAB decisions that have been designated as precedential implement this discretionary denial.¹³⁰ According to the standard operating procedures of the PTAB, decisions are not binding in later cases by default.¹³¹ However, if the USPTO director designates a case as precedential, this makes the decision binding on future APJs.¹³² These precedential decisions regarding discretionary denial have thus been followed by the PTAB since their designation.¹³³

1. Relevant Supreme Court Precedent

The PTAB's discretionary-denial procedure was preceded by two important Supreme Court decisions that set the basis for the procedure. The first decision was *Cuozzo Speed Tech, LLC v. Lee*.¹³⁴ In *Cuozzo*, the appellant challenged the PTAB's decision to review two claims that were eventually invalidated by the PTAB in an IPR procedure.¹³⁵ The Court held that the PTAB's decision to institute review on these claims could not be questioned by the Court, and that the decision to review was "a matter committed to the Patent Office's discretion."¹³⁶ At this time, the PTAB had not contemplated discretionary denials of review.¹³⁷ However, the Court's indication that certain decisions were left to PTAB discretion was used as the basis for discretionary denial under § 314(a).¹³⁸

128. See *infra* Part II.A.2.

129. Joel D. Sayres & Reid E. Dodge, *Unfettered Discretion: A Closer Look at the Board's Discretion to Deny Institution*, 19 CHI.-KENT J. INTELL. PROP. 536, 540 (2020).

130. *Precedential and Informative Decisions*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents/ptab/precedential-informative-decisions> [https://perma.cc/7GHN-KT3F] (Aug. 6, 2018).

131. U.S. PAT. & TRADEMARK OFF., STANDARD OPERATING PROCEDURE 2 (REVISION 10), at 2–3, 11 (2018), <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf> [https://perma.cc/7DSD-LCVV].

132. *Precedential and Informative Decisions*, *supra* note 130 ("A precedential decision establishes binding authority concerning major policy or procedural issues, or other issues of exceptional importance, including constitutional questions, important issues regarding statutes, rules, and regulations, important issues regarding case law, or issues of broad applicability to the Board."); U.S. PAT. & TRADEMARK OFF., *supra* note 131, at 1.

133. See *infra* Part II.A.3.

134. 579 U.S. 261 (2016).

135. *Id.* at 270.

136. *Id.* at 273.

137. *Cuozzo* was decided in 2016, while *NHK* and *Fintiv* were decided in 2018 and 2020, respectively.

138. See, e.g., *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, No. IPR2016-01357, at 19 (P.T.A.B. Sept. 6, 2017) (citing *Cuozzo Speed Tech, LLC v. Lee*, 579 U.S. 261, 272–73 (2016), as authority for the principle that "institution of review is committed to the Director's discretion").

The second important Supreme Court decision was *SAS Institute Inc. v. Iancu*.¹³⁹ In *SAS*, the Court struck down the PTAB's partial institution practice at the time, which allowed the PTAB to review only a subset of the claims raised in an IPR petition.¹⁴⁰ Following the Court's decision in *SAS*, the PTAB must either deny a petition in whole or institute review on all grounds raised by a petitioner.¹⁴¹ Due to concerns of an increased burden on the PTAB imposed by this decision, the USPTO followed up with guidance indicating that it would deny § 314(a) petitions asserting that the challenged patent had voluminous or excessive grounds, a low percentage of asserted claims or grounds that meet the reasonable likelihood threshold, or indefinite claims.¹⁴²

Cuozzo and *SAS* were both significant decisions and were precursors to the PTAB's discretionary-denial practice.¹⁴³ *Cuozzo* was important because the PTAB interpreted the Court's dicta about the board's discretion as allowing the current regime of discretionary denials of institution under § 314(a).¹⁴⁴ Meanwhile, *SAS* was significant for its impact on the way that IPR procedures are conducted at the PTAB.¹⁴⁵ The PTAB feared that *SAS* would significantly amplify its IPR burden and, looking for other ways to reduce that burden, interpreted § 314 to allow discretionary denials of institution of IPR.¹⁴⁶

2. Introduction of Discretionary Denial in *General Plastic*

The first precedential PTAB decision regarding discretionary denial is *General Plastic Industrial Co. v. Canon Kabushiki Kaisha*.¹⁴⁷ The *General Plastic* decision set the basis for the PTAB's interpretation of the text of § 314(a) as permissive, allowing the USPTO director to exercise discretion based on nonstatutory criteria in deciding whether to institute an IPR.¹⁴⁸ The PTAB in *General Plastic* focused specifically on the phrase “*may not* authorize an inter partes review to be instituted unless [the § 314(a) threshold is met].”¹⁴⁹

In *General Plastic*, the petitioner had filed a first petition for IPR that was unsuccessful, and then filed a second petition, hoping for a more favorable

139. 138 S. Ct. 1348 (2018).

140. *Id.* at 1359–60.

141. *Id.*; see also U.S. PAT. & TRADEMARK OFF., *SAS* Q&As (2018), https://www.uspto.gov/sites/default/files/documents/sas_qas_20180605.pdf [<https://perma.cc/FM7Q-Z6P7>]. Shortly after the *SAS* decision, the USPTO issued its own guidance, confirming that the board would thereafter “institute on all challenges raised in the petition or not institute at all (i.e., it will be a binary decision).” *Id.*

142. U.S. PAT. & TRADEMARK OFF., *supra* note 141; Sayres, *supra* note 129, at 543; see also 37 C.F.R. § 42.108.

143. See, e.g., Sayres, *supra* note 129, at 541–44.

144. *Id.* at 541.

145. *Id.* at 541–42.

146. *Id.*

147. No. IPR2016-01357 (P.T.A.B. Sept. 6, 2017).

148. *Id.* at 15.

149. *Id.* (quoting 35 U.S.C. § 314(a)).

result.¹⁵⁰ The discretionary denial of IPR was based on the fact that the petitioner had attempted several follow-up petitions after a first wave of petitions was denied.¹⁵¹ As justification for its exercise of discretion, the PTAB cited “the goals of the AIA—namely, to improve patent quality and make the patent system more efficient by the use of post-grant review procedures,”¹⁵² and noted that there was a “potential for abuse of the review process by repeated attacks on patents.”¹⁵³ In particular, the PTAB was concerned that staggered petitions could be abused by enabling petitioners to strategically stage their arguments, using the PTAB’s decisions as a roadmap, until a ground is found that results in a grant of review.¹⁵⁴

Thus, the PTAB held that § 314(a) allowed discretionary denials to prevent abuse of the IPR system and to deny institution of review if the petitioner had filed multiple successive petitions on the same patent, and no other factors weighed in favor of institution of review.¹⁵⁵

3. Expansion of Discretionary Denial Under *NHK* and *Fintiv*

Although *General Plastic* involved a petitioner attempting to file multiple petitions in succession at the PTAB, it laid the groundwork for the PTAB’s current policy of discretionary denial in the context of parallel litigation proceedings outside of the PTAB.¹⁵⁶ The two most important precedential opinions on this type of discretion are *NHK Spring Co. v. Intri-Plex Technologies, Inc.*¹⁵⁷ and *Apple Inc. v. Fintiv, Inc.*¹⁵⁸

In *NHK*, the PTAB denied institution under both §§ 325(d) and 314(a).¹⁵⁹ With regards to § 325(d), the PTAB found that the petitioner relied on much of the same prior art that was considered during the examination of the application, and that the petitioner’s arguments were substantially the same.¹⁶⁰ Rather than concluding the decision with the § 325(d) analysis, however, the PTAB also set criteria for how the PTAB should consider discretionary denial of institution under § 314(a).¹⁶¹ Relying on its precedent in *General Plastic*, the PTAB argued that this dual analysis was appropriate since there was “no ‘intent to limit discretion under § 314(a), such that it is . . . encompassed by § 325(d).’”¹⁶²

First, the PTAB noted that a lapse in time between the grant of the patent and the filing of the petition should not weigh in favor of denying review,

150. *Id.* at 2–3.

