

No. 23-135

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IN THE  
**Supreme Court of the United States**

INTEL CORPORATION; EDWARDS LIFESCIENCES  
CORPORATION; EDWARDS LIFESCIENCES LLC,

*Petitioners,*

*v.*

KATHERINE K. VIDAL, Under Secretary of Commerce  
for Intellectual Property and Director, United States  
Patent and Trademark Office,

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO  
THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

**BRIEF FOR LEADING INNOVATORS AS  
AMICI CURIAE IN  
SUPPORT OF PETITIONERS**

Jodie Liu

Alexandra Bursak

ORRICK, HERRINGTON &  
SUTCLIFFE LLP

51 West 52nd Street

New York, NY 10019

(212) 506-5000

Mark S. Davies

*Counsel of Record*

ORRICK, HERRINGTON &  
SUTCLIFFE LLP

1152 15th Street N.W.

Washington, D.C. 20005

(202) 339-8475

mark.davies@orrick.com

*Counsel for Amici Curiae*

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**INTEREST OF AMICI CURIAE<sup>1</sup>**

Amici are (or as organizations, represent) the world's top innovators. They lead a range of industries, including electronics (Canon, Inc.; Garmin International, Inc.; and VIZIO, Inc.); software (SAS Institute Inc.); manufacturing (Alliance for Automotive Innovation and VMware); and sports (Acushnet Co.). Although amici have disparate interests, all depend on a healthy patent system that promotes and protects technological investment while preserving access to market alternatives. Inter partes review (IPR) is a vital part of that system. It efficiently and expertly weeds out the bad patents that stand behind abusive litigation and in the way of real innovation and fair competition.

Amici have experienced firsthand how the binding *NHK-Fintiv* rule and the Federal Circuit's refusal to question it have hobbled IPR. The rule empowers the Patent Trial and Appeal Board (the Board) to deny IPR petitions based on the pendency of parallel infringement litigation. For some amici who have been defendants in infringement suits and sought out IPR, the *NHK-Fintiv* rule has meant their meritorious petitions are challenged, and too frequently denied, merely on account of the co-pending litigation. For other amici, the *NHK-Fintiv* rule has had a

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<sup>1</sup> Notice of this amicus brief was provided to all parties' counsel at least ten days prior to filing. No counsel for a party authored the brief in whole or in part. No party, counsel for a party, or any person other than amici curiae and their counsel made a monetary contribution intended to fund the preparation or submission of the brief.

chilling effect on the filing of meritorious petitions altogether. But the *NHK-Fintiv* rule does not only hurt amici; by cutting off access to IPR, it hurts the entire patent system.

Because the Federal Circuit’s refusal to even consider Petitioners’ appeal means that the *NHK-Fintiv* rule will continue to harm the entire patent system, amici urge this Court to grant certiorari and vacate the decision below.

## INTRODUCTION AND SUMMARY OF ARGUMENT

Congress created IPR with a clear goal in mind: “[C]oncerned about overpatenting and its diminishment of competition,” it designed IPR “to weed out bad patent claims efficiently.” *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020). For several years, that is exactly what IPR did. Parties (like amici) faced with bad patents in district court actions turned to the Board for quicker resolution at nearly one-tenth the cost. In just the first five years following its creation, IPR saved parties billions of dollars and helped clear thousands of bad claims from the books.

That all changed with the “*NHK-Fintiv* rule”—the product of Board decisions deemed precedential by the Director of the Patent and Trademark Office. Without heed to Congress’s enactments, the Director instructed the Board not to institute IPR based on the status of related district court litigation—even though Congress expressly contemplated institution of IPR while related district court litigation was pending. The rule caused immediate damage. For

individual IPR petitioners like amici, the Board began refusing to hear otherwise-meritorious petitions merely because of co-pendant litigation, forcing litigants to incur millions of dollars over years and years of litigation. As a result, more bad patents threatened competition and clogged the path to innovation. As the Director has gone on to re-shape the *NHK-Fintiv* rule, the harms—both for litigants and the patent system—have only multiplied. And yet, the Federal Circuit has allowed the *NHK-Fintiv* rule to undermine the patent system by failing to review challenges to the rule.

This brief first demonstrates that the Federal Circuit’s refusal to address the merits of this case is highly consequential. *Infra* § I. Congress specifically provided for institution of IPR within a year of the district court complaint in service of its goal to clear out bad patents. The *NHK-Fintiv* rule overturns Congress’s directive, with disastrous consequences for both the efficiency and integrity of the entire patent system. The Director’s recent changes to the rule have only exacerbated the uncertainty and conflict with the America Invents Act (AIA).

