

THE PTAB REVIEW

This issue of *The PTAB Review* begins by examining the effect of *Fintiv* on Patent Trial and Appeal Board (PTAB) proceedings dealing with patents asserted in so-called “rocket docket” courts. Next, it provides a brief summary of several recent Federal Circuit cases. It then concludes by summarizing recent developments in the *Arthrex* case at the U.S. Supreme Court and the district court litigation challenging the PTAB’s discretionary denial rules.

Does *Fintiv* Give Plaintiffs in Rocket Docket Courts an IPR Free Pass?

United States district courts might be termed the federal courts of general jurisdiction. Despite being presided over by legal generalists, however, some of these districts have developed a reputation for special expertise in patent cases based especially on seeing a large volume of patent cases. Frequently, patent case volume correlates with the speed at which the court advances cases to trial. Observers at times have thus referred colloquially to the Eastern District of Texas and Eastern District of Virginia as “rocket dockets.” More recently, U.S. District Judge Alan D Albright in the Western District of Texas has been identified as such a rocket docket. It was recently reported that Judge Albright docketed some 20 percent of the entire nation’s patent cases, making him the busiest



judge for patent cases in the country.¹ As reflected in Judge Albright’s February 23, 2021 standing order, by default, Judge Albright schedules a *Markman* hearing at 23 weeks after the case management conference and, at the *Markman* hearing, schedules trial for one year later.² In other words, most patent cases before Judge Albright are at least initially scheduled for trial a little over 18 months after service of the complaint. Similar schedules are sometimes set in other district courts known as “rocket dockets.”

Patent litigants in such jurisdictions should be aware of the interaction between district court scheduling practices and the Patent Trial and Appeals Board’s (the PTAB, or the board) discretion to deny petitions based on the factors enumerated in the precedential opinion *Apple v. Fintiv*, IPR2020-00019, Paper 11 (Mar. 20, 2020) (precedential), including and especially the second factor, the “proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision,” and the third factor, “investment in the parallel proceeding by the court and the

In This Issue

Does *Fintiv* Give Plaintiffs in Rocket Docket Courts an IPR Free Pass?..... Pages 1-3

Federal Circuit Update Page 4

Recent *Arthrex* and *Fintiv* Developments Pages 5- 6

¹ See, e.g., <https://www.law360.com/articles/1361071/judge-albright-now-oversees-20-of-new-us-patent-cases>.

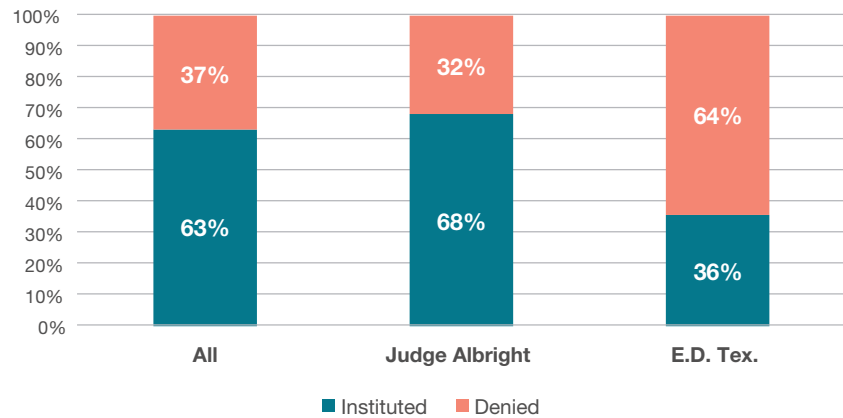
² See *Order Governing Proceedings – Patent Case*, February 23, 2021, <https://www.txwd.uscourts.gov/wp-content/uploads/Standing%20Orders/Waco/Albright/Order%20Governing%20Proceedings%20-%20Patent%20Cases%20022321.pdf>.

parties,” the latter of which includes the petitioner’s diligence in timely filing a petition. *Id.* at 6. The statutory deadline for a final written decision generally falls a little over 18 months after the petition is filed. In other words, even if a petition were filed within days of being served with an infringement complaint from a rocket docket, the initial trial date may still precede the *inter partes* review (IPR) statutory deadline. Although Congress gave petitioners a full year from service of the complaint to file an IPR (35 U.S.C. § 315(b)), the *Fintiv* factors in combination with Judge Albright’s default schedule may appear, at least on paper, to make petitions untimely simply by virtue of responding to a complaint filed in a particular court. This raises the question of how the PTAB has applied the *Fintiv* factors to petitions challenging patents asserted in “rocket docket” courts. In other words, does *Fintiv* give plaintiffs in certain courts a free pass before the board?