151. *Id.* at 10.

152. *Id.* at 16.

153. *Id.* at 17.

154. *Id.*

155. *Id.* at 17–18.

156. *See supra* Part II.A.2.

157. No. IPR2018-00752 (P.T.A.B. Sept. 12, 2018).

158. No. IPR2020-00019 (P.T.A.B. Mar. 20, 2020).

159. *NHK*, No. IPR2018-00752, at 11.

160. *Id.* at 11–12.

161. *Id.* at 18.

162. *Id.* at 20 (alteration in original) (quoting *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, No. IPR2016-01357, at 18–19 (P.T.A.B. Sept. 6, 2017)).

and it distinguished the case from *General Plastic*, since the petitioner in this case did not gain any tactical advantage by waiting to file the petition.¹⁶³ Nevertheless, the PTAB held that the IPR should not be instituted based on the advanced state of the parallel district court proceeding, which was slated to finish before the PTAB was to reach a final decision.¹⁶⁴ The PTAB cited inefficiency and duplicative efforts as reasons for denying institution since the asserted prior art was the same in both proceedings.¹⁶⁵

The *NHK* decision set the precedent that the PTAB could consider the state of any parallel court proceedings in determining whether to institute review.¹⁶⁶ *NHK* also held that the discretion in § 314(a) recognized in *General Plastic* was not limited by the explicit discretion given to the PTAB in § 325(d).¹⁶⁷

The PTAB elaborated on the discretion identified in *NHK* in the case of *Fintiv*, where it identified six nonexclusive factors that the PTAB could consider in determining whether to exercise discretion under § 314(a).¹⁶⁸ The PTAB explained that these six factors “relate to whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of an earlier trial date in the parallel proceeding.”¹⁶⁹ Secondly, the PTAB also relied on 35 U.S.C. § 316, which allows the director to “consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under th[e] chapter.”¹⁷⁰

The first factor identified in *Fintiv* is “whether the Court granted a stay or evidence exists that one may be granted if a proceeding is instituted.”¹⁷¹ The PTAB cited concerns about inefficiency and duplication of efforts as justification for discretionary denial of institution.¹⁷² In some instances, even if no stay is issued, the district court may indicate that it will consider a renewed motion or reconsider a motion for a stay if a PTAB trial is instituted.¹⁷³ According to the PTAB, this could signal that the district court is willing to avoid duplicative efforts and await the PTAB’s final resolution.¹⁷⁴ However, the proximity of the court’s trial date and amount of time invested by the court are also relevant to how much weight to give the court’s willingness to reconsider a stay.¹⁷⁵ The PTAB also noted that it is common for stays to be granted when there are parallel district court and ITC

163. *Id.* at 19.

164. *Id.* at 20.

165. *Id.* at 19–20.

166. *Id.* at 20.

167. *Id.*

168. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, at 6 (P.T.A.B. Mar. 20, 2020).

169. *Id.*

170. 35 U.S.C. § 316(b); *Fintiv*, No. IPR2020-00019, at 6.

171. *Fintiv*, No. IPR2020-00019, at 6.

172. *Id.*

173. *Id.* at 6–7.

174. *Id.*

175. *Id.* at 7.

investigations involving a challenged patent.¹⁷⁶ In these cases, although the PTAB and the district court are not bound by the ITC, the PTAB may consider an early ITC trial date as favoring the exercise of discretion to deny institution.¹⁷⁷

The second factor is the “proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision.”¹⁷⁸ The PTAB noted that if the court’s trial date is earlier than their projected decision deadline, this generally weighs in favor of exercising discretionary denial of institution.¹⁷⁹ On the other hand, if the trial date is at or around the same time as the projected statutory deadline, or is significantly after the statutory deadline, then the decision whether to institute review will depend on the other factors.¹⁸⁰

Factor three looks at “investment in the parallel proceeding by the court and the parties.”¹⁸¹ For this factor, the PTAB considers the amount and type of work already completed in the parallel proceeding by the court and by the parties at the time of the decision.¹⁸² If the district court has issued substantive orders related to the patent (such as claim construction orders), this weighs in favor of denial.¹⁸³ The PTAB notes that, like with the trial date factor, the more work completed by the parties and the court in the parallel proceeding, the less likely a stay will be issued and the greater the risk that instituting review would lead to duplicative costs.¹⁸⁴ Timing of the parties’ action can also be relevant here—for instance, if the evidence shows that petitioner filed the petition expeditiously, this can weigh against denying institution.¹⁸⁵ If, on the other hand, the evidence shows that petitioner delayed without a good explanation, this can weigh in favor of denial.¹⁸⁶

The fourth factor considers any “overlap between issues raised in the petition and in the parallel proceeding.”¹⁸⁷ For this factor, the PTAB stated that if the petition includes “the same or substantially the same claims, grounds, arguments, and evidence as presented in the parallel proceeding,” this favors denial of review.¹⁸⁸ On the other hand, if the petition includes materially different arguments, this can weigh against denial.¹⁸⁹ Still, the PTAB noted that assessing this overlap can be a highly fact-dependent

176. *Id.* at 8–9.

177. *Id.* at 8.

178. *Id.* at 6.

179. *Id.* at 9.

180. *Id.*

181. *Id.* at 6.

182. *Id.* at 9–10.

183. *Id.*

184. *Id.* at 10.

185. *Id.* at 11.

186. *Id.* at 11–12.

187. *Id.* at 6.

188. *Id.* at 12.

189. *Id.* at 12–13.

analysis and depends on the similarity of the claims challenged in the petition to those at issue in the district court.¹⁹⁰

The fifth factor considers “whether the petitioner and the defendant in the parallel proceeding are the same party.”¹⁹¹ The PTAB has weighed this factor in favor of institution if the petitioner in the proceeding is unrelated to the defendant in an earlier or parallel court proceeding.¹⁹² However, the PTAB may still exercise discretion to deny institution if the issues are the same or substantially similar to those that are already or about to be litigated.¹⁹³

Lastly, factor six simply looks at “other circumstances that impact the Board’s exercise of discretion, including the merits.”¹⁹⁴ For instance, the PTAB states that if the merits of a petition seem “particularly strong,”¹⁹⁵ this factor weighs in favor of institution since the IPR may serve the interest of the overall efficiency and integrity of the system by allowing the PTAB to resolve the patentability question in case the parallel proceeding does not.¹⁹⁶ Conversely, if the merits of the petition is a “closer call,” then the PTAB can deny institution when the other factors weigh in favor of denial.¹⁹⁷ However, the PTAB clarified that factor six does not require a “full merits analysis”;¹⁹⁸ instead, the PTAB should consider the strengths and weaknesses of a petition as part of its balanced assessment.¹⁹⁹

The PTAB also clarified that there is some overlap among the factors, and that certain factors may be more relevant than others.²⁰⁰ Thus, the PTAB noted that it takes a holistic view of whether “efficiency and integrity of the system are best served by denying or instituting review.”²⁰¹

4. Application of the *NHK-Fintiv* Factors in Recent PTAB Decisions

Following the designation of *NHK* and *Fintiv* as precedential opinions, the PTAB has applied each of the six *Fintiv* factors and considered the balance of all of the factors in determining whether to exercise discretion and deny institution.²⁰² Several of these decisions have also been designated precedential or informative.²⁰³ These decisions fall under two main categories: (1) decisions in which the petitioner’s stipulation at the district

190. *Id.* at 13.

191. *Id.* at 6.

192. *Id.* at 13–14.

193. *Id.* at 14.

194. *Id.* at 6.

195. *Id.* at 14.

196. *Id.* at 14–15.

197. *Id.* at 15.

198. *Id.*

199. *Id.* at 15–16.

200. *Id.* at 6.

201. *Id.*

202. A precedential decision establishes binding authority on the PTAB, whereas an informative decision provides PTAB with norms and guidance on recurring issues. *Precedential and Informative Decisions*, *supra* note 130.