The Federal Circuit’s decision to ignore the damage caused by the *NHK-Fintiv* rule requires this Court’s intervention, especially as the PTO continues to flout the statute. *Infra* § II. The decision is wrong: Nothing in the text of the AIA or this Court’s precedent immunizes PTO policymaking from review, particularly where that policymaking runs headlong into the text of the AIA itself.

## ARGUMENT

### **I. The Question Presented Is Pressing And Important.**

#### **A. Congress established IPR to address serious problems plaguing the patent system.**

The Constitution assigns Congress the “power” to create and maintain a patent system that “promote[s] the Progress of Science and useful Arts.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1374 (2018) (quoting U.S. Const. art. I, § 8, cl. 8). In exercising that power, Congress must strike a “difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information, and commerce on the other hand.” *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984); *cf. Cuozzo Speed Techs. v. Lee*, 579 U.S. 261, 281 (2016) (tradeoff between “draw[ing] useful information from the disclosed invention” and “tying up ... knowledge”).

Over a decade ago, Congress recognized that “difficult balance” was at risk. *See* Pet. 5. There were too many bad patents out there. *See* H.R. Rep. No. 112-98, pt. 1, at 39 (2011) (House Report); *see also SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018). And the costs of challenging them were extremely high. *Cf.* House Report at 40. Non-practicing entities—companies whose only assets are patents acquired from third-party inventors—bought up thickets of patents,

not for innovation but for the sole purpose of asserting them to generate revenue.

The AIA was Congress’s effort to solve that serious problem. A central part of the solution was IPR, a trial-like “procedure [that] allows private parties to challenge previously issued patent claims” before the Patent Office. *SAS*, 138 S. Ct. at 1352. In putting “questions of patentability” before an administrative agency with the “expertise” a lay jury lacks, Congress expected IPR proceedings to reliably and efficiently arrive at the right result. 157 Cong. Rec. S1352 (daily ed. Mar. 8, 2011) (Sen. Udall); see *Thryv*, 140 S. Ct. at 1374. With IPR as an option, companies facing nuisance infringement suits would no longer feel forced to settle due to the high costs of district court litigation; they could instead turn to the Board to quickly, affordably, and reliably cancel patents that the Patent Office never should have issued.

In chapter 31 of Title 35, Congress laid out the criteria the Director of the Patent and Trademark Office must and may consider when deciding whether to institute IPRs. *E.g.*, 35 U.S.C. § 314(a) (the Director must consider whether “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition”); *id.* § 325(d) (the Director “may” consider whether “the same or substantially the same prior art or arguments previously were presented to the Office”).

Congress chose not to include the pace of a co-pending district court infringement action in that list. In fact, Congress expressly provided that a district court defendant could file an IPR petition for an entire

year following the initiation of a district court infringement action. 35 U.S.C. § 315(b). Only if the defendant waits longer is the agency supposed to deny institution. *Cf. id.* § 313 (limiting non-institution arguments in the patent owner’s preliminary response to “failure of the petition to meet any requirement of *this chapter*” (emphasis added)). Congress considered how IPR and district court litigation would work side by side, and it determined the one-year timeline would best “minimize burdensome overlap between inter partes review and patent-infringement litigation.” *Thryv*, 140 S. Ct. at 1375; see 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (Sen. Kyl) (explaining the § 315(b) time frame was extended from 6 months to 1 year to “afford defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation”).<sup>2</sup>

For years, district court defendants turned to the Patent Office when faced with bad patent claims. Most instituted petitions—85%—involved a co-

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<sup>2</sup> Other provisions of the AIA confirm that Congress did not want the Director to consider the progress of district court litigation in institution decisions. After all, Congress knows how to tell the agency to take account of related actions. It authorized the Director to alter, and even “terminat[e],” an IPR if a related matter is also pending before the PTO. 35 U.S.C. § 315(d). Similarly, it chose to bar institution where a petitioner had previously challenged the patent’s validity in a declaratory action, *id.* § 315(a)(1), and to automatically stay declaratory actions if patent challengers file them after petitioning for IPR, *id.* § 315(a)(2). Congress also laid out the preclusive effects of IPR for district court litigation. *Id.* § 315(e).

pending district court case.<sup>3</sup> That system worked well: The PTO instituted IPRs in response to meritorious petitions and cleared out obstacles to innovation. According to 2022 data from the PTO, when an IPR resulted in a final written decision, 76% of the challenged claims were invalidated—meaning they should never have been issued in the first place.<sup>4</sup> That is true of amici’s experience as well. Garmin’s IPR challenge in *Cuozzo*, for instance, successfully resulted in cancellation of the challenged claims.<sup>5</sup> Overall, the PTO reported that only 18% of petitions that ended with a final written decision concluded all challenged claims were rightly patented.<sup>6</sup>