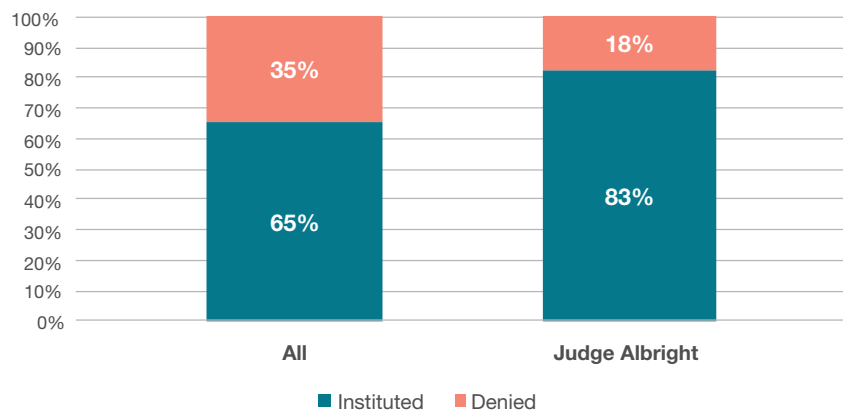
An initial review using Judge Albright as an example indicates that the answer is no. In fact, since *Fintiv* was designated precedential on May 8, 2020, the PTAB has exercised its discretion to deny petitions under *Fintiv* for patents asserted in cases before Judge Albright slightly less frequently than average. In decisions where the *Fintiv* factors were analyzed, the PTAB instituted approximately 63 percent of the time. Yet, for petitions where the parallel proceeding was before Judge Albright, the PTAB instituted 68 percent of the time. In contrast, patent owners litigating in the adjacent Eastern District of Texas have seen much more *Fintiv* success, with the PTAB instituting in only 36 percent of cases evaluating the *Fintiv* factors.

Limiting the data set to decisions issued since December 2020, the chances of a *Fintiv* denial of institution where the parallel proceeding was before Judge Albright only decreased. The PTAB instituted 33 such cases and exercised discretion to deny just seven, for an

Rate of Denial/Institution for *Fintiv* Cases



Rate of *Fintiv* Denial/Institution since Dec. 20, 2020



institution rate of 83 percent. All but two of the instituted cases involved a trial date that preceded the PTAB’s statutory deadline for final written decision. By contrast, over the same period, the PTAB’s institution rate for all *Fintiv* cases was 65 percent. It is conceivable that the effect is driven by an increasing recognition among the PTAB panels that COVID-19 is leading to lengthy delays in jury trial dates. Ironically, COVID-19 delays may have had a greater impact on *Fintiv* analyses where the parallel proceeding is in a courtroom well-known for setting aggressive case schedules in a high number of cases and ultimately having to postpone those schedules (potentially because of the high number of patent cases in that particular court).

Looking more closely at the reasons expressed by the PTAB for instituting cases after completing a *Fintiv* analysis, a number of patterns emerge. Factors that frequently support institution include 1) the petitioner’s diligence in filing the petition; 2) the petitioner offering a stipulation not to present the same grounds of challenge in the parallel proceeding; and 3) a lack of specificity in the trial date and/or possibility of delay. These factors will now be discussed in greater detail.