203. *Id.*

court weighed against discretionary denial of institution and (2) decisions in which the balance of the six factors or the power to deny petitions raising redundant arguments or prior art under § 325(d) weighed against discretionary denial of institution.

a. Stipulation at the District Court

In *Sand Revolution II, LLC v. Continental Intermodal Group-Trucking LLC*,²⁰⁴ the PTAB held that a § 314(a) analysis weighed against discretionary denial after conducting a holistic analysis of the six factors identified in *Fintiv*.²⁰⁵ The PTAB noted that it was unclear whether there would be a stay,²⁰⁶ that the trial date was difficult to predict,²⁰⁷ and that there had not been much investment in the district court proceedings yet.²⁰⁸ Importantly, the PTAB considered that the petitioner had stipulated that if an IPR were instituted, they would not pursue the same grounds in the district court litigation, which mitigated to some degree concerns of duplicative efforts at the PTAB.²⁰⁹ The PTAB held that this stipulation weighed “marginally” in favor of not exercising discretion to deny institution under § 314(a).²¹⁰

The PTAB also considered the importance of a petitioner’s similar stipulation in *Sotera Wireless, Inc. v. Masimo*.²¹¹ Here, the PTAB again decided against discretionary denial of institution under § 314(a) and considered factor four of *Fintiv* to be the most compelling factor.²¹² The petitioner in *Sotera Wireless* stipulated that they would not pursue in district court anything that was, or could have been, raised during the IPR, which again mitigated any concerns of duplicative efforts.²¹³ Because of the petitioner’s stipulation, the PTAB decided against exercising its discretion to deny institution.²¹⁴

b. Overlap with 35 U.S.C. § 325

In *Snap, Inc. v. SRK Technology LLC*,²¹⁵ the PTAB decided that the six *Fintiv* factors weighed against discretionary denial.²¹⁶ Factors one, two, and three all weighed strongly against discretionary denial in this case.²¹⁷ As to factor one, the district court proceeding was stayed.²¹⁸ For factor two, there

204. No. IPR2019-01393 (P.T.A.B. June 16, 2020).

205. *Id.* at 2–3.

206. *Id.* at 7.

207. *Id.* at 8–10.

208. *Id.* at 10–11.

209. *Id.* at 11–12.

210. *Id.* at 10.

211. No. IPR2020-01019 (P.T.A.B. Dec. 1, 2020).

212. *Id.* at 18–21.

213. *Id.* at 18–19.

214. *Id.*

215. No. IPR2020-00820 (P.T.A.B. Oct. 21, 2020).

216. *Id.* at 6.

217. *Id.* at 8–13.

218. *Id.* at 9.

was no set trial date, and the PTAB could only speculate as to when it would occur.²¹⁹ For factor three, the district court was in the early stages of litigation, which alleviated the PTAB's concerns of duplicating efforts.²²⁰ Thus, the PTAB held that the *Fintiv* factors weighed against discretionary denial of institution under § 314(a).²²¹ At the same time, the PTAB also declined to exercise discretion under § 325(d).²²²

Next, in *Oticon Medical AB v. Cochlear Ltd.*,²²³ the PTAB again decided against discretionary denial of institution under § 314(a).²²⁴ In this case, the PTAB highlighted that the petition was timely filed, that there was no evidence that the petitioner attempted to stall district court proceedings, and that no trial date was set, nor was there any evidence that the PTAB proceeding would overlap with the district court proceeding.²²⁵ Thus, the PTAB held that the factors weighed against discretionary denial of institution.²²⁶ Like in *Snap, Inc.*, the PTAB held that § 325(d) weighed against discretionary denial of institution as well.²²⁷

As the *Snap, Inc.* and *Oticon Medical* opinions show, the PTAB's decision not to exercise discretion in instituting IPR under § 314(a) overlap with the PTAB's similar decisions not to deny review under § 325(d).

B. The Courts' Review of Discretionary Denial

Patent owners have attempted to challenge the practice of discretionary denial at the U.S. Court of Appeals for the Federal Circuit, but with limited success. The Federal Circuit is the only court, other than the Supreme Court, in which patent owners can attempt such a challenge, as it has exclusive jurisdiction over PTAB appeals.²²⁸

The Supreme Court first considered the reviewability of the PTAB's decision to institute review in *Cuozzo*, albeit not within the context of § 314.²²⁹ The patent owner, *Cuozzo*, had three of its claims canceled during an IPR brought by *Garmin*.²³⁰ *Cuozzo* challenged the decision at the Federal Circuit, then at the Supreme Court, and argued that the PTAB did not properly follow the "with particularity" requirement of 35 U.S.C. § 312, and that the PTAB's use of the "broadest reasonable interpretation" standard during claim construction was improper.²³¹ The Supreme Court held that the claim construction standard set by the USPTO was a proper use of its

219. *Id.*

220. *Id.* at 10.

221. *Id.* at 19.

222. *Id.*

223. No. IPR2019-00975 (P.T.A.B. Oct. 16, 2019).

224. *Id.* at 24.

225. *Id.* at 22–24.

226. *Id.* at 24.

227. *Id.* at 20.

228. 28 U.S.C. § 1295(a)(4)(A).

229. *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261 (2016).

230. *Id.* at 269–70.

231. *Id.* at 270–71.

authority under *Chevron*.²³² Furthermore, the Court held that it did not have the authority to review the PTAB's decision to institute review on two of the three canceled claims.²³³ In doing so, the Court reasoned that § 314(d) makes the decision whether to institute review "final and non-appealable" because "the agency's decision to deny a petition is a matter committed to the Patent Office's discretion."²³⁴ *Cuozzo* first recognized that the PTAB has "no mandate to institute review" under § 314(a).²³⁵ The Court noted that there was a "'strong presumption' in favor of judicial review"²³⁶ when interpreting statutes, but such a presumption "may be overcome by 'clear and convincing' indications, drawn from 'specific language,' 'specific legislative history,' and 'inferences of intent drawn from the statutory scheme as a whole'"²³⁷ The *Cuozzo* Court was nevertheless careful to clarify that it does not "categorically preclude review of a final decision"²³⁸ by the PTAB to institute or deny review; rather, the Court emphasized that it would not review cases where "the grounds for attacking the decision to institute inter partes review consists of questions that are closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate inter partes review."²³⁹

Relatedly, in *Thryv, Inc. v. Click-to-Call Technologies, LP*,²⁴⁰ the Supreme Court held that the director's application of 35 U.S.C. § 315(b)'s time bar²⁴¹ was "final and nonappealable" under § 314(d).²⁴² In *Thryv*, the PTAB instituted review on a petition despite Click-to-Call's argument that the petition was not timely filed within the one-year statutory period under § 315(b).²⁴³ Click-to-Call appealed, and the Federal Circuit held that § 314(d) bars appeal of institution decisions.²⁴⁴ However, in a separate case, *Wi-Fi One, LLC v. Broadcom Corp.*,²⁴⁵ the Federal Circuit held that time-bar determinations *were* appealable.²⁴⁶ In light of the *Wi-Fi One* decision, the Federal Circuit reheard Click-to-Call's claims, treated the § 315(b) issue as reviewable, held that the petition was untimely, vacated the PTAB's decision, and remanded the petition to be dismissed.²⁴⁷ The Supreme Court thus granted certiorari and held that the PTAB's application of the § 315(b) time bar was *not* subject to judicial review.²⁴⁸ The Court noted that the

232. *Id.* at 266, 280.

233. *Id.* at 273.

234. *Id.*

235. *Id.*

236. *Id.* (quoting *Mach Mining, LLC v. EEOC*, 575 U.S. 480, 486 (2015)).

237. *Id.* (quoting *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 349–50 (1984)).

238. *Id.* at 275.

239. *Id.* at 274–75.

240. 140 S. Ct. 1367 (2020).

241. 35 U.S.C. § 315(b); *see also supra* note 92 and accompanying text.

242. *Thryv*, 140 S. Ct. at 1376.

243. *Id.* at 1370–71.

244. *Id.* at 1372.

