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PTAB Reveals Route To IPR Institution Denial In Parallel Cases

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Who's got dibs to decide a patent validity dispute is a question increasingly being asked of the Patent Trial and Appeal Board.

In 2011, the Leahy-Smith America Invents Act created an inter partes review process that often led to patent validity battles on two fronts: litigations in district court and IPRs before the PTAB.

Early on, district courts commonly stayed cases in favor of pending IPRs. Increasingly, patent owners are asking that the PTAB deny instituting IPRs in favor of pending district court proceedings. So, who's got dibs?

It's no secret that patent owners generally prefer to litigate in district court, while patent challengers generally prefer IPRs, which require a lower standard of proof to invalidate patents. A request for the PTAB to use its discretion to deny instituting an IPR under Title 35 of the U.S. Code, Section 314(a), is one tool patent owners are increasingly using to shut down IPRs in favor of district court proceedings.

On March 12, the U.S. Court of Appeals for the Federal Circuit held in *Mylan Laboratories Ltd. v. Janssen Pharmaceutica NV* that it does not have appellate jurisdiction over PTAB decisions denying IPR institution,[1] which means patent owners and challengers have one chance to argue which tribunal gets dibs.

The PTAB's March 2020 precedential decision in *Apple Inc. v. Fintiv Inc.*,[2] or *Fintiv I*, as well as two decisions made precedential in December 2020, and several others provide guidance regarding when a request to deny institution in favor of a parallel court case may succeed or fail, and how parties can improve their chances of a favorable outcome.

Fintiv I provides six factors that the PTAB considers when deciding whether to deny institution in favor of a parallel proceeding. These *Fintiv* factors are:

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.

Overall, the board stated that it "takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review."^[3] The board requested additional briefing from the parties, applied the factors and denied institution in a subsequent May 2020 *Apple v. Fintiv*, or *Fintiv II*, decision that was designated informative.^[4] Since neither party requested a stay in district court, factor 1 was neutral.

The remaining five factors favored denying the IPR. The court's trial date was two months before the IPR decision's due date (factor 2), the court already invested effort in the litigation by issuing a claim construction decision and the parties exchanged final contentions (factor 3), the invalidity arguments before the two tribunals were based on the same prior art (factor 4), the parties were the same (factor 5), and the board found weaknesses in the IPR petition's merits (factor 6).

The *Fintiv I* and *II* decisions laid a well-defined groundwork for ascertaining how the board would handle requests to deny instituting IPRs in favor of district court proceedings. At the end of 2020, the board made precedential two decisions that applied the *Fintiv* factors and rejected such requests, counterbalancing *Fintiv II*.

The first of these precedential decisions, *Snap Inc. v. SRK Technology LLC*,^[5] found that five factors weighed against the request, i.e., favored institution. The fact that the district court case was stayed — factor 1 — favored institution and also influenced factors 2 and 3: There was no trial date and there were no substantive court orders.

The arguments challenging the patent were materially different in the IPR petition from those before the district court, and, therefore, factor 4 also favored institution, as did factor 6, since the board found that the petitioner's challenge had strong merits. Only factor 5 favored denying institution because the parties were the same.

The factors were more mixed in the second precedential decision, *Sotera Wireless Inc. v. Masimo Corp.*,^[6] but the board ultimately rejected the request and instituted the IPR. The board found that factor 1 was neutral: *Sotera* filed a motion to stay in the district court, but the court did not rule on it at the time of the board's decision.

Factor 2 was also neutral: The court's trial date was at approximately the same time as the IPR decision due date. Despite the lack of a stay, the court case had not made significant progress, leading the board to find that factor 3 favored institution.

Factor 4 also favored institution because the petitioner stipulated in the district court that "if IPR is instituted, they will not pursue in the District Court Litigation any ground raised

or that could have been reasonably raised in an IPR." This removed the potential for overlapping issues.

Only factor 5 favored the request because the parties were the same. Finally, the board found factor 6 was neutral although the petitioner demonstrated a reasonable likelihood that it would prevail on the merits.

These and other decisions can guide parties seeking to influence the PTAB's evaluation of who's got dibs in patent validity disputes.

A stay can help the IPR petitioner.

A stay of district court proceedings provides strong support for IPR institution. Factor 1 itself is expressly directed to whether the parallel case is stayed.

But, as seen in *Snap*, a court stay typically affects factors 2 and 3 because it generally means there is no trial date and the court has not expended significant resources. Thus, a stay puts factor 1 squarely in the petitioner's column supporting institution and heavily tilts factors 2 and 3 toward institution.

However, the lack of a court stay does not seem to tilt factor 1 in favor of a request to deny IPR institution. In *Fintiv* and *Sotera*, the lack of a stay merely meant factor 1 was neutral. In another informative decision, *Sand Revolution II LLC v. Continental Intermodal Group Trucking LLC*,^[7] in June 2020 the board again found that factor 1 was neutral where neither party moved for a stay in court.

Petitioners should carefully consider when to file an IPR petition.

Although the law allows patent challengers a full year from the start of litigation to file an IPR petition, they should seriously consider whether to file early in view of *Fintiv* factors 2 and 3.