Petitioner’s Diligence in Filing Petition

For many instituted cases, petitioners have been very diligent in filing petitions as soon as possible. Since December 2020, instituted petitions for Judge Albright cases were filed on

average five months after service of the complaint. In fact, only six of the 34 instituted petitions were filed seven months or later after service of the complaint. For example, in *SK Hynix Inc. v. Netlist, Inc.*, IPR2020-01421, Paper 10 (Mar. 16, 2021), even though trial was scheduled eight months before the PTAB's statutory deadline and the board declined to speculate about possible delays in the trial date, the PTAB noted that this factor was outweighed by petitioner's diligence in filing a petition three months after service of the complaint. Similarly, in *SMIC, Americas v. Innovative Foundry Techs., LLC*, IPR2020-01003, Paper 10 (Dec. 15, 2020), although trial was scheduled three months before the PTAB's statutory deadline, the board noted that the "Petitioner filed the Petition two months after receiving Patent Owner's Preliminary Infringement Contentions [i.e., five months after service of complaint]" which was a "relatively expeditious action [that] weighs against exercising our discretion." *Id.* at 20. In summary, diligence in filing the petition quickly can be a critical factor for avoiding a *Fintiv* institution denial based on a parallel proceeding in a "rocket docket" courtroom.

Sand Revolution and Sotera Stipulations

Another common factor has been the petitioners' willingness to file a stipulation not to assert the same grounds of challenge in the parallel district court litigation. The two most common types of stipulations are 1) those like the one filed in *Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC*, IPR2019-01393, Paper 24 (Jun. 16, 2020) (informative), where the petitioner stipulated to "not pursue the same grounds in the district court litigation" (*id.* at 12), and 2) those like the one filed in *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (Dec. 1, 2020) (precedential), where the stipulation further included "any ground that could have been reasonably raised" (*id.* at 13-14). Both types of stipulations are intended to shift the

balance of *Fintiv* factor 4 ("overlap between issues raised in the petition and in the parallel proceeding") in favor of not exercising discretion. The PTAB has consistently said that a *Sand Revolution*-type stipulation provides "marginall[weight] in favor of not exercising discretion" (*Sand Revolution*, Paper 24 at 12 (emphasis added)) whereas a *Sotera*-type stipulation causes the "factor [to be] weigh[ed] strongly in favor of not exercising discretion to deny institution" (*Sotera*, Paper 12 at 19 (emphasis added)).

In *DJI Europe B.V. v. Daedalus Blue LLC*, IPR2020-01472, Paper 12 (Feb. 17, 2021), for example, the petitioner's willingness to file a *Sotera*-style stipulation "weigh[ed] strongly in favor of institution" despite a trial date scheduled 10 months before the PTAB's statutory deadline. *Id.* at 14. By contrast, in *LG Display Co., Ltd. v. Solas OLED Ltd.*, IPR2020-01055, Paper 10 (Dec. 14, 2020), a *Sand Revolution*-style stipulation was not enough to overcome the nine-month difference between trial date and statutory deadline.

Lack of Certainty in Trial Date

Still, not all of these cases were instituted based solely on factors within the petitioners' control. In several instances, the PTAB noted that the scheduled trial date was either an estimate or not specific enough. For example, in *Intel Corp. v. FG SRC LLC*, IPR2020-01449, Paper 13 (Mar. 3, 2021), the PTAB concluded that "there is no trial date scheduled" because "[t]he Amended Scheduling Order does not set a trial date, and the email from the District Court, which was sent prior to the Amended Scheduling Order, indicates that the November 8, 2021 date is 'estimated' and may be changed." *Id.* at 15. And in *VMware, Inc., v. Intellectual Ventures II LLC*, IPR2020-00859, Paper 13 (Nov. 5, 2020), the PTAB noted that "the court nominally set the trial date for early April 2021, albeit without a specific starting date." *Id.* at 13. In such cases, the court's practice of setting trial dates very early on may actually have the opposite

of the desired effect by calling into the question the likelihood of proceeding as scheduled.

Moreover, many panels were willing to consider arguments about possible delays to the trial date, especially in view of the COVID-19 pandemic. For example, in *HP Inc. v. Slingshot Printing LLC*, IPR2020-01085, Paper 12 (Jan. 14, 2021), the PTAB agreed that "the district court's August 16, 2021 trial date may possibly slip" because multiple trials were set for the same day and there were "eight months of backlogged trials" due to the COVID-19 pandemic, including criminal cases that would take precedence over civil trials. *Id.* at 6-7. Still, in *Samsung Electronics Co., Ltd. et al. v. Ancora Techs., Inc.*, IPR2020-01184, Paper 11 (Jan. 5, 2021), the PTAB rejected similar arguments because "we generally take courts' trial schedules at face value absent some strong evidence to the contrary," and in any case, the difference between trial date and the PTAB's statutory deadline of eight-and-a-half months was too large to overcome based on possible delays.