245. 878 F.3d 1364, 1367 (2018).

246. *Thryv*, 140 S. Ct. at 1372.

247. *Id.*

248. *Id.*

PTAB's refusal to institute review was supported by § 314(d) and the Court's holding in *Cuozzo*.²⁴⁹ The Court elaborated that a timeliness challenge based on § 315(b) counts as an appeal of the agency's decision to institute an IPR because it is tied to the application and interpretation of the statutes related to institution.²⁵⁰ The Court noted that § 315 expressly governs institution and nothing more, thus the PTAB's decision whether to apply it is not reviewable by the Court.²⁵¹

In *In re Cisco Systems Inc.*,²⁵² the Federal Circuit followed *Cuozzo* by holding that it did not have the authority to review the PTAB's application of the *NHK-Fintiv* factors.²⁵³ The Federal Circuit in *Cisco* held that such review was prohibited under § 314(d) and 28 U.S.C. § 1295.²⁵⁴ According to *Cisco*, the Federal Circuit's authority to review PTAB decisions under § 1295 was outweighed by language in § 314(d) stating that decisions to institute are nonappealable.²⁵⁵ Furthermore, the Federal Circuit relied on the Court's statement in *Cuozzo* that § 314(d) barred review of matters "closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate inter partes review."²⁵⁶ The Federal Circuit held that the decision to institute and the application of the *NHK-Fintiv* factors in *Cisco* was such a matter, since the PTAB's consideration of these factors "rank[s] as [a] question[] closely tied to the application and interpretation of statutes relating to the Patent Office's decision whether to institute review."²⁵⁷

Following *Cisco*, several parties have attempted to challenge applications of the *NHK-Fintiv* factors in federal court without success.²⁵⁸ The most recent instance of this arose in the U.S. District Court for the Northern District of California, in a case where the court held that *Cuozzo* and *Thryv* required that § 314(d) barred the court's review of the PTAB's application of the *NHK-Fintiv* factors.²⁵⁹

249. *Id.* at 1373.

250. *Id.*

251. *Id.*

252. 834 Fed. App'x 571 (2020).

253. *Id.* at 573.

254. *Id.*

255. *Id.*

256. *Id.*

257. *Id.*

258. *See, e.g.*, *Mylan Labs Ltd. v. Janssen Pharmaceutica, N.V.*, 989 F.3d 1375 (Fed. Cir. 2021) (holding that the Federal Circuit lacked jurisdiction over Mylan's appeal of the PTAB's decision to deny institution); Notice of Docketing, *Apple Inc. v. Maxell, Ltd.*, No. 20-2132 (Fed. Cir. Aug. 6, 2020), ECF No. 1-1 (appealing the PTAB's decision to deny institution); Notice of Docketing, *Apple Inc. v. Maxell, Ltd.*, No. 20-2211 (Fed. Cir. Aug. 28, 2020), ECF No. 1-1 (same); Notice of Docketing, *Apple Inc. v. Maxell, Ltd.*, No. 20-2213 (Fed. Cir. Aug. 28, 2020), ECF No. 1-1 (same); Notice of Docketing, *Apple Inc. v. Maxell, Ltd.*, No. 20-1033 (Fed. Cir. Oct. 9, 2020), ECF No. 1-1 (same).

259. Order Granting Motion to Dismiss; Terminating Motion for Summary Judgment at 1, *Apple Inc. v. Iancu*, No. 20-cv-06128 (N.D. Cal. Nov. 10, 2021), ECF No. 133.

Parties have attempted to appeal the practice of discretionary denial to the Supreme Court due to the lack of success in lower federal courts. Thus far, these petitions for certiorari have been unsuccessful.²⁶⁰

C. Current Proposals for Reform

This section will discuss the current proposals at the USPTO and Congress to address the controversy surrounding the PTAB's discretionary-denial practice through new rules or legislation. These potential changes are still at their early stages and have not yet been formally adopted. Part II.C.1 will summarize the proposed rulemaking at the USPTO. Part II.C.2 will discuss the proposed legislation in Congress.

1. Proposed Rulemaking at the USPTO

In response to the controversy that the *NHK-Fintiv* rulings have brought to the patent community, the USPTO requested comments on the PTAB's discretionary-denial practice in a Federal Register notice issued October 20, 2020.²⁶¹ The request noted that the USPTO had already received suggestions on how to proceed with discretionary denial, but it asked for further input from stakeholders.²⁶² According to the USPTO, the most common type of input it received was that the case-specific analysis outlined in *General Plastic*, *NHK*, and *Fintiv* "achieves the appropriate balance and reduces gamesmanship."²⁶³ The USPTO also acknowledged that other stakeholders have asked for the adoption of a bright-line rule under which discretion is exercised to preclude claims from being subject to more than one AIA proceeding, regardless of the circumstances.²⁶⁴ Another proposal received was that the USPTO should only permit more than one AIA proceeding if the follow-on petitioner is unrelated to the prior petitioner.²⁶⁵

The USPTO's request drew a significant response from stakeholders, resulting in over 800 comments.²⁶⁶ Comments were received across the board from various interested parties, including individual inventors and patent holders, small companies, large companies, and even from former examiners.²⁶⁷ Smaller entities were generally concerned about the lack of predictability in the PTAB's current procedures in approving or denying

260. See, e.g., *Apple Inc. v. Optis Cellular Tech., LLC*, 142 S. Ct. 859 (2022) (mem.) (denying petition for certiorari); *Intel Co. v. VLSI Tech. LLC*, 142 S. Ct. 1363 (2022) (mem.) (same).

261. Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66502 (Oct. 20, 2020).

262. *Id.* at 66505–06.

263. *Id.* at 66505.

264. *Id.*

265. *Id.*

266. *Discretion to Institute Trials Before the Patent Trial and Appeal Board*, REGULATIONS.GOV, <https://www.regulations.gov/document/PTO-C-2020-0055-0001/comment> [<https://perma.cc/4CYH-CPJZ>] (last visited Oct. 7, 2022).

267. *Id.*

institution following the *NHK* and *Fintiv* precedents.²⁶⁸ These smaller entities were also concerned about the weaponization of IPRs against small tech start-ups by bigger competitors.²⁶⁹ A few individual inventors provided anecdotes of how they invested in research and development on an invention, received a patent, relied on that patent for their livelihood, and then lost that patent several years later in a PTAB proceeding.²⁷⁰ Larger entities were also concerned about the way in which the PTAB conducts IPRs.²⁷¹ In a letter signed by fifty-four companies, including Amazon, Ford, General Motors, Google, Intel, Microsoft, and Samsung, larger entities argued that invalid patents should not be shielded from cancellation, and that discretionary denial allows invalid patents to remain in force until they are litigated at a significantly greater cost.²⁷² Some comments from large entities pointed out that there were already concerns about the slowness of litigation, and these delays have only been exacerbated by the COVID-19 pandemic.²⁷³ The larger entities also noted the danger of a rise in non-practicing entities or patent trolls.²⁷⁴ Although the various entities that responded to the USPTO's request have different concerns, the sheer number of responses received shows that the way in which the PTAB conducts IPR is consequential to essentially all patent holders, regardless of economic strength or entity size.²⁷⁵

The USPTO has not yet adopted any rules codifying or changing the application of the *NHK-Fintiv* factors. However, USPTO director Kathi Vidal has issued a memorandum providing interim guidance on discretionary-denial practice.²⁷⁶ The memorandum generally confirms the

268. See, e.g., Michael Schulze, Comment on Discretion to Institute Trials Before the Patent Trial and Appeal Board (Nov. 6, 2020), <https://www.regulations.gov/comment/PTO-C-2020-0055-0015> [<https://perma.cc/9R5V-SFVB>]; Dr. Steven LeBoeuf, Comment on Discretion to Institute Trials Before the Patent Trial and Appeal Board (Nov. 6, 2020), <https://www.regulations.gov/comment/PTO-C-2020-0055-0011> [<https://perma.cc/32ZW-CH7B>]; Tom Pierson, Comment on Discretion to Institute Trials Before the Patent Trial and Appeal Board (Nov. 6, 2020), <https://www.regulations.gov/comment/PTO-C-2020-0055-0013> [<https://perma.cc/4SHB-C9R5>]; Brad Morse, Comment on Discretion to Institute Trials Before the Patent Trial and Appeal Board (Nov. 6, 2020), <https://www.regulations.gov/comment/PTO-C-2020-0055-0017> [<https://perma.cc/LU9B-RDX6>].

