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Vexing PTAB Apple Decision May Overtax West Texas Court

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On March 20, the Patent Trial and Appeal Board issued Apple Inc. v. Fintiv Inc. decision,[i] designated precedential on May 7, setting forth a six-factor test for discretionary denials of inter partes review based upon developments in a parallel district court litigation.

The Fintiv decision continues the PTAB's trend of ratcheting up discretionary denials of IPRs. This latest decision calls into question whether the PTAB is acting against Congress' intent of having questions of invalidity decided by expert judges applying the lower preponderance of the evidence standard.

The decision also creates enormous incentives for plaintiffs to file lawsuits in districts promising faster time to trial, like the U.S. District Court for the Western District of Texas.

Fintiv identified six factors for deciding whether to decline institution IPR in favor of more expensive, parallel district court proceedings:

- Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
- Proximity of the court's trial date to the board's projected statutory deadline for a final written decision;
- Investment in the parallel proceeding by the court and the parties;
- Overlap between issues raised in the petition and in the parallel proceeding;
- Whether the petitioner and the defendant in the parallel proceeding are the same party; and
- Other circumstances that impact the B]board's exercise of discretion, including the merits.

How does the PTAB apply the Fintiv factors?

The recent decision in Intel Corp. v. VLSI Technology LLC[ii] is instructive and typical of decisions applying the Fintiv factors. The PTAB applied the Fintiv factors to determine that Intel's petition for inter partes review, filed within the statutory time bar period, should be denied.

Unfortunately for Intel, the parallel district court case was assigned to U.S. District Judge Alan Albright of the Western District of Texas, who is developing a patent rocket docket in

Waco, Texas.

The board relied on the fact that Judge Albright had issued a claim construction (and thus invested resources into the case), that any final written decision would issue after the district court's jury trial, and that the same parties were involved in both proceedings. Every day, similar analyses and decisions are issuing from the PTAB.

Is Fintiv the end of IPRs for cases filed in Waco?

Many are questioning whether the Fintiv factors are a death knell to any IPRs filed for patents in cases assigned to Judge Albright, given his refusal to stay cases for IPR, early claim construction hearings, and stated intention that cases will go to trial within 18 months.

As a practical matter, Judge Albright's docket will slow under the weight of new case filings. To date in 2020, more than 300 patent cases have been filed in Waco, far exceeding those filed in the Eastern District of Texas, and many other fora known for patent cases.

Furthermore, the ongoing delays and complications of the COVID-19 pandemic cast further doubt that the Waco court can adjudicate all of its patent infringement cases at a faster pace than the PTAB's full complement of administrative patent judges.

Is Fintiv inconsistent with Congress' intent?

To date, the PTAB has ignored these realities in its decisions post-Fintiv, which will likely result in a denied petitioner seeking a writ of mandamus to overturn the Fintiv discretionary denial framework. There are a number of arguments that a petitioner may raise against the PTAB's exercise of discretion.

The statutory basis for the Fintiv framework is the word "may" in Section 314(a)'s command that the "[t]he Director may not authorize an inter partes review to be instituted unless…there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."

The PTAB has found that the statute's recitation of "may" evidences Congress' intent that the PTAB has discretionary authority to deny institution even when there is a reasonable likelihood of success.

However, it seems clear that the PTAB's exercise of discretion should not conflict with Congress' intent as reflected in the statutory framework for IPR.

At its core, Fintiv reflects the PTAB's judgment that parallel proceedings and relatively late petitions should be discouraged. And yet, Congress enacted a statutory framework that permits parallel proceedings and sets a unambiguous standard for judging the timeliness of petitions.

Section 315(b) states the only qualification on the timeliness of a petition: A petition must be filed no later than one year after the petitioner was served with a complaint for patent infringement. Thus, there can be no doubt that Congress anticipated that petitions for inter partes review would be filed in parallel with district court actions and that Congress

approved of this practice so long as the petitions are filed is filed within one year.

Moreover, Congress chose to preclude parallel proceedings in only one specific instance — when a petitioner seeks a declaratory judgment of invalidity before filing its petition.[iii] But this bar on parallel proceedings is not strict because Congress chose to permit filing a petition first and then seeking a declaratory judgment of invalidity.

The only limitation on this procedure is that the declaratory judgment action is automatically stayed, unless the patent owner chooses to lift the stay voluntarily or brings a claim for infringement.[iv] Thus, the framework of Section 315 indicates that Congress authorized parallel IPR and district court proceedings so long as both proceedings are not initiated by the petitioner in the first instance.

While the PTAB apparently views parallel proceedings as being wasteful, Congress was not clearly wrong to permit parallel proceedings because inter partes review and infringement actions are not equivalents.

There are a number of material differences between the two procedures. In an IPR, technical experts apply the lower preponderance of the evidence standard to decide the merits. In a district court, a lay jury applies the clear and convincing evidence standard. An IPR permits a patent owner to cure invalidity issues by amending the claims, which is an option unavailable in district court.

In addition, Congress was undoubtably aware that the vast majority of district court cases settle before trial — patent cases included. In contrast, the settlement rate for PTAB proceedings is well below 40%.

Thus, the PTAB's finding in VLSI that the district court is likely to decide the invalidity issues before the PTAB does not address the realities of patent litigation. If anything, a strong invalidity defense is likely to produce a settlement, and the patent lives on to be asserted against the next set of defendants.

Finally, it seems unlikely that Congress intended for the PTAB to decline meritorious petitions in order to preserve its allegedly limited resources. Unlike a district court, Congress granted the PTAB the power to set its own fees in order to fully recover the cost of IPRs from the challenger. Foisting work off the same work onto district courts and only nominally compensated jurors does not make sense.

Conclusion

IPR decisions issuing over the next few months addressing the Fintiv factors will be closely watched. It appears all but inevitable that a writ of mandamus will be sought for an IPR denied institution based on Fintiv. Such a mandamus will assuredly be accompanied by a flurry of amicus curiae seeking to prevent the PTAB from routinely denying IPRs for cases emanating from rocket dockets like the Western District of Texas.

How the U.S. Court of Appeals for the Federal Circuit will constrain the PTAB's exercise of discretion to deny institution of meritorious petitions remains to be seen.

[i] Apple, Inc. v. Fintiv, Inc., IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020).

[ii] Intel Corp. v. VLSI Tech., LLC, IPR2020-00141, Paper 16 (PTAB June 4, 2020).

[iii] See 35 U.S.C. §315(a)(1).

[iv] See 35 U.S.C. §315(a)(2).