However, moving forward, the force of such arguments is likely to be diminished. COVID-19 related delays of jury trials are likely to diminish over time and projected trial dates may become more reliable, thus removing one more reason for the PTAB to grant institution.

Conclusion

District court judges who are willing to quickly schedule trial dates can make it challenging for petitioners to overcome the *Fintiv* factors. However, the PTAB so far has been less willing to exercise its discretion to deny institution for patents asserted in certain cases, especially if petitioners exercise diligence in filing petitions and offer stipulations to not bring forth the same grounds of challenge in the parallel litigation. Even as uncertainty in trial dates due to the COVID-19 pandemic abates, both patent owners and petitioners should be mindful of such tools for avoiding discretionary denial under *Fintiv*.

Federal Circuit Update

Anticipation Not Always an Epitome of Obviousness—In *M & K Holdings v. Samsung Electronics*, No. 2020-1160 (Fed. Cir. Feb. 1, 2021), the U.S. Court of Appeals for the Federal Circuit vacated part of the PTAB’s final written decision for violating the notice provisions of the Administrative Procedure Act. Samsung’s petition challenged claim 1 as anticipated by “WD4-v3” and claim 3, which depends from claim 1, as obvious over WD4-v3 in view of two additional references. Samsung acknowledged in its petition that the limitation of claim 3 was not disclosed in WD4-v3. In the final written decision, the PTAB found claim 3 unpatentable as anticipated by WD4-v3 and that “anticipation is the epitome of obviousness.” The Federal Circuit vacated the PTAB’s decision because, although M & K was aware of the prior art used to invalidate the claim, it was not on notice that the limitation of claim 3 might be disclosed in WD4-v3.

No Transitive Property of Estoppel—In *Uniloc v. Facebook*, Nos. 2019-1688, -1689 (Fed. Cir. Mar. 9, 2021), the Federal Circuit affirmed the PTAB’s decision in all respects, including its application of the estoppel provisions of 35 USC § 315(e)(1). Section 315(e)(1) provides that a petitioner “may not request or maintain” an IPR proceeding as to any ground that petitioner “raised or reasonably could have raised” in a prior IPR that resulted in a final written decision as to the same patent claim. Facebook was a joinder party in an IPR challenge brought by Apple against claims 1–6 and 8 of Uniloc’s ’433 patent. All challenged claims were found patentable, but only after the PTAB had instituted Facebook’s separate petition challenging claims 1–8 of the same patent and joined LG Electronics (LG) as a party. The PTAB found that Facebook was estopped from maintaining its later challenge against

the same claims. The PTAB found, however, that LG was not estopped. On appeal, the Federal Circuit first concluded that it had authority to review the PTAB’s application of the estoppel provisions of Section 315(e)(1) where “the alleged estoppel-triggering event occurred after institution.” The Federal Circuit also affirmed the PTAB’s determination that LG’s joinder in Facebook’s IPR did not subject LG to estoppel based on Facebook’s joinder in Apple’s IPR.

Consistency of Agency Decisions—In *SynQor, Inc., v. Vicor Corporation*, No. 2019-1704 (Fed. Cir. Feb. 22, 2021), the Federal Circuit vacated the PTAB’s final decision in an *inter partes* reexamination because it was precluded by the PTAB’s final decision in earlier reexaminations. Vicor challenged three of SynQor’s patents as obvious over various combinations of two prior art references. In two of these reexaminations, the PTAB found the challenged claims patentable on the basis that the two prior art references would not have been combined because they taught circuits that operated at incompatible frequencies. In the third reexamination, the subject of the appeal, the PTAB found the challenged claims unpatentable, stating that they were “not persuaded that the switching frequency differential is sufficient to render the combination unsuitable.” The Federal Circuit vacated that decision, holding that “[F]actual determinations made by the expert agency entrusted by Congress to make those determinations—and to make them finally—need not be endlessly reexamined.”