269. See, e.g., Andrew Sherman, Comment on Discretion to Institute Trials Before the Patent Trial and Appeal Board (Nov. 6, 2020), <https://www.regulations.gov/comment/PTO-C-2020-0055-0012> [<https://perma.cc/79NA-CWB3>]; LeBoeuf, *supra* note 268.

270. See, e.g., Pierson, *supra* note 268; Zip-it, Comment on Discretion to Institute Trials Before the Patent Trial and Appeal Board (Nov. 9, 2020), <https://www.regulations.gov/comment/PTO-C-2020-0055-0026> [<https://perma.cc/4SHB-C9R5>].

271. Enplug Inc., Comment on Discretion to Institute Trials Before the Patent Trial and Appeal Board (Nov. 3, 2020), <https://www.regulations.gov/comment/PTO-C-2020-0055-0010> [<https://perma.cc/7TK8-L96Q>].

272. *Id.*

273. *Id.*

274. *Id.*

275. Dani Kass, *Sens. Back PTAB Denial Rules, Drug Pricing Activists Balk*, LAW360 (Dec. 4, 2020, 10:59 PM), <https://www.law360.com/articles/1320928/sens-back-ptab-denial-rules-drug-pricing-activists-balk> [<https://perma.cc/Y8FC-GSGJ>].

276. Memorandum from Katherine K. Vidal, Dir., U.S. Pat. & Trademark Off., to U.S. Pat. Trial & Appeal Bd. (June 21, 2022), <https://www.uspto.gov/sites/default/files/documents/>

current PTAB discretionary-denial practice as discussed in detail in Part II.A. For instance, the memorandum noted that “compelling, meritorious challenges will be allowed to proceed at the PTAB even where district court litigation is proceeding in parallel,” although the PTAB would still retain discretion to deny challenges if there is evidence of abuse of the system.²⁷⁷ It also confirmed that the PTAB will not discretionarily deny institution when the petitioner stipulates not to pursue, in a parallel proceeding, any grounds that were raised or could have been raised before the PTAB, according to *Sotera Wireless*.²⁷⁸

In addition to confirming the current discretionary-denial practice, the memorandum also clarified certain points that had not been previously addressed by PTAB precedent. For instance, the memorandum noted that the *Fintiv* factors would not apply to parallel ITC proceedings because the ITC lacks authority to invalidate a patent, and its invalidity rulings are not binding on the USPTO, unlike those issued by district courts.²⁷⁹ Additionally, the memorandum stated that proximity to trial should not “outweigh all of [the] other [*Fintiv*] factors,” since stakeholders have “correctly” pointed out that the scheduled trial dates are often unreliable.²⁸⁰ Although the interim guidance has helped to clarify certain parts of discretionary-denial procedure, the USPTO noted that they still plan to “soon explore potential rulemaking.”²⁸¹

2. Proposed Legislation by Congress

The PTAB’s practice of discretionary denial has also garnered the attention of lawmakers in Congress. During an event celebrating the tenth anniversary of the AIA, Senator Patrick J. Leahy, a chief sponsor of the AIA, proposed a bill to reform the PTAB’s practice of discretionary denial of institution of review.²⁸² This first proposal was known as the Restoring the America Invents Act,²⁸³ which would have amended § 314(a) by striking the language, “The Director may not authorize an inter partes review to be instituted unless” and replacing it with “Subject only to the discretion of the Director under section 325(d)(4), a petition that meets the requirements of this chapter shall be instituted if.”²⁸⁴ This change would have effectively eradicated the PTAB’s basis for discretionary denial and allowed denial

interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf [https://perma.cc/BLF5-947K].

277. *Id.* at 4.

278. *Id.* at 3; *see also supra* notes 211–17 and accompanying text.

279. Memorandum from Katherine K. Vidal to U.S. Pat. Trial & Appeal Bd., *supra* note 276, at 6–7.

280. *Id.* at 8.

281. *Id.* at 2.

282. Kass, *supra* note 18.

283. S. 2891, 117th Cong. (2021); Press Release, Patrick Leahy, Sen., Leahy and Cornyn Introduce Bipartisan Bill to Support American Innovation and Reduce Litigation (Sept. 29, 2021), <https://www.leahy.senate.gov/press/leahy-and-cornyn-introduce-bipartisan-bill-to-support-american-innovation-and-reduce-litigation> [https://perma.cc/2JUQ-6BQ4].

284. S. 2891 § 2.

based on the discretion granted under § 325(d) only if a petition included redundant or overlapping arguments or prior art as compared to those raised during examination.²⁸⁵

However, the bill has been opposed by Senators Thom Tillis and Chris Coons, both of whom are also members of the Senate Subcommittee on Intellectual Property that Senator Leahy heads as of the time of writing.²⁸⁶ Senators Tillis and Coons support limiting the PTAB's ability to invalidate a patent and believe that Senator Leahy's proposed bill removing the PTAB's ability for discretionary denial would give the PTAB too much power.²⁸⁷

Thus, Senators Leahy, Tillis, and John Cornyn came together and proposed a second bill, known as the Patent Trial and Appeal Board Reform Act of 2022.²⁸⁸ According to the senators' description of the bill, the proposal would allow the director to rehear PTAB decisions, but such decisions would have to be issued in a separate opinion, and the director would be prohibited from participating in predecisional PTAB proceedings.²⁸⁹ The bill would also require the director to enact regulations sanctioning bad-faith challengers and impose deadlines on rehearing decisions to ensure the expeditiousness of the process; the bill further clarifies that a voluntarily dismissed suit will not bar the sued party from petitioning based on that earlier suit.²⁹⁰ Lastly, the bill clarifies that any party that expects to be estopped as a result of a PTAB decision can appeal, and covers reasonable fees for answering a PTAB challenge for small and micro entities.²⁹¹

At the time of this Note's publication, neither proposed bill has been adopted.²⁹²

III. JUDICIAL REVIEW OF THE *NHK-FINTIV* FACTORS AND CONGRESSIONAL REFORM

Given the uncertainty of the actions pending at the Supreme Court and the bills pending in Congress, there are several different ways the future of the *NHK-Fintiv* factors can play out. Part III.A considers the legality of the

285. *Id.*

286. Dani Kass, *Leahy's Exit May Return Senate IP Control to PTAB Critics*, LAW360 (Nov. 15, 2021, 9:56 PM), <https://www.law360.com/articles/1440499> [<https://perma.cc/29KA-2PSS>].

287. *Id.*

288. S. 4417, 117th Cong. (2022); Press Release, Patrick Leahy, Sen., Leahy, Cornyn, and Tillis Introduce Bipartisan Bill to Ensure the Patent Trial and Appeal Board Is a Fair and Predictable Forum for All Parties (June 16, 2022), <https://www.leahy.senate.gov/press/leahy-cornyn-and-tillis-introduce-bipartisan-bill-to-ensure-the-patent-trial-and-appeal-board-is-a-fair-and-predictable-forum-for-all-parties> [<https://perma.cc/H57V-S6EY>].

289. THE PTAB REFORM ACT OF 2022, <https://www.leahy.senate.gov/imo/media/doc/PTAB%20Reform%20Act%20One%20Pager.pdf> [<https://perma.cc/4G89-4VT7>].