As the Federal Circuit has recognized, the Board’s decisions are also of “high[] quality,” bearing out Congress’s expectation that administrative patent judges’ “technical expertise and experience” would give them a comparative advantage over district courts in assessing patent validity. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1336 (Fed. Cir. 2019), *vacated and remanded sub nom. United States v.*

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<sup>3</sup> See David Ruschke & William V. Saindon, *Chat with the Chief: An Analysis of Multiple Petitions in AIA Trials* 10, USPTO (Oct. 24, 2017), <https://tinyurl.com/y7h9gzzb>.

<sup>4</sup> See PTAB, *PTAB Trial Statistics: FY22 End of Year Outcome Roundup* 13, USPTO, <https://tinyurl.com/35n7nyy5> (last visited Sept. 6, 2023) (5,371 claims found unpatentable of 7,024 claims considered in a Final Written Decision).

<sup>5</sup> *Cuozzo*, 579 U.S. at 270.

<sup>6</sup> *PTAB Trial Statistics*, *supra* note 4, at 11 (85 petitions out of 464 to reach Final Written Decision).

*Arthrex, Inc.*, 141 S. Ct. 1970 (2021).<sup>7</sup> Overall, IPR was hailed as “a significant improvement over district court litigation” and “clearly” successful “as a means to increase patent quality.”<sup>8</sup>

**B. The *NHK-Fintiv* rule undermines the efficiency and integrity of the patent system.**

The *NHK-Fintiv* rule upended the progress made under the AIA. The rule—named after two decisions the Director designated as precedential, *NHK Spring Co. v. Intri-Plex Techs., Inc.*, No. IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018) (*NHK*), and *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (*Fintiv*)—directs the Board to deny meritorious IPR petitions because IPR petitioners are also defendants in ongoing district court infringement actions. Since the mine-run of IPR petitions arise in the context of a parallel infringement action, the *NHK-Fintiv* rule has been dispositive in many cases of whether IPR is instituted at all.

As just explained, Congress determined that opening doors to IPR, not closing them, improves the efficiency of the patent system. Yet the *NHK-Fintiv*

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<sup>7</sup> See also Dan Bagatell, *Fed. Circ. Patent Decisions In 2022: An Empirical Review*, Law360 (Jan. 9, 2023), <https://tinyurl.com/5apvpdbn> (demonstrating the Federal Circuit affirms Board decisions at a substantially higher rate—80%—than district court decisions—57%).

<sup>8</sup> See Sasha Moss et al., *Inter Partes Review as a Means to Improve Patent Quality*, 46 R Street Shorts 1, 4 (Sept. 2017), <https://tinyurl.com/yya2n86u>.



rule denies many district court defendants the benefits of IPR. As a result, more bad patents stay on the books, and more disputes are resolved through expensive, inept, and unpredictable litigation, rather than through the quicker, more efficient, and more consistent IPR. In the face of those serious concerns, the Director justified the *NHK-Fintiv* rule on the grounds that it advances the “efficiency and integrity of the system.” *Fintiv*, Paper 11 at 6. In fact, it does just the opposite.

a. To start, the rule does not enhance the “efficiency ... of the system.” *Fintiv*, Paper 11 at 6. Of course, Congress already decided that opening doors to IPR within one year of being served with a district court complaint, not closing them, improves system efficiency. *Supra* § I.A; *see SAS*, 138 S. Ct. at 1358 (“It is Congress’s job to enact policy and it is this Court’s job to follow the policy Congress has prescribed.”). Congress was right. As a quicker and cheaper way to resolve patent validity disputes, IPR “limit[s] unnecessary and counterproductive litigation costs.” House Report at 40. Unlike litigation, which typically takes years to complete, the Board must render its decision within 12 months of institution.<sup>9</sup> *See* 35 U.S.C. §§ 314(b), 316(a)(11) (agency must make institution decision within three months and reach final written decision within one year of institution). That speed is a function of IPR’s streamlined procedures, which (among other things) limit the grounds of invalidity and the extent of discovery. *See id.* §§ 311(b), 316(a)(5); 37 C.F.R. § 42.51.

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<sup>9</sup> Moss, *supra* note 8, at 2.

