

## Precedential Opinion: Board weighs six factors in discretionary denial analysis

SEPTEMBER 9, 2020

**Apple Inc. v. Fintiv, Inc.**, Case IPR2020-00019, Paper 11 (Mar. 20, 2020) (designated precedential: May 5, 2020) Before William M. Fink, Linda E. Horner and Lynne E. Pettigrew)

Patent Owner's preliminary response argued for a discretionary denial of institution due to an advanced state of a related litigation between the parties. After the IPR petition had been filed, the related district court litigation set a trial date to occur six months before the projected deadline for the Board's final written decision (if IPR instituted). The Board ordered supplemental briefing on the issue of discretionary denial to give the petitioner an opportunity to address the new trial date.

The Board also set forth the factors it considered relevant to whether the Board can discretionarily deny an IPR request based on the stage of a related litigation. First, the Board cited to NHK Spring Co. v. Intri-Plex Techs., Inc., IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential, designated May 7, 2019) which addressed efficiency concerns with respect to denying institution of an IPR petition when the related litigation had a trial date occurring before the Board's projected final written decision. In view of these concerns, the Board identified the following as relevant to the issue of whether the Board should discretionarily deny an IPR petition based on the stage of a related 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.

With respect to factor 1 (stay), the Board observed that a stay of the litigation pending IPR, or even a denial of a motion to stay without prejudice to refiling after IPR institution, may weigh against a discretionary denial of IPR institution. The Board also noted that (i) litigations may be stayed pending related ITC proceedings and (ii) ITC proceedings may or may not (as a practical matter) have a preclusive effect on invalidity issues for the related

litigation. Therefore, the Board stated that “parties should also indicate whether the patentability disputes before the ITC will resolve all or substantially all of the patentability disputes between the parties, regardless of the stay.”

With respect to factor 2 (proximity to trial), the Board stated that if “the court’s trial date is at or around the same time as the projected statutory deadline or even significantly after the projected statutory deadline, the decision whether to institute will likely implicate other factors discussed herein, such as the resources that have been invested in the parallel proceeding.”

With respect to factor 3 (investment in parallel proceeding), the Board stated that “if, at the time of the institution decision, the district court has issued substantive orders related to the patent at issue in the petition,” e.g., claim construction opinions, “this fact favors denial.” The Board noted that it may be unfair to a patent owner to face an IPR petition at an advanced stage of a related litigation based on the duplicative costs already spent by the patent owner in the related litigation. The Board also recognized that it is often reasonable for petitioners to wait to file IPR petition until after it learns the identity of the asserted claims in the related litigation. Given these concerns, the parties should explain the facts relevant to timing with respect to the issue of a discretionary IPR denial.

With respect to factor 4 (issue overlap), the Board observed “concerns of inefficiency and the possibility of conflicting decisions . . . if the [IPR] petition includes the same or substantially the same claims, grounds, arguments, and evidence as presented in the parallel proceeding.”

With respect to factor 5 (party overlap), the Board observed that if a “petitioner is unrelated to a defendant” in a related litigation, this fact may weigh against a discretionary denial.” Therefore, an unrelated petitioner should “address any other district court or Federal Circuit proceedings involving the challenged patent to discuss why addressing the same or substantially the same issues would not be duplicative of the prior case.”

With respect to factor 6 (other circumstances), the Board noted that “the exercise of discretion [is] part of a balanced assessment of all the relevant circumstances in the case, including the merits.”

Finally, the Board observed that other factors may be relevant to the issue of a discretionary denial of an IPR petition, including “factors unrelated to parallel proceedings” such as “the filing of serial [IPR] petitions, parallel petitions challenging the same patent, and considerations implicated by 35 U.S.C. § 325(d).” The IPR parties should “explain whether these or other facts and circumstances exist in their proceeding and the impact of those facts and circumstances on efficiency and integrity of the patent system.”

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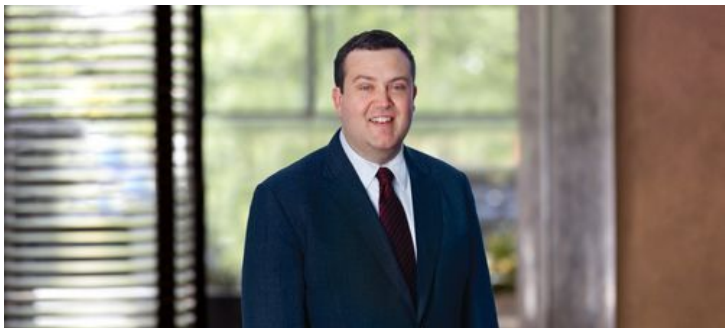
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