



## Discussion of New USPTO Guidance on PTAB Discretionary Denials and Applicant Admitted Prior Art (AAPA) issued in June 2022

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# USPTO Provides Interim Guidance on PTAB Discretionary Denials Under *Fintiv*

- On June 21, 2022, USPTO Director Katherine K. Vidal issued new, binding interim guidance addressing the PTAB's approach to discretionary denials of PTAB proceedings, such as *inter partes* review (IPR) and post grant review (PGR).
- The guidance addresses the PTAB's application of *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020).
- Primary takeaways from the updated guidance relate to challenges with “compelling merits,” parallel proceedings at the International Trade Commission (ITC), *Sotera* stipulations, and consideration of median time-to-trial statistics.

## Application of *Fintiv*

- Under *Fintiv*, “the Board takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review.” IPR2020-00019, Paper 11 at 6.
- The application of the *Fintiv* factors has been controversial.
  - Director Vidal’s interim procedure addresses the issues head-on, noting that the Office received 822 comments from a range of stakeholders and as such, is preparing to explore potential adjustments to rulemaking. Guidance at 2.

# Challenges with Compelling Merits

- Denial under *Fintiv* can be avoided entirely if information presented at the institution stage presents a compelling unpatentability challenge.
  - *Fintiv* factor six reflects that the PTAB considers the merits of a petitioner's challenge when determining whether to institute a post-grant proceeding in view of parallel district court litigation.
    - Previously, the PTAB would weigh the relative strength of the asserted grounds under *Fintiv* factor six, along with other relevant factors.
- Congress provided the Office with significant power to revisit and revise issued patents to improve patent quality.
  - The new guidance is consistent, wherein “compelling, meritorious challenges will be allowed to proceed at the PTAB even where district court litigation is proceeding in parallel.” Guidance at 4.

# International Trade Commission and *Fintiv*

- *Fintiv* will no longer apply to parallel proceedings at the ITC.
- Instead, *Fintiv* is explicitly limited to parallel district court proceedings.
- The Guidance identifies differences between ITC investigations and district court patent litigation.
  - *Fintiv* factors, at face value, are directed at district court litigation, not ITC proceedings.
  - “Unlike district courts, the ITC lacks authority to invalidate a patent and its invalidity rulings are not binding on either the Office or a district court.” Guidance at 6.
  - As a result, denying institution because of a parallel ITC investigation will not necessarily minimize conflicts with a PTAB proceeding or district court proceeding, thus “the PTAB no longer discretionarily denies petitions based on applying *Fintiv* to a parallel ITC proceeding.” *Id.* at 7.

## ***Sotera* Stipulations**

- If both the PTAB and a district court are adjudicating the same validity issues, it is possible that conflicting decisions could be rendered.
  - *Fintiv* factor four addresses the overlap in order to evaluate the possibility of inefficiency and conflicting decisions.
- Under the new Guidance, denial under *Fintiv* can be avoided through a *Sotera* stipulation not to pursue in a district court “the same grounds . . . or any grounds that could have reasonably been raised in the petition.” Guidance at 7.

# Trial Date

- With respect to the proximity of the trial date to the PTAB’s projected statutory deadline for providing a final written decision (*Fintiv* factor two), the Guidance provides that parties may present “median time-to-trial for civil actions in the district court,” and the PTAB will consider the speed with which the district court case may come to trial and be resolved. Guidance at 8-9.
  - Previously, the PTAB’s reliance on a district court’s scheduled date for *Fintiv* consideration has been an issue with complaints noting the unreliability and fickle nature of scheduled trial dates. *Id.*
  - Because scheduled trial dates change often, they are not a good indicator of whether the district court’s trial will actually occur before the Board’s statutory deadline for a decision.

# The PTAB Parallel Litigation Study

- USPTO study explores *Fintiv* denials from the second quarter of fiscal year 2019, when the first PTAB precedential decision on the issue was designated, through the first quarter of fiscal year 2022.
- The study quantifies the “sharp overall decline in *Fintiv* denials.” PTAB Parallel Litigation Study Executive Summary at 8. The USPTO noted the following highlights:
  - After *Fintiv* was designated precedential, parallel litigation was raised in about 40% of all cases.
  - *Fintiv* denials peaked in the second quarter of fiscal year 2021 and dropped afterwards.
  - The USPTO’s guidance on using stipulations appears to have led to an increase in stipulation filings and a significant decrease in *Fintiv* denials.