Especially in jurisdictions with fast-paced local patent rules and so-called rocket docket jurisdictions, there may be significant investments by the parties and substantive court decisions well before the one-year IPR filing deadline and even more before the motion to deny institution is considered.

Once substantial time and effort is expended in a litigation and a trial date is approaching, the board is more likely to deny institution to avoid duplicating the court's efforts and working toward an IPR decision that would issue after trial.

Statutes such as the Hatch-Waxman Act for pharmaceutical patent litigation may also lead to earlier trial dates and thereby sway factors 2 and 3 toward denying IPR institution.

That act has provisions to stay U.S. Food and Drug Administration approval of generic drugs for 30 months after a brand manufacturer sues a generic challenger based on the assumption that a court decision should issue within that time frame, and courts often set trial to occur several months earlier.

If a patent challenger waits a full year after litigation commences to file an IPR petition, the 18-month time frame for a board decision may fall well after a substantial investment in the court litigation and even the trial date itself.

Similarly, if the parallel proceeding is a U.S. International Trade Commission investigation, which has a 16-month statutory, albeit extendible, deadline to issue a final determination, then the patent challenger would be well-advised to file an IPR promptly to avoid factors 2 and 3 from favoring discretionary denial of institution.

For example, in *Philip Morris Products SA v. Rai Strategic Holdings Inc.*,^[8] the fast pace of ITC proceedings led the Board to deny institution even though the IPR petition was filed less than one month after the parallel ITC case. The earlier ITC final determination target date trumped even the most diligent IPR filing.

COVID-19-related court delays may be giving IPR petitioners some latitude with respect to factors 2 and 3. Many cases have slowed and trial dates postponed, making it less likely that a trial will precede an IPR decision.

In *Sand Revolution II*, the board noted that despite the pandemic, it has been able to maintain its IPR deadlines: "The Board's judges and staff continue to operate on their normal schedules, albeit remotely, and Board oral hearings continue to be conducted on schedule."^[9]

Petitioners can sway factor 4 in favor of IPR institution via stipulation.

An IPR is more likely to be instituted if there is little or no overlap between issues raised in the IPR petition and court proceedings. In *Sotera*, the IPR petitioner avoided overlap by stipulating to not raise in court "any ground raised or that could have been reasonably raised in an IPR."^[10]

Although such stipulations require IPR petitioners to choose one forum to bring each validity argument, they allows them to sway Fintiv factor 4 in their favor.

Stipulations need to be sufficiently broad to be effective. In *Sand Revolution II*, the petitioner stipulated that "if the IPR is instituted, Petitioner will not pursue the same grounds in the district court litigation."^[11]

Although the board found that this stipulation swayed factor 4 marginally in favor of IPR institution, it noted that a broader stipulation avoiding grounds that were "raised or that could have been reasonably raised in an IPR" might have better addressed "concerns

regarding duplicative efforts" and "might have tipped this factor more conclusively in [Petitioner's] favor." [12]

Factor 5 is not particularly weighty.

Because most board decisions applying the Fintiv factors involve the same parties as the parallel court proceedings, factor 5 isn't usually a weighty factor and tilts against IPR institution.

But factor 5 may not weigh in favor of IPR institution even when the parties are different if, per Fintiv I, "the issues are the same as, or substantially similar to, those already or about to be litigated, or other circumstances weigh against redoing the work of another tribunal." [13]

In Mylan Laboratories v. Janssen Pharmaceutica, factor 5 weighed against IPR institution even where one of two parallel litigations did not have the same parties but the issues in both litigations overlapped. [14]

Parties to parallel patent disputes should consider their specific circumstances, including the timing of filing an IPR, the progress of each proceeding, and the issues in each forum when weighing the likelihood of success in asking the board to deny IPR institution.

Patent challengers seeking to defeat such motions are well-served by obtaining a stay in district court, filing an IPR petition earlier than the one-year deadline, and avoiding duplicating issues by stipulation or otherwise. Patent owners seeking to shut down an IPR should focus on the progress and efforts expended in the district court and highlight overlapping issues to the board.

Fintiv I and its progeny provide both parties a road map to how the PTAB answers the question "who's got dibs?" in patent validity challenges.

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[1] 2021-1071 (Fed. Cir. Mar. 12, 2021).

[2] IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential) ("Fintiv I").

[3] *Id.* at 6.

[4] IPR2020-00019, Paper 15 (PTAB May 13, 2020) (informative) ("Fintiv II").

[5] IPR2020-00820, Paper 15 (PTAB Oct. 21, 2020) (precedential).

[6] IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (precedential).

[7] IPR2019-01393, Paper 24 (PTAB June 16, 2020) (informative).

[8] IPR2020-00919, Paper 9 (PTAB Nov. 16, 2020).

[9] IPR2019-01393, Paper 24, at 9 (PTAB June 16, 2020) (informative).

[10] IPR2020-01019, Paper 12, at 18.

[11] IPR2019-01393, Paper 24, at 11-12.

[12] *Id.* at 12 n.5.

[13] IPR2020-00019, Paper 11, at 14.

[14] IPR2020-00440, Paper 17, at 22-23 (PTAB Sep. 16, 2020).

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