IPR is not only quicker and simpler than litigation, but also markedly less expensive: For instance, the median cost of an IPR in 2021 in the electrical or computer sector was \$450,000, compared to the \$4 million it took to resolve a comparable case in litigation.<sup>10</sup> All told, IPR saved petitioners and patent owners approximately \$2.31 billion in deadweight loss during its first five years.<sup>11</sup> These cost-savings are especially critical to smaller, less-established players who rely on IPR to fight off meritless, though expensive, infringement suits.

Consider the situation companies like amici face after the erosion of IPR: Instead of turning to the PTO to quickly clear out bad patents, they must spend millions of dollars and several years to reach to reach the same result. Even relatively “quick” victories in district court cost millions of dollars.<sup>12</sup>

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<sup>10</sup> Am. Intell. Prop. Law Ass’n, *2021 Report of the Economic Survey* 61-62. These numbers may even underestimate the savings in IPR given that there are often multiple litigations concerning the same patent, for instance in district court and before the ITC.

<sup>11</sup> Josh Landau, *Inter Partes Review: Five Years, Over \$2 Billion Saved*, Pat. Progress (Sept. 14, 2017), <https://tinyurl.com/y64yrjhq>; see also Perryman Group, *An Assessment of the Impact of the America Invents Act and the Patent Trial and Appeal Board on the US Economy* 4 (June 2020), <https://tinyurl.com/5bpxtud> (estimating “direct cost savings over the 2014-19 period of \$2.644 billion”).

<sup>12</sup> *2021 Report of the Economic Survey*, *supra* note 10, at 60 (recording median litigation costs of \$2.125 million for discovery, motions, and claim construction when over \$25 million is at risk).

The notion that the *NHK-Fintiv* rule nevertheless improves efficiency rests on the assumption that district courts, because they have scheduled early trial dates, will resolve parallel validity disputes more quickly than the Board will. *Fintiv*, Paper 11 at 9. That is wrong several times over. For starters, trial dates are in fact frequently postponed. As the Petition notes, the *Fintiv* case itself was repeatedly postponed until the court granted summary judgment three years after the Board’s projected trial date. Pet. 10. A recent empirical study reveals that of all the discretionary IPR denials between February 2019 and September 2020, “[o]nly one of the trial dates used in the related institution decisions was accurate.”<sup>13</sup> Many trials “occurred long after the expected trial date listed in the institution denial.”<sup>14</sup> See Pet. 25-26. When the Board denies institution only for the trial date to be pushed near or past the deadline for a final written decision, any supposed efficiency gains from denying IPR disappear.

If there is a risk of “inefficiency and duplication of efforts,” *Verizon Bus. Network Servs. LLC v. Huawei Techs. Co.*, No. IPR2020-01290, Paper 14 at 8 (P.T.A.B. Jan. 25, 2021), the appropriate response is not to shut off access to IPR altogether but to stay district court proceedings upon IPR institution. That is what Congress expected would happen. See *IOENGINE, LLC v. PayPal Holdings, Inc.*, Nos. 18-452, -

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<sup>13</sup> Emily N. Weber, *Balancing Purpose, Power, and Discretion Between Article III Courts and the Patent Office*, 86 Mo. L. Rev. 1019, 1038 (2021).

<sup>14</sup> *Id.* at 1038-39.

826, 2019 WL 3943058, at \*3-4 (D. Del. Aug. 21, 2019) (“Congress intended for district courts to be liberal in granting stays.”). And it is what usually happened before the *NHK-Fintiv* rule took hold.<sup>15</sup> When the district court stays litigation pending an instituted IPR, the parties can avail themselves of the quicker and cheaper administrative process to narrow the issues for the district court or even obviate the need for litigation altogether, just as Congress intended.

The *NHK-Fintiv* rule is inefficient on its own terms, too, because it “fails [the] basic test of how a timing requirement should operate.”<sup>16</sup> From its inception, the rule transformed a clear and predictable timeline into a multi-factor guessing game about how district court litigation will pan out—and now that the Director has thrown even more uncertainty into its operation (as discussed *infra* § I.C), the guessing game has only gotten harder. The considerable resources parties, the PTO, and courts have already spent on the *NHK-Fintiv* rule give lie to any claim of “efficiency”—or equity. *Cf. Mohasco Corp. v. Silver*, 447 U.S. 807, 826 (1980) (“[I]n the long run, experience teaches that strict adherence to the procedural requirements specified by the legislature is the best guarantee of evenhanded administration of the law.”).

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<sup>15</sup> See Docket Navigator, *2019 Year in Review 22*, <https://tinyurl.com/y6rmnldw> (last visited Sept. 6, 2023) (71% of stay requests granted in full).