290. *Id.*

291. *Id.*

292. Senator Leahy has announced that he will be retiring and will not run for reelection in 2022. Dani Kass, *Sen. Leahy Announces End to Congressional Career*, LAW360 (Nov. 15, 2021, 10:23 AM), <https://www.law360.com/articles/1440344> [<https://perma.cc/LJ8Q-PLW8>]. The future of the bill is unclear, given the differing opinions in Congress on how best to reform the PTAB. *Id.*

PTAB's actions and their judicial reviewability should the Supreme Court decide to grant certiorari on a related case. Part III.B proposes legislative reform to improve the IPR procedure.

A. *Legal Validity of the NHK-Fintiv Factors*

As discussed in Part II.B, parties have so far been unsuccessful in challenging the PTAB's practice of discretionary denial in the courts. However, with petitions for certiorari pending at the Supreme Court,²⁹³ the Court should grant the petitions and hold that the PTAB's practice is invalid under the APA. Part III.A.1 will address the judicial reviewability of the discretionary-denial practice. Part III.A.2 will discuss the validity of the PTAB's practice under administrative law.

1. Reviewability of the PTAB's Actions by the Supreme Court

For the Supreme Court to decide whether the *NHK-Fintiv* factors are proper under the APA, it will first need to decide the threshold issue of whether the PTAB's application of these factors is even judicially reviewable.²⁹⁴ As previously discussed, § 314(d) prohibits judicial review of the PTAB's decision to institute review.²⁹⁵ On the other hand, 28 U.S.C. § 1295 gives the court authority to review decisions related to IPR.²⁹⁶

There are three Supreme Court decisions that have dealt with resolving the tension between § 314(d) and § 1295: *Cuozzo*,²⁹⁷ *SAS*,²⁹⁸ and *Thryv*.²⁹⁹ As noted above, the Court held that the issues raised with regard to IPR procedure in *Cuozzo* and *Thryv* were *not* reviewable.³⁰⁰ On the other hand, the Court did review the IPR procedure-related issue raised in *SAS*.³⁰¹ Based on the body of case law in this area, the PTAB's actions should be reviewable by the Court despite the language in § 314(d). The challenge to the *NHK-Fintiv* factors is more similar to *SAS* than it is to *Cuozzo* or *Thryv*.

In *Cuozzo*, the appellant challenged the PTAB's decision to review specific claims in one particular petition for IPR.³⁰² In *Thryv*, the appellant similarly challenged the PTAB's decision to institute review of a specific petition.³⁰³ The Court in *Cuozzo* was concerned about judicial review

293. See *supra* note 260 and accompanying text.

294. See, e.g., *In re Cisco Sys. Inc.*, 834 Fed. App'x 571, 573 (Fed. Cir. 2020) ("We lack jurisdiction under 28 U.S.C. § 1295(a)(4)(A) to hear Cisco's appeals.").

295. "The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. § 314(d); see also *supra* Part II.B.

296. "The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction . . . of an appeal from a decision of the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to . . . inter partes review." 28 U.S.C. § 1295(a)(4)(A).

297. *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261 (2016).

298. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348 (2018).

299. *Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367 (2020).

300. See *supra* Part II.B.

301. See *supra* note 140 and accompanying text.

302. *Cuozzo*, 579 U.S. at 270–71.

303. *Thryv*, 140 S. Ct. at 1367.

eroding the PTAB's power to conduct IPRs as Congress intended.³⁰⁴ In both *Thryv* and *Cuozzo*, the appellants did not ask to overturn an established PTAB policy; rather, the appellants disagreed with the PTAB's particular application of that policy.³⁰⁵ The Court in *Cuozzo* also specifically emphasized that the strong presumption of judicial review "may be overcome by 'clear and convincing' indications, drawn from 'specific language,' 'specific legislative history,' and 'inferences of intent drawn from the statutory scheme as a whole'"³⁰⁶ The Court in *Cuozzo* specifically clarified that its decision not to review applies "where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate inter partes review."³⁰⁷

On the other hand, in *SAS*, the issue raised by the appellant was whether the PTAB's policy of instituting review on some claims but not others was a valid practice based on the statute.³⁰⁸ The Supreme Court held that the PTAB had to institute review based on all claims or none; it could not partially institute review.³⁰⁹

An appellant challenging the *NHK-Fintiv* factors would be doing so as a challenge of a general PTAB policy, just as was raised in the *SAS* case.³¹⁰ Although the appellant would be challenging the PTAB's decision to institute review in a particular case, that challenge would rely on the argument that the PTAB's practice of applying the *NHK-Fintiv* factors is unlawful in general.³¹¹ This distinguishes the circumstances of the Court's review of the *NHK-Fintiv* factors from the circumstances in *Cuozzo* or *Thryv*.

The Court in *Cuozzo* did note that whether judicial review was allowed depended on the extent to which the issue is "closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate inter partes review."³¹² Still, the issue raised in *SAS* also depended on the PTAB's interpretation of the IPR statute (§ 318), but the Court reviewed the PTAB's actions nonetheless and held that its interpretation of the statute was incorrect.³¹³ Similarly, in a case challenging application of the *NHK-Fintiv* factors, the Court could determine that the PTAB's interpretation of § 314(a) was correct or incorrect, thereby upholding or striking down its practice of discretionary denial of institution.

304. *Cuozzo*, 579 U.S. at 272.

305. *Id.* at 270–71; *Thryv*, 140 S. Ct. at 1367.

306. *Cuozzo*, 579 U.S. at 262 (quoting *Block v. Cmty. Nutrition Inst.*, 47 U.S. 340, 349–50 (1984)).

307. *Id.* at 274–75.

308. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1359–60 (2018).

309. *Id.*

310. See *supra* note 140 and accompanying text.

311. See *supra* Parts II.A.2–3 (discussing the precedential holdings of *NHK* and *Fintiv* and how these holdings have been applied to later cases).

312. *Cuozzo*, 579 U.S. at 275.

313. See *supra* notes 140–44 and accompanying text.

Based on current precedent, the Court should find that an appeal challenging the *NHK-Fintiv* factors is reviewable under both § 314(d) and § 1295.

2. Validity Under the Administrative Procedure Act

The PTAB's introduction of discretionary denial is invalid under the APA for failing to undergo the proper rulemaking process. Additionally, the discretionary-denial practice fails under a *Chevron* analysis.³¹⁴

a. Improper Rulemaking Analysis

The PTAB engaged in improper rulemaking when setting the precedent for discretionary denial of IPR through the *NHK-Fintiv* factors. As the court held in *American Mining*,³¹⁵ fulfilling any one of the four factors means that the agency enacted a new legislative rule rather than an interpretative rule.³¹⁶ New legislative rules must fulfill the rulemaking procedures laid out in 5 U.S.C. § 553.³¹⁷

The discretionary-denial practice fulfills the first and fourth factors of *American Mining*. As to the first factor, this Note argues that there would be an inadequate basis for enforcement absent the PTAB's precedential opinions setting the *NHK-Fintiv* factors. Prior to the *NHK* and *Fintiv* opinions, the rate of discretionary denial of petitions at the PTAB was relatively steady.³¹⁸ After 2019, when *NHK* was made precedential, and 2020, when *Fintiv* was made precedential, the denials of IPR petitions at the PTAB “explo[ded],” with only 12.5 percent of denials at the PTAB being based on procedural issues in 2019 versus about 20 percent in 2020—an increase of 60 percent, even in the face of delayed trial dates due to the pandemic.³¹⁹ The establishment of the precedential opinions of *NHK* and *Fintiv* significantly affected the PTAB's practice of discretionary denial of IPR petitions. As to the fourth *American Mining* factor, the *NHK-Fintiv* factors also changed the procedure for instituting IPR, as set out in 37 C.F.R. § 42.108. Section 42.108 provides that (1) if the PTAB institutes review, it will do so on all of the claims asserted in the petition;³²⁰ (2) the PTAB may deny review prior to institution;³²¹ and (3) IPR shall not be instituted unless the petitioner has demonstrated a reasonable likelihood that at least one claim

314. *See supra* Part I.C.

315. *Am. Mining Cong. v. Mine Safety & Health Admin.*, 995 F.2d 1106 (D.C. Cir. 1993).