Enablement of Antibody Claims—In *Amgen v. Sanofi*, No. 2020-1074 (Fed. Cir. Feb. 11, 2021), the Federal Circuit affirmed the district court’s grant of

JMOL of lack of enablement of claims covering evolocumab. Evolocumab is marketed by Amgen as Repatha® for the treatment of high cholesterol. The claims were directed to compositions of isolated monoclonal antibodies capable of binding specific residues of a cholesterol regulatory protein and blocking its binding to a receptor. Amgen’s patents disclosed 26 exemplary antibodies within the scope of the claims. Applying the *Wands* factors, the court highlighted the broad scope of the claims and the unpredictability of the art. The court emphasized that “trial and error” or *de novo* screening would be required to identify antibodies that fall within the scope of the claims. The Federal Circuit held that “[W]hile functional claim limitations are not necessarily precluded in claims that meet the enablement requirement, such limitations pose high hurdles in fulfilling the enablement requirement for claims with broad functional language.”

Passionate Litigation Strategy Ends With Sanctions—In *Arunachalam v. Int’l Bus. Machs. Corp.*, 2020-1493 (Fed. Cir. Mar. 1, 2021), the Federal Circuit affirmed sanctions in the form of attorneys’ fees against a litigant who it found used “outlandish” and “irrelevant invective” that “degrades the dignity and decorum of the court.” Among other issues involved in the case, the *pro se* plaintiff filed multiple unsuccessful motions for recusal of two different district court judges, argued that there was no need to appeal the PTAB’s “ultra vires unconstitutional and hence void decision,” and alleged “lawless misconduct and Constitutional public breach and fraud by the PTAB and the Federal Circuit.” Attorneys similarly can face sanctions, even if a client insists on pursuing a given strategy. *Pirri v. Cheek*, 2020-1959 (Fed. Cir. March 22, 2021).

Recent *Arthrex* and *Fintiv* Developments

Earlier this year, the Supreme Court heard oral arguments in *Arthrex*,³ probing the constitutionality of Administrative Patent Judges' (APJ) appointments. In the Northern District of California, Judge Davila heard oral arguments in *Apple v. Iancu*,⁴ in which parties are challenging the legality of the PTAB's *Fintiv*⁵ case and denying institution based on parallel district court litigation. We provide brief summaries of these recent oral arguments below.

The PTAB on Trial in Arthrex

We previously discussed how the U.S. Court of Appeals for the Federal Circuit in its October 2019 *Arthrex* decision found the appointments of APJs unconstitutional. The Federal Circuit attempted to undo that unconstitutional infirmity by "severing" 5 U.S.C. §7514(a) to make APJs at-will employees, but almost no one was completely satisfied with the decision. In October 2020, the Supreme Court granted certiorari in *Arthrex* to determine whether the PTAB trials are unconstitutional and, if so, whether Federal Circuit's resuscitation attempts were sufficient to cure the appointments problem and keep the PTAB alive. On March 1, 2021, the Supreme Court heard oral arguments in this closely monitored case.

The government argued that the director's control over the PTAB was sufficient to make APJs inferior officers such that there is no Appointments Clause problem. Smith & Nephew similarly argued that APJs only carry

out policy on behalf of the director, and reiterated that it is the director who formally cancels claims found to be unpatentable at the PTAB. But if the questions from Chief Justice Roberts and Justices Gorsuch, Kavanaugh, Barrett, and Thomas are any indication, the Court seemed poised to find the APJs' appointments unconstitutional.⁶ Justice Gorsuch also commented that broad director control might risk due process problems. But the Justices also expressed skepticism about the Federal Circuit's remedy. Instead, the Court appeared inclined to sever the rehearing restriction provision of §6(c) to permit the director to rehear cases.

If a majority of the Court holds the APJ appointments constitutional, however, we can expect some strong dissents. Another possibility is that the Court could simply declare the appointments unconstitutional and leave it to Congress to rewrite the statutes. to give the director authority to override APJ decisions.

A final decision is expected by summer 2021.

Fintiv Fight Continues Without U.S. Inventor in N.D. Cal.

Since being designated precedential in May 2020, *Fintiv*⁷ has been one of the more controversial decisions to come out of the PTAB in recent years. Post-*Fintiv*, petitioners in cases with co-pending district court litigation have had to spend limited petition space addressing the six factors that the PTAB now

considers in deciding whether to exercise its discretion under §314(a) to deny institution. Apple filed a complaint in the Northern District of California back in August 2020, challenging the newly articulated discretionary denial scheme as improper covert rule-making.⁸

In a hearing on January 14, 2021, U.S. District Judge Edward J. Davila considered whether U.S. Inventor could intervene in the suit. A ruling issued three weeks later concluded that joining U.S. Inventor would radically alter the scope of the case and inappropriately inject collateral issues into the existing action. Judge Davila thus decided not to let U.S. Inventor join the suit, noting that the attempted intervenors were open about their goal to seek the opposite outcome as Apple.