# Impact of New Discretionary Denial Guidance

- The takeaways from the memorandum indicate that well supported IPR and PGR petitions are now more likely to result in institution.
- Discretionary denials under *Fintiv* are likely to become much less frequent.
- Given the impact of *Sotera* stipulations, petitioners will need to carefully assess the impact of engaging in such stipulations.
- Provides clearer guidance limiting when discretionary denials will be considered and actions that petitioners can take to avoid them.
  - Businesses engaging in parallel PTAB and district court proceedings should consider the reduced prospects of PTAB discretionary denial when developing their strategies.

## Background: *Apple Inc. v. Fintiv, Inc.*

- In the PTAB's precedential *Apple v. Fintiv* opinion, the Board set forth nonexclusive factors (the *Fintiv* factors) governing the exercise of the PTAB's discretion to deny institution of a post-issuance proceeding where there is parallel district court litigation:
  1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
  2. proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
  3. investment in the parallel proceeding by the court and the parties;
  4. overlap between issues raised in the petition and in the parallel proceeding;
  5. whether the petitioner and the defendant in the parallel proceeding are the same party; and
  6. other circumstances that impact the Board's exercise of discretion, including the merits.

IPR2020-00019, Paper 11 at 6.

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Thank you.

# Updated Guidance on Use of Applicant Admitted Prior Art (AAPA) in IPR Proceedings

- The updated June 9, 2022 Memorandum clarifies that while the basis of an IPR proceeding is limited to “patents or printed publications,” AAPA can be relied upon in combination with one or more patents or printed publications to support the petitioner’s grounds of unpatentability.
  - The guidance is consistent with the recent decision of the Court of Appeals for the Federal Circuit in *Qualcomm Inc. v. Apple Inc.*, 24 F.4<sup>th</sup> 1367 (Fed. Cir. 2022).
- As long as the AAPA is not the sole basis of a trial ground, it may be used as evidence underlying the ground.

## ***Qualcomm Inc. v. Apple Inc.*, 24 F.4<sup>th</sup> 1367 (Fed. Cir. 2022)**

- In *Qualcomm Inc. v. Apple Inc.*, the Federal Circuit held that AIPA may not be the sole basis of an invalidity ground in IPR, and therefore, an IPR petition cannot rely on AIPA without also relying on a prior art patent or printed publication.
- Although the court held that Section 311(b)'s "prior art consisting of patents and printed publications" limited the use of AIPA as the sole basis of an IPR, it remanded for the Board to determine whether the AIPA improperly formed the "basis" of the IPR.
  - The court did not specifically define what it meant to form "the basis" of an invalidity ground in an IPR.

# Updated Guidance Regarding AAPA

- New Memorandum supersedes “Treatment of Statements of the Applicant in the Challenged Patent in Inter Partes Reviews Under § 311” (2020 Guidance). Memorandum at 1.
  - AAPA may not be the **sole** basis of an IPR challenge ground; it must instead be combined with at least one prior art patent or printed publication for the PTAB to consider it to determine patentability.
  - Because evidence of a person of ordinary skill in the art (POSITA) is fundamental to a proper obviousness analysis, the PTAB panel may consider AAPA on its own as:
    - Evidence of the background knowledge possessed by a POSITA; and
    - a factual foundation for what a POSITA would have known at the time of invention. Memorandum at 3.

# Updated Guidance Regarding AAPA

- Regarding the scope and content of the prior art under 35 U.S.C. § 103, the PTAB may consider AAPA to:
  - supply missing claim elements generally known in the prior art;
  - support a motivation to combine; or
  - demonstrate the knowledge of a POSITA for any purpose related to patentability. Memorandum at 4.
- Both parties may present expert testimony regarding disputed AAPA statements and the PTAB will weigh the evidence accordingly.

# Updated Guidance Regarding AAPA

- The PTAB may not exclude AAPA based on:
  - The order in which the challenge ground presents the obviousness combination (whether the prior art is modified by AAPA or vice versa); or
  - the number of claim limitations or claim elements the AAPA supplies.
  - “Rather, the Board panels should review whether the asserted ground as a whole as applied to each challenged claim as a whole relies on admissions in the specification in combination with reliance on at least one prior art patent or printed publication.” Memorandum at 5.
- So long as presented in the correct manner, the Board should not deny a petition in which an applicant points to general knowledge and/or a patentee’s admissions regarding the scope and content of the prior art to satisfy a claim limitation.