316. *Id.* at 1112.

317. *See supra* Part I.C.

318. Britain Eakin, *PTAB Discretionary Denials Harming Patent System, Atty Says*, LAW360 (Dec. 1, 2020, 4:45 PM), <https://www.law360.com/articles/1332942/ptab-discretionary-denials-harming-patent-system-atty-says> [<https://perma.cc/Y5A6-YKLZ>].

319. Dani Kass, *PTAB Discretionary Denials Up 60%, Unified Patents States*, LAW360 (Jan. 7, 2021, 9:55 PM), <https://www.law360.com/articles/1342685/ptab-discretionary-denials-up-60-unified-patents-says> [<https://perma.cc/U4QL-CS3M>].

320. 37 C.F.R. § 42.108(a).

321. *Id.* § 42.108(b).

challenged in the petition is unpatentable.³²² The rule for instituting IPR laid out in the CFR does *not* contemplate discretionary denial based on the *NHK-Fintiv* factors; in fact, it does not allow the PTAB to consider external factors outside of the documents filed with the IPR proceeding at all.³²³ Thus, the *NHK-Fintiv* factors should be considered a new legislative rule, and not an interpretation of the existing rule for instituting IPR.

Since the *NHK-Fintiv* factors establish a new rule, they should have been adopted according to the criteria under § 553, which requires notice-and-comment rulemaking.³²⁴ However, the *NHK-Fintiv* factors were adopted in an adjudicative proceeding at the PTAB, not through rulemaking.³²⁵ The adoption of this procedure was therefore improper.

b. Chevron Analysis

This Note also argues that, based on a *Chevron* analysis, the PTAB exceeded its statutory authority. The PTAB's practice of discretionary denial is reviewable under *Chevron* because the *Mead* test is satisfied. Then, under the first step of the *Chevron* analysis, this Note argues that Congress was *not* ambiguous in the USPTO's organic statute regarding the requirements for instituting IPR. Even if the organic statute were ambiguous, the PTAB's interpretation was beyond the statute's parameters.

The PTAB's practice of discretionary denial satisfies both factors of a *Mead* analysis.³²⁶ Regarding the first factor, Congress delegated the authority to the PTAB to conduct IPR proceedings with the passage of the AIA.³²⁷ As to the second factor, the PTAB's actions carry the force of law because the discretionary-denial procedure has the effect of a new legislative rule, based on the *American Mining* analysis.³²⁸ *Chevron* is therefore applicable to the PTAB's discretionary-denial practice.

Under step one of *Chevron*, this Note argues that Congress spoke directly to the issue of how IPRs should be conducted. The PTAB has argued that the *NHK-Fintiv* factors have a basis in the organic statute,³²⁹ but the PTAB has only relied on the word "may" in § 314(a): "The Director *may* not authorize an inter partes review to be instituted" unless the reasonable likelihood standard is met.³³⁰ According to the PTAB, use of the word "may" here indicates that the director has explicit, unfettered discretion in

322. *Id.* § 42.108(c).

323. *Id.* § 42.108.

324. 5 U.S.C. § 553.

325. *See supra* Parts II.A.2, II.C.1.

326. *See supra* Part I.C.

327. 35 U.S.C. §§ 311–319. In particular, § 316(c) states, "The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter." *Id.* § 316(c).

328. *See supra* Part I.C.

329. *See supra* Part II.A.3.

330. 35 U.S.C. § 314(a) (emphasis added).

determining whether to institute IPR.³³¹ However, when considering the surrounding provisions of the statute and its legislative history, it is clear that Congress did not intend for unlimited discretion.

It is true that institution of IPR is *not required* if the statutory requirements for the petition are met. In fact, Congress explicitly gave the PTAB the discretion to deny institution of IPR when there is overlap with another proceeding pending at the PTAB.³³² In doing so, Congress used the word “may” to state that the director “may . . . stay, transfer, consolidat[e], or terminat[e]” the proceeding.³³³ The PTAB is neither required to nor is prohibited from instituting IPR when there is an overlap in proceedings at the PTAB; the director may choose how to handle a petition for IPR in such cases.³³⁴

However, nowhere in the statute does Congress give the PTAB power to exercise such discretion in cases involving overlapping proceedings *outside* of the PTAB, such as in a parallel litigation. It is clear that Congress considered and was well aware that such proceedings may exist because it barred institution of IPR if the petitioner was the same party who initiated a civil action,³³⁵ and because it created an estoppel provision preventing a petitioner who had received a final written decision in an IPR from raising the same grounds raised during the IPR in a civil action.³³⁶ Furthermore, these provisions make clear that the use of the phrase “may not” does *not* grant discretion to the PTAB. Congress clearly intended to bar IPR if the petitioner was the party who initiated the civil suit, since this subsection is titled “Inter partes review barred by civil action,” yet the text of the statute states that “inter partes review *may not* be instituted.”³³⁷ Similarly, in the estoppel provision, the statute provides that “the petitioner[] *may not* assert” the same grounds raised during IPR in a civil suit.³³⁸ The use of the phrase “may not” in these sections matches its use in § 314(a), which provides that

331. *See, e.g.*, Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha, No. IPR2016-01357, at 15 (P.T.A.B. Sept. 6, 2017); *see also* Sayres, *supra* note 129, at 544.

332. 35 U.S.C. § 315(d) (“[I]f another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.”); *see also id.* § 325(d) (stating that, with regards to post-grant review, “if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other proceeding or matter may proceed, including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding,” and that, “[i]n determining whether to institute or order a proceeding . . . the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office”).

333. *Id.* § 315(d).

334. *Id.*

335. *Id.* § 315(a)(1) (emphasis added).

336. *Id.* § 315(e)(2).

337. *Id.* § 315(a)(1) (emphasis added).

338. *Id.* § 315(e)(2) (emphasis added).

the “Director *may not* authorize.”³³⁹ Thus, the text of the statute is clear regarding Congress’s intent.

The legislative history of the AIA further supports the assertion that no such discretion exists in the organic statute. Part of the motivation behind introducing the IPR and other post-grant procedures in the AIA was to address the problems of low-quality patents and infringement suits brought by NPEs by improving the administrative procedures available at the USPTO.³⁴⁰ In particular, the legislative history shows that representatives aimed to “improve administrative processes so that disputes over patents can be resolved quickly and cheaply without patents being tied up for years in expensive litigation,”³⁴¹ and that IPR was “intended to serve as a less-expensive alternative to courtroom litigation and provide additional access to the expertise of the Patent Office on questions of patentability.”³⁴² These statements, in addition to the fact that the inter partes reexamination that preceded IPR was rarely used, show that at least one reason for the introduction of the IPR procedure was to make patent validity challenges more available and accessible without needing to engage in expensive litigation. The PTAB’s practice of discretionary denial stifles this purpose of the IPR by making the procedure less accessible.

Even if the organic statute were arguably ambiguous, validity of the PTAB’s discretionary-denial practice still fails under the second step of *Chevron*. If the Supreme Court were to construe the word “may” as creating ambiguity, the PTAB’s current interpretation of such ambiguity would still exceed its statutory authority. At best, the word “may” suggests that the PTAB is not absolutely required to institute IPR. However, as discussed with regards to step one of the *Chevron* analysis, Congress already delineated particular instances in which the PTAB should consider any parallel civil suits in evaluating the terms of IPR procedure. The word “may,” by itself, is insufficient to grant unfettered discretion to the PTAB to conduct IPR however it chooses without regard to the organic statute. The PTAB’s interpretation of the statute should therefore be held to be improper under *Chevron*.

B. Legislative Action

If the Supreme Court does not choose to review the validity of the PTAB’s actions, the *NHK-Fintiv* rule should be reformed via the legislative process. As discussed in Part II, Congress has already proposed bills to do so, although the contents of the bills are still being debated.³⁴³

The application of the *NHK-Fintiv* factors currently gives the PTAB too much discretion in determining whether to institute review, especially when the petitioner has already met all other statutory requirements. One

339. *Id.* § 314(a) (emphasis added).