<sup>16</sup> Joseph Matal, *PTAB Discretionary Denials Are Unpredictable and Illegal*, Law360 (Dec. 13, 2021), <https://tinyurl.com/2p8c3684>.

**b.** The *NHK-Fintiv* rule further frustrates Congress’s goal of improving the integrity of the patent system. One of the most obvious problems with the *NHK-Fintiv* rule is that it exacerbates the serious problem of forum shopping. Because the rule makes institution less likely the sooner a trial date is scheduled, it creates a powerful incentive for plaintiffs (who will generally wish to avoid IPR) to seek out the fora with the speediest dockets and lowest rates of granting stays. For instance, the data reveals that patent infringement plaintiffs—especially non-practicing entities that make their money off litigation—are doing exactly that. The Western District of Texas, which is known for moving its cases along quickly, now sees nearly ten times the patent cases it did just four years ago;<sup>17</sup> it was host to 31.3% of all litigation brought by non-practicing entities in 2022.<sup>18</sup> Indeed, roughly two-thirds of cases initiated by non-practicing entities were brought in just three districts.<sup>19</sup> And, because of the *NHK-Fintiv* rule, that forum shopping is being rewarded, in the form of IPR denials: The Western and Eastern Districts of Texas—two of the three districts targeted by non-practicing entities—accounted for the majority of denials under the *NHK-Fintiv* rule in

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<sup>17</sup> This is based on statistics from Docket Navigator, found at <https://tinyurl.com/3usph8bu>, showing 92 cases were filed in 2018 compared to 879 in 2022 (with a peak of 987 cases in 2021). See also J. Jonas Anderson & Paul R. Gugliuzza, *Federal Judge Seeks Patent Cases*, 71 Duke L.J. 419 (2021).

<sup>18</sup> Unified Patents, *Litigation Analytics*, <https://tinyurl.com/bdhcx2cm> (last visited Aug. 23, 2023).

<sup>19</sup> *Id.*

recent years.<sup>20</sup> These tactics are the natural and predictable result of the *NHK-Fintiv* rule. They feed the “perception that justice in patent cases can be ‘gamed,’” which plainly “does not serve ... the patent system.” S. Rep. No. 110-259, at 53 (2008) (Sen. Specter).

Under the *NHK-Fintiv* rule, there is no good way to counteract that gamesmanship. Well-resourced defendants could forgo the statutorily guaranteed one-year petitioning period and seek IPR as soon as they are served with infringement complaints, “hazard[ing] a guess as to the claims that will be asserted by the Patent Owner,” which could be subject to delays and amendments. *Cisco Sys., Inc. v. Ramot at Tel Aviv Univ. Ltd.*, No. IPR2020-00123, Paper 14 at 12 (P.T.A.B. May 15, 2020) (Crumbley, APJ, dissenting). (Less-established players may not have the knowledge or means to take this tack.) But, historically, that’s been far from a guarantee of success.<sup>21</sup> Meanwhile, especially due to the pressure to seek IPR at the earliest possibility, petitioners would be giving their opponents a sneak-peak at their legal strategy for the infringement suit and getting nothing in return. Thus, for this reason, some industry leaders have refrained from petitioning for IPR at all.

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<sup>20</sup> HTIA, *Comments of The High Tech Investors Alliance in Response to Request for Comments 5*, USPTO (Dec. 6, 2020), <https://tinyurl.com/ye55kkbu>.

<sup>21</sup> Josh Landau, *PTAB Denies IPR Petitions Filed Less Than One Month After Lawsuit*, Pat. Progress (Nov. 19, 2020), <https://tinyurl.com/2p97prtd>.

Even where pushing forward with a rushed petition isn't wholly futile, the costs to petitioners and the Board are substantial. Petitioners who haven't had sufficient time to vet their cases are pressured to file shotgun-style petitions instead of carefully crafted rifle shots with their best arguments. The Board then has to devote additional resources to resolving these bloated, premature petitions. The time crunch could also cause petitioners with strong invalidity claims to end up with weak petitions, subject to denial on the merits under 35 U.S.C. § 314(a).

The rise of *NHK-Fintiv* discretionary denials undermines the integrity of the patent system in still another fundamental way: As the *NHK-Fintiv* rule lowers the likelihood of obtaining IPR, it increases the value of nuisance suits. Some amici companies, as leading high-tech innovators, frequently face frivolous infringement complaints. Indeed, 88% of recent patent disputes involving high tech litigation were filed by non-practicing entities.<sup>22</sup> Cutting off access to IPR eliminates one of the best tools companies like amici have for fighting back these specious claims.