More recently, in a March 11, 2021 hearing on Apple's motion for summary judgment, Judge Davila questioned whether the PTAB's practice of issuing precedential decisions dodged the standard notice-and-comment period required under the Administrative Procedure Act. During the hearing, the government argued that the discretionary-denial practice does not amount to a substantive rule requiring notice-and-comment rulemaking because *Fintiv* does not require any predetermined outcome. Apple seized on this argument, arguing that the vagueness of the factors yields speculative, unpredictable, and unfair outcomes. If his questions provide any indication, Judge Davila seemed poised

³ *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 19-1434 (U.S. argued Mar. 1, 2021).

⁴ *Apple Inc. v. Iancu*, No. 5:20-cv-06128-EJD (N.D. Cal. argued March 11, 2021).

⁵ *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (designated precedential on May 5, 2020); *id.*, Paper 15 (P.T.A.B. May 13, 2020) (designated informative on July 13, 2020); *see also NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (P.T.A.B. 2018) (designated precedential May 7, 2019).

⁶ U.S. Const. Art. II, §2, cl. 2.

⁷ *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (Mar. 20, 2020) (designated precedential on May 5, 2020); *id.*, Paper 15 (May 13, 2020) (designated informative on July 13, 2020).

⁸ For an overview of *Fintiv*, see *The PTAB Review*, WILSON SONSINI, October 2020.

to find that the *Fintiv* precedent amounts to a substantive rule and should have gone through notice-and-comment rulemaking—though Judge Davila noted he would need to undertake some careful reading before rendering his decision.

Notably, the United States Patent and Trademark Office (USPTO) did begin

a comment period on discretionary denial after Apple filed its complaint in district court. Those who still regard the PTAB as a patent death squad were quick to comment in favor of discretionary denials. But many voiced a heavy skepticism of *Fintiv* Factor 2, which involves assessing the proximity of the court's trial date to the PTAB's

projected statutory deadline for a final written decision—a practice Judge Davila similarly called arbitrary and inappropriate, given that trial dates often change.

A decision on Apple's motion for summary judgment is expected later this year.

About Our Post-Grant Practice

The professionals in Wilson Sonsini Goodrich & Rosati's post-grant practice are uniquely suited to navigate the complex trial proceedings at the United States Patent and Trademark Office (USPTO). We have extensive experience before the PTAB, representing clients in numerous new trial proceedings and in countless reexaminations and patent interference trials. Our practice includes professionals with decades of experience at the PTAB, including former PTAB personnel. Our core team leverages firmwide intellectual property expertise to provide comprehensive IP solutions for clients that cover strategy, prosecution, licensing, enforcement, and defense.

For more information, please contact:

Michael Rosato

206.883.2529

mrosato@wsgr.com

Steve Parmelee

206.883.2542

sparmelee@wsgr.com

Richard Torczon

202.973.8811

rtorczon@wsgr.com

Lora Green

202.791.8012

lgreen@wsgr.com

Matt Argenti

650.354.4154

margenti@wsgr.com

WILSON SONSINI

650 Page Mill Road, Palo Alto, California 94304-1050 | Phone 650-493-9300 | Fax 650-493-6811 | www.wsgr.com

Austin Beijing Boston Brussels Hong Kong London Los Angeles New York Palo Alto San Diego San Francisco Seattle Shanghai Washington, DC Wilmington, DE

For more information on the current venture capital climate, please contact any member of Wilson Sonsini Goodrich & Rosati's emerging companies practice. To learn more about Wilson Sonsini's full suite of services for entrepreneurs and early-stage companies, please visit the emerging companies section of wsgr.com.

This communication is provided as a service to our clients and friends and is for informational purposes only. It is not intended to create an attorney-client relationship or constitute an advertisement, a solicitation, or professional advice as to any particular situation.

© 2021 Wilson Sonsini Goodrich & Rosati, Professional Corporation. All rights reserved.