# Webinar Speakers

- **Michael P. Tierney**, Acting Deputy Chief Administrative Patent Judge, USPTO
- **Karl D. Easthom**, Administrative Patent Judge, USPTO
- **Teri-Lynn Evans**, Assistant Deputy General Counsel at Comcast
- **Frank L. Bernstein**, Partner at Squire Patton Boggs LLP
- Moderator: **Frederic M. Meeker**, Principal Shareholder at Banner & Witcoff, Ltd.



## Michael P. Tierney

Acting Deputy Chief  
Administrative Patent  
Judge, USPTO

Acting Deputy Chief Administrative Patent Judge Michael P. Tierney was appointed to the Patent Trial and Appeal Board (PTAB) on July 31, 2000. Acting Deputy Chief Judge Tierney joined the PTAB as an administrative patent judge in the Chemical Section, where he handled *ex parte* appeals of chemical cases. Later, Acting Deputy Chief Judge Tierney worked as a member of the Interference Trial Section, where he worked on interferences, reexaminations, and supervised two patent attorneys working on *ex parte* appeals. As part of the U.S. Patent and Trademark Office (USPTO) implementation of the America Invents Act (AIA), Acting Deputy Chief Judge Tierney led the PTAB's comprehensive effort on trial rulemaking. He worked closely with USPTO executive officials, trial judges, the patent community, and other members of the public to develop the trial rules. Acting Deputy Chief Judge Tierney has given numerous presentations to educate the patent community on the statutory provisions, proposed rules, and final rules for the AIA administrative trials.

Acting Deputy Chief Judge Tierney joined the USPTO as a patent examiner, where he primarily examined applications for chemical compositions. Prior to his appointment to the PTAB, Acting Deputy Chief Judge Tierney served as an associate at Morgan, Lewis & Bockius, LLP, where his practice concentrated on patent litigation, opinions, and prosecution.

Acting Deputy Chief Judge Tierney received both a Juris Doctor degree and a Bachelor of Science degree in Chemical Engineering from the University of Washington.



**Karl D. Easthom**  
Administrative Patent  
Judge, USPTO

Administrative Patent Judge Karl D. Easthom was appointed to the Patent Trial and Appeal Board (PTAB) on September 30, 2007. Prior to joining the U.S. Patent and Trademark Office (USPTO), Judge Easthom worked as an electrical engineer for National Aeronautics and Space Administration (NASA), Monsanto, and IIT Research Institute, a sole practitioner practicing general law in Maryland, and as a clerk for the public defender's appellate division in Baltimore, Maryland. He has been with the USPTO since 1995 and was a supervisory primary examiner in the electrical area.

Judge Easthom received a Juris Doctor degree from the University of Baltimore, a Master of Science degree in Electrical Engineering from the University of Missouri at Rolla, and a Bachelor of Science degree in Electrical Engineering from Washington University in St. Louis.



## Teri-Lynn Evans

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Teri Evans is Assistant Deputy General Counsel at Comcast Cable, where she focuses on patent litigation. In her time at Comcast, she has been responsible for a complex docket of patent litigation cases pending in district courts and the International Trade Commission, appeals to the Federal Circuit, and post-grant proceedings before the Patent Trial and Appeals Board.

Teri is also a member of the Steering Committee of the ChIPs Philadelphia Chapter. Prior to Comcast, she was an associate at Dechert LLP where she focused on intellectual property litigation. Teri earned her J.D. from Rutgers University School of Law - Camden, her M.S. in Mechanical Engineering from Rowan University, and her B.S. in Computational Physics from The College of New Jersey.



**Frank L. Bernstein**  
Squire Patton Boggs LLP

Frank Bernstein is a partner in the Intellectual Property & Technology Group at Squire Patton Boggs (US) LLP. Frank uses his extensive patent litigation experience to think outside the box, helping clients obtain and defend challenging patents. He has a broad range of practice before the US Patent and Trademark Office (both pre-grant and post-grant patent matters), as well as in US district courts in all phases of patent infringement actions (pre-filing investigations to claim construction, Markman hearings to trials and appeals). Frank's high technology expertise includes computer hardware and software, electronics, fintech, autonomous vehicles, and machine learning/artificial intelligence.



## **Frederic M. Meeker**

Principal Shareholder  
Banner Witcoff, Ltd.

Moderator

Fred has more than 25 years of experience handling intellectual property matters in primarily the cable, telephony, solar, satellite, Internet, electronic program guide, LTE, and automotive industries. Fred has served as lead counsel in a large number of patent litigations and over 140 IPRs.

Fred has a significant post-issuance practice including IPRs, interferences, and reexaminations. He also has handled a number of large Section 337 investigations at the United States International Trade Commission.



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