With the availability of IPR in doubt, companies have been and will continue redirecting resources to fighting or, more realistically, settling these nuisance suits. Only a small minority of patent infringement suits are litigated to final judgment. Smaller or newer entrants to the market are especially vulnerable to the extortive efforts of non-practicing entities, as they lack the ability to shoulder the full weight of district

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<sup>22</sup> Unified Patents, *2022 Patent Dispute Report* (Jan. 5, 2023), <https://tinyurl.com/43u6e45p>.

court litigation. Settling may be the right business move, but it leaves questionable patents still standing, ready to be reasserted over and over again.

Congress was driven to create IPR because it knew that “overpatenting” results in the “diminishment of competition.” *Thryv*, 140 S. Ct. at 1374. By rewarding abusive tactics and blunting the best tool for invalidating dubious patents, the *NHK-Fintiv* rule undermines the most basic aim of IPR: to “improve patent quality.” House Report at 40. This is of particular concern to the amici companies. But it is a problem for everyone: Poor-quality patents and litigation abuse diminish investor confidence in patent rights, crowd out real innovation, and ultimately threaten the United States’ “competitive edge in the global economy.” House Report at 40. And they do all that without any countervailing benefit.

The problem has only gotten worse as the Federal Circuit refuses to step in. The Petition chronicles how “*Sotera*” stipulations have compromised the “purposes of IPR” by pushing petitioners to give up their “statutory rights.” Pet. 27-28. In another example, the Board has denied institution where the related proceedings include cases that do not even involve the petitioner. *See Fitbit, Inc. v. Philips N. Am. LLC*, No. IPR2020-00828, Paper 13 at 10-12, 15-16 (P.T.A.B. Nov. 3, 2020); *Mylan Labs. Ltd. v. Janssen Pharm. NV*, No. IPR2020-00440, Paper 17 at 13-14, 16-17, 19 (P.T.A.B. Sept. 16, 2020). For some time, it also extended the *NHK-Fintiv* rule to investigations in the International Trade Commission (ITC), even though the ITC lacks the legal authority to cancel invalid patents. *See, e.g., Comcast Cable Commc’ns., LLC v.*



*Rovi Guides, Inc.*, Nos. IPR2020-00800, IPR2020-00801, IPR2020-00802, Paper 10 (P.T.A.B. Oct. 22, 2020). And the Board applied the rule capriciously. In 2011, the Board relied on *NHK-Fintiv* to deny institution where trial was scheduled to precede the Board’s final written decision by three to eleven months—but instituted IPRs where trial was scheduled to precede the final written decision by the exact same lead time of three to eleven months.<sup>23</sup>

**C. The PTO’s recent announcements reinforce and exacerbate the *NHK-Fintiv* rule’s defects.**

Perhaps recognizing the widespread confusion and discontent spawned by the *NHK-Fintiv* rule, the PTO has recently taken steps to quell concerns. But, as the Petition explains (at Pet. 28-30, 32), these measures only underscore how divorced the PTO’s understanding of the *NHK-Fintiv* rule is from the congressional design for IPR proceedings.

The PTO Director’s June 2022 memorandum purporting to “clarif[y] ... the [Board’s] current application” of the *NHK-Fintiv* rule in fact sharpens the disconnect between the Board’s approach and the statutory scheme. Memorandum from Katherine K. Vidal to PTAB, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation 2 (June 21, 2022), <https://tinyurl.com/bd9kp23s> (“Interim Guidance”). Under the AIA, institution of IPR is warranted when there is a “reasonable likelihood” that the IPR petitioner will

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<sup>23</sup> Matal, *supra* note 16.

prevail. 35 U.S.C. § 314(a). The Interim Guidance, however, declares that the Board will only refrain from discretionarily denying institution of IPR pursuant to the *NHK-Fintiv* rule “where a petition presents compelling evidence of unpatentability.” Interim Guidance 2. In other words, the Interim Guidance hinges institution of IPR on a showing of “compelling merits,” rather than subjecting IPR petitions to the AIA’s “reasonable likelihood” inquiry.

The Interim Guidance was intended to tide over the *NHK-Fintiv* rule’s uncertainty until the PTO could pursue rulemaking, which it took steps towards in April 2023 by issuing an Advance Notice of Proposed Rulemaking (“ANPRM”). Changes Under Consideration to Discretionary Institution Practices, 88 Fed. Reg. 24,503 (Apr. 21, 2023). But the proposal in the ANPRM, far from curing the numerous defects of the *NHK-Fintiv* rule, reveals the PTO’s intent to fashion the *NHK-Fintiv* rule into an IPR scheme that is entirely at odds with the statute.