340. *See supra* Part I.A; *supra* notes 59–61, 67–69 and accompanying text.

341. 157 CONG. REC. S5374 (Sept. 7, 2011) (statement of Sen. Sheldon Whitehouse).

342. 157 CONG. REC. S1352 (Mar. 8, 2011) (statement of Sen. Mark E. Udall).

343. *See supra* Part II.C.2.

particularly problematic application of the *NHK-Fintiv* factors is when the PTAB relies on circumstances that can easily change, such as the scheduled trial date of a pending litigation (or lack thereof). Studies have shown that the trial dates that the PTAB relies on in determining whether to deny or institute review usually get pushed back.³⁴⁴ In fact, one study showed that the trial dates that were relied upon were incorrect in 94.1 percent of the cases reviewed.³⁴⁵ The recent memorandum issued by the director even recognized the unreliability of trial dates.³⁴⁶

At the same time, taking away the PTAB's power to exercise discretion completely may be too inflexible and impractical for an administrative agency that has a limited amount of time and resources.³⁴⁷ Such a rule could impose significant burdens on the PTAB, especially if it must institute review based on all claims raised in a petition.³⁴⁸

One general concern that stakeholders have voiced about IPRs is the risk of duplicative proceedings, in that AIA procedures increase the likelihood of duplicative proceedings concerning a single patent—one at the USPTO and another in district court.³⁴⁹ The PTAB's application of the *NHK-Fintiv* factors could reduce the number of duplicative proceedings. However, the AIA already contemplated duplicative proceedings and included several provisions to reduce the likelihood of these proceedings. For example, in the instance that the accused infringer initiates both federal litigation and a proceeding at the PTAB, the PTAB is barred from instituting the proceeding.³⁵⁰ The AIA also bars a defendant from seeking IPR if more than a year has passed since being served with notice in the federal suit.³⁵¹ Lastly, a party that receives a final written decision in an IPR or PGR is estopped from asserting any grounds of invalidity in litigation that “the petitioner raised or reasonably could have raised” during the PTAB proceeding.³⁵² The addition of the *NHK-Fintiv* factors to these provisions would take these measures far beyond the limits that Congress already imposed on the use of duplicative proceedings at the PTAB and in the courts.

As far as impact on the market, stakeholders have been split on the benefits of discretionary denial under the *NHK-Fintiv* factors and how exactly the

344. Scott McKeown, *District Court Trial Dates to Slip After PTAB Discretionary Denials*, ROPES & GRAY (July 24, 2020), <https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/> [<https://perma.cc/K393-FRJX>]; Dani Kass, *Fintiv Fails: PTAB Uses 'Remarkably Inaccurate' Trial Dates*, LAW360 (Nov. 2, 2021, 9:09 PM), <https://www.law360.com/ip/articles/1436071/fintiv-fails-ptab-uses-remarkably-inaccurate-trial-dates> [<https://perma.cc/NR9P-ZHM3>].

345. Kass, *supra* note 344.

346. *See supra* notes 276, 280 and accompanying text.

347. As discussed in Part I.B, the PTAB only has twelve months, extendable by up to six months, to issue a final written decision after IPR is instituted. *See supra* note 103 and accompanying text. The PTAB also cited its “finite resources” as a factor for consideration in the *Fintiv* case. *See supra* note 138 and accompanying text.

348. *See supra* Part II.A.1.

349. Layne-Farrar, *supra* note 69.

350. 35 U.S.C. § 315(a) (inter partes review); *id.* § 325(a) (post-grant review).

351. *Id.* § 315(b).

352. *Id.* § 315(e)(2).

procedure should be modified. For instance, the Association for Accessible Medicines said that codifying *Fintiv* would make it more difficult for petitioners to effectively challenge competition-stifling patents, which would drive up drug prices.³⁵³ Meanwhile, the Biotechnology Innovation Organization argued that doing away with the *Fintiv* factors would encourage duplicative and redundant litigation.³⁵⁴ Even two organizations with similar goals, such as reducing drug prices, can hold conflicting views on *Fintiv*.

This Note proposes that Congress enact legislation that is similar to Senator Leahy's first proposed bill, but that gives the PTAB more leeway than originally suggested. The legislation should allow the PTAB to consider how much the district court has already invested in the proceeding by looking to concrete evidence that is not subject to change and that would reduce the waste of duplicative efforts at the PTAB. For example, the PTAB should be able to consider whether the district court litigation is substantially near completion—such as having already undergone substantial discovery or briefing—but should not be able to consider circumstances which are subject to change, such as trial dates. The legislation should also specify that the PTAB should *not* be able to consider the merits of the petition when exercising discretionary denial because the merits are captured in the reasonable likelihood threshold, and the PTAB's actions have impermissibly raised that standard. Adopting Senator Leahy's bill with the modifications suggested by this Note would significantly reduce the uncertainty and unpredictability associated with application of the *NHK-Fintiv* factors. The PTAB would only be able to consider concrete, objective evidence of efforts expended in the district court proceeding, which would be known at the time of filing the petition. At the same time, this rule would allow the PTAB to conserve resources by avoiding duplication of efforts in the courts.

Some may argue that legislative action is not necessary, and that we should just wait for the PTAB to stabilize its policy. There is some evidence that stakeholders' fears over the application of the *NHK-Fintiv* factors could wane as the PTAB's reliance on its discretion wanes over time. *Fintiv* denials have declined over the six-month period from April to October 2021, according to data from Unified Patents, a member-based organization working to deter abusive patent assertions.³⁵⁵ The reason for this decline may be that petitioners have adapted to the rule by filing petitions much earlier, and the PTAB has noted and credited petitioner diligence.³⁵⁶ The PTAB's shift could also be a result of the scrutiny that its discretion has been receiving from litigants and lawmakers.³⁵⁷

353. Britain Eakin, *As Attys Sharpen PTAB Strategies, Fintiv Denials Are Falling*, LAW360 (Oct. 27, 2021, 5:27 PM), <https://www.law360.com/articles/1434925/as-attys-sharpen-ptab-strategies-fintiv-denials-are-falling> [<https://perma.cc/G7WA-FSET>].

354. *Id.*

355. *Id.*

356. *Id.*

357. *Id.* (“[T]he board is obviously watching what’s happening outside of the PTO, and when they do apply *Fintiv*, trying to make sure they’re analyzing all the facts and getting it right at the institution decision.”).

Nevertheless, it is likely that, as long as the *NHK-Fintiv* factors remain in use, stakeholders will continue to argue over the lawfulness and appropriateness of the procedure. Now that so much attention is focused on the PTAB's practices, and Senator Leahy's bill has been introduced, it would be prudent for Congress to amend the bill as proposed by this Note, and in doing so, reduce the uncertainty that patent owners and petitioners face during the IPR procedure.

CONCLUSION

The inter partes review is an important administrative procedure for reviewing validity challenges to patents as an alternative to litigation. The PTAB's recent practice of discretionary denial of IPR institution based on the *NHK-Fintiv* factors has had significant effects on the way that the procedure is conducted, as well as stakeholders' expectations regarding the process. In order to restore confidence in the procedure, it is important that either the Supreme Court or Congress act to reduce uncertainty and address the PTAB's discretionary-denial practice.

Should the Court take up a challenge to the procedure, it should hold that the *NHK-Fintiv* factors exceed the PTAB's statutory authority and are invalid. Regardless of the outcome of this potential challenge, Congress should step in to modify the practice by limiting the PTAB's discretion to considering only the number of resources that any parallel litigation has already expended. The PTAB should not be allowed to consider the merits of the petition, nor variable factors such as the scheduled trial date. This would reduce uncertainty at the PTAB while recognizing that the agency has limited time and resources. Furthermore, legislation would put patent owners' minds at ease while still leaving enough room for challengers to attack wrongfully granted patents. This would improve the U.S. patent system overall by making patent protection more robust, as well as benefit stakeholders, the PTAB, and the courts by providing stability.