Proskauer

Focus on Fintiv: Shift in Patent Office Guidance for Discretionary Denials of Patent Challenges

The Patent Playbook on **March 19, 2025**

On February 28, 2025, the U.S. Patent and Trademark Office announced that it was rescinding a 2022 memorandum that provided guidance regarding the application of the *Apple v. Fintiv* decision to the Patent Trial and Appeal Board's discretion to deny patent challenges with pending parallel district court litigation. The PTO has referred parties back to precedent for guidance including *Apple Inc. v. Fintiv, Inc.* Rescinding the 2022 memorandum also has the effect of effectively removing the proposed rules related to discretionary denial that were under consideration as recently as last year.

35 U.S.C. § 314(a) provides the PTAB discretionary authority to deny institution of an *inter partes review* (IPR) petition based on a pending, related district court litigation. In the *Fintiv* case, the PTAB provided six factors for PTAB judges to weigh when deciding whether to exercise discretion to deny institution of a petition challenging patentability based on a parallel district court litigation. The six factors include: (1) whether a stay was or may be granted; (2) proximity of court's trial date; (3) investment in the parallel proceeding; (4) overlap between issues being raised; (5) whether the parties in both proceedings are the same; and (6) other circumstances, including the merits of the petition.

After the *Fintiv* case, patent challengers faced a stark increase in discretionary denials of IPR petitions where the challenger was involved in a parallel district court litigation regarding the same patents. Because different PTAB judges may give greater weight to different factors in the *Fintiv* analysis concerning discretionary denials of institution, patent challengers faced inconsistency and uncertainty when filing petitions before the PTAB. In fact, in 2022, prior to Director Vidal's guidance, a group of automotive and tech companies wrote to the Secretary of Commerce to voice concerns over the inconsistent application of *Fintiv*. According to these companies, the inconsistent application of the *Fintiv* factors "unfairly denie[d] companies access to PTO inter partes review proceedings."

In June of 2022, former Director Vidal issued a guidance memorandum meant to provide clarity regarding discretionary denials of patent challenges based on pending parallel litigation. Director Vidal's memorandum informed patent challengers that their IPR petitions would ***not*** be denied if: (1) they presented compelling evidence of invalidity; (2) a parallel ITC proceeding was pending; or (3) petitioner stipulates to not raise invalidity grounds that were raised or could have reasonably been raised in the petition. The memorandum also elaborated on the meaning of the second *Fintiv* factor, explaining that PTAB judges would take median time-to-trial into account, as opposed to the scheduled trial date, and would weigh against exercising discretion to deny institution where the median time-to-trial was close to the projected statutory final written decision deadline. The 2022 memorandum's guidance provided patent challengers with some comfort regarding how to avoid a discretionary denial of institution under *Fintiv* based on parallel district court litigation.

Now that the U.S. Patent and Trademark Office has rescinded this memorandum and guidance, patent challengers are thrust back into the uncertainty created by *Fintiv*. Patent challengers may be rightfully concerned that there could be another sharp increase in discretionary institution denials, as was seen shortly after *Fintiv*. Moreover, any safe harbor in Director Vidal's guidance providing concrete ways to avoid discretionary denial of institution under 35 U.S.C. § 314(a) have now been withdrawn. Patent challengers and patent owners alike may face uncertainty as to how any given panel of PTAB judges may rule on a particular IPR petition. As a result, it may be more difficult to form a concrete IPR strategy at the outset of threatened or pending litigation.

On the other hand, patent owners may feel emboldened by the rescindment of the 2022 memorandum as the PTAB can now revert back to wider discretion to deny institution based on parallel district court litigation. Patent owners who file infringement actions in the Eastern or Western Districts of Texas, along with the ITC, known for unusually fast trial schedules, may be more confident that any IPR petitions are not likely to be instituted based on that factor alone. This, in turn, could drive up the number of filings in these districts.

The recent withdrawal of the 2022 memorandum and guidance was issued by an email notice without little explanation. Our team will be monitoring PTAB institution decisions and trends indicating how this withdrawal is impacting discretionary denials. If you have questions about how this ruling could impact your patent litigation strategy, reach out to us for insights tailored to your industry.

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