To start, the ANPRM reinforces the Interim Guidance’s mistake of contradicting the standard for instituting IPR established by Congress. Not only does the ANPRM seek to cement a “compelling merits” standard, it goes beyond that to emphasize that an IPR petitioner satisfies that standard only “when the evidence of record before the Board at the institution stage is *highly likely* to lead to a conclusion that one or more claims are unpatentable by a *preponderance of the evidence*.” 88 Fed. Reg. 24,507 (emphasis added). The ANPRM expressly acknowledges that the “compelling merits” standard is a “higher standard than the reasonable likelihood required for the

institution of an IPR” under the AIA, and even “higher than the preponderance of the evidence standard ... that applies to final determinations of patentability at the close of trial.” *Id.* at 24,507-24,508. The ANPRM thus impermissibly (and openly) ratchets up the showing petitioners must make to obtain IPR.

It also flips the IPR process on its head by essentially demanding a full-blown merits evaluation of a petition at the institution stage. That is as unrealistic as it is inequitable. At the very outset of an IPR proceeding, a petitioner often lacks the benefit of discovery or even the ability to know the patent-holder’s likely position in the proceeding, which may not come out until the patent holder files its preliminary response to the IPR petition months later. *See* 35 U.S.C. § 314(b). And the statute provides petitioner no opportunity to respond to the patent-holder’s arguments before the PTO decides whether to institute IPR. *See id.* Given the statutory procedure, the ANPRM’s demand for a “compelling merits” case at the institution stage is grossly premature.

The near-impossibility of the “compelling merits” standard is compounded by the pressure to file quickly after the filing of a district-court action. Like the *NHK-Fintiv* rule, the ANPRM also curtails the availability of IPR in conflict with the AIA’s one-year statute of limitations for instituting IPR. Under the ANPRM’s proposal, the Board will deny institution of IPR if it determines that trial in a parallel district-court action is likely to occur, as largely determined by the district court’s median time-to-trial statistics,

before the statutory deadline for a final written decision on an IPR petition. 88 Fed. Reg. 24,514.

In practice, this proposal may doom many IPR petitions before they even get off the ground, considering the typical timeline of an IPR proceeding. Especially under the “compelling merits” standard, it will take an IPR petitioner substantial effort and time to put together a “compelling” petition that the “preponderance of the evidence” reveals at least one of the claims in the district-court proceeding to be unpatentable on the merits. 88 Fed. Reg. 24,507. Even if an IPR petitioner were able to draft and file a “compelling merits” petition almost immediately after the institution of a district-court action—despite the AIA’s allowance of a one-year timeframe—the Board by statute then has three months after the filing of the patent-holder’s preliminary response, or approximately six months from the filing of the petition, to decide whether to institute IPR. *See* 35 U.S.C. §§ 314(b); 315(b). The statutory deadline for a final written decision is then a full year after the decision to institute IPR. *Id.* § 316(a)(11). Thus, the standard time between the institution of the district-court action and the Board’s statutory deadline to issue a final written decision is well over eighteen months, at minimum. Several district courts with heavy patent dockets, meanwhile, have comparable median time-to-trial statistics; in the Eastern District of Texas, for instance, the median time to trial is just over 24 months.<sup>24</sup> The ANPRM’s timing proposal thus means

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<sup>24</sup> *See, e.g.,* Angela Morris, *How Top US Patent Courts Compare on Median Time-to-Trial Statistics*, Docket Navigator (June 27, 2022), <https://tinyurl.com/yck4efnd>.

that the Board in many cases will have automatic grounds to deny review.

All of that is just the start of where the ANPRM’s proposal derails from the AIA’s tracks governing IPR proceedings. The ANPRM also, for instance, seeks to establish a “substantial relationship” test under which the Board may discretionarily deny an IPR petition if the petitioner has a purportedly “substantial relationship” with another entity that has a pending or concluded IPR—even if neither is a real party interest or privy of the other party. In the AIA, however, Congress specified that IPR estoppel applies to the “petitioner” and “the real party in interest or privy of the petitioner.” 35 U.S.C. § 315(e). Such additional proposals in the ANPRM further highlight the divergence between the PTO’s intended application of the *NHK-Fintiv* rule and the congressional design embodied in the AIA.

## **II. The Decision Below Is Wrong And Warrants Review.**

This Court’s law is clear that where the PTO has “engaged in ‘shenanigans’ by exceeding its statutory bounds, judicial review remains available consistent with the Administrative Procedure Act, which directs courts to set aside agency action not in accordance with law or in excess of statutory jurisdiction, authority, or limitations.” *SAS*, 138 S. Ct. at 1359 (quotation marks omitted). That is exactly the situation here, and yet the decision below immunizes these violations—and many others—from judicial scrutiny. It cannot stand.

The *NHK-Fintiv* rule is “not in accordance” with the AIA. Congress enacted a bright-line rule permitting IPR when parallel infringement litigation is pending, and the PTO replaced it with a speculative, malleable standard that blocks IPR because of parallel infringement actions. *See supra* § I.A; Pet. 25. Congress did not empower the Director to disregard its will, immune from judicial review. Yet the Federal Circuit bestowed such immunity. It did so based on its flawed analysis of 35 U.S.C. § 314(d) that fails to heed this Court’s repeated admonition to “begin with the text,” *e.g.*, *Rutledge v. Pharm. Care Mgmt. Ass’n*, 141 S. Ct. 474, 483 (2020)—indeed, the court did not address the language of § 314(d) at all.

Section 314(d), titled “No Appeal,” provides that “[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.” Its plain terms concern review of a single determination whether to institute IPR. Section 314(d) addresses appealability from “the determination,” “using a definite article with a singular noun” and thus indicating its concern with “a discrete thing”—a specific determination. *Niz-Chavez v. Garland*, 141 S. Ct. 1474, 1483 (2021). Likewise, § 314(d) describes the determination at issue in individual terms: It is a decision “whether to institute *an* inter partes review.” 35 U.S.C. § 314(d) (emphasis added). Again, “Congress’s decision to use the indefinite article ‘a’” provides further “evidence that it used the term” to indicate “a discrete, countable thing,” *Niz-Chavez*, 141 S. Ct. at 1481—an individual institution determination, not entire policies about the conditions of IPR.

The language imposing the review bar confirms Congress limited it to individual institution determinations. Section 314(d) provides that “the” determination to institute “an” inter partes review is “nonappealable.” But, as the Federal Circuit recognized, Petitioner’s “statutory and arbitrary-and-capriciousness challenges in this case focus directly and expressly on *institution standards*, nothing else.” Pet. App. 14a (emphasis added). Petitioners’ challenges thus do not seek to “appeal” from *any* PTO institution determination; the challenges are an appeal from a district court complaint concerning the lawfulness and soundness of the PTO’s policymaking under the Administrative Procedure Act. *See* Pet. 11-12. Nothing in the text of § 314(d) addresses that situation, let alone bars its review.

Indeed, § 314(d) does not preclude review of PTO policymaking—particularly where, as here, that policymaking runs contrary to statute. That is consistent with this Court’s long line of reviewability precedent, as the Petition explains. *See* Pet. 14-20. The APA’s strong presumption in favor of reviewability can only be overcome by clear congressional direction, which is why this Court has repeatedly held reviewable standards for agency decisionmaking even where review of specific agency actions was barred. *Id.* The Federal Circuit’s decision is flatly at odds with that precedent.

Rather than the statutory text or this Court’s precedent, the Federal Circuit drew its expansive non-reviewability principle from “the inevitability and congressional expectation of the Director’s delegation of the institution decision, given the large number of institution decisions.” *See* Pet. App. 16a-

17a. But the scale of the PTO's operations cannot excuse it from statutory compliance. If, as this Court has explained, "nothing in § 314(d) or *Cuozzo* withdraws our power to ensure that an inter partes review proceeds in accordance with the law's demands," practical constraints are certainly no excuse for breaching the law's demands. *SAS Inst.*, 138 S. Ct. at 1359. To the extent scale has any role to play in the reviewability analysis, the "large number of institution decisions" only confirms the importance of judicial review. Congress could not have silently empowered the PTO to enact sweeping rules that touch on every IPR without regard to its statutory directions.

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Under the Federal Circuit's protection, the *NHK-Fintiv* rule has done serious damage to the patent system and is poised to do yet more. And yet the problem doesn't end with the *Fintiv* rule. See Pet. 28, 32-33. The Federal Circuit issued the PTO a blank check to prescribe whatever policy it chooses concerning the institution for IPR. This Court should grant certiorari to affirm the statutory structure surrounding inter partes review.



**CONCLUSION**

The petition for a writ of certiorari should be granted.

Respectfully submitted,

Jodie Liu  
Alexandra Bursak  
ORRICK, HERRINGTON &  
SUTCLIFFE LLP  
51 West 52nd Street  
New York, NY 10019

Mark S. Davies  
*Counsel of Record*  
ORRICK, HERRINGTON &  
SUTCLIFFE LLP  
1152 15th Street N.W.  
Washington, D.C. 20005  
(202) 339-8475  
mark.davies@orrick.com

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