

No. 21-202

IN THE
Supreme Court of the United States

MYLAN LABORATORIES LTD.,

Petitioner,

v.

JANSSEN PHARMACEUTICA, N.V.,

Respondent.

On Petition for a Writ of Certiorari to the United
States Court of Appeals for the Federal Circuit

**BRIEF OF *AMICUS CURIAE* INTEL CORP.
IN SUPPORT OF PETITIONER**

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INTEREST OF *AMICUS CURIAE*¹

Intel Corporation is a global leader in semiconductor products, including hardware and software products for networking, telecommunications, cloud computing, artificial intelligence, autonomous driving, and other applications. Intel’s chips power many of the world’s computers, from everyday desktops and laptops to the servers at the backbone of the modern digital economy. Intel has several major manufacturing facilities in the United States, and it is embarking upon expanding its manufacturing footprint to enable it to continue to push the U.S. semiconductor industry forward, manufacture chips for other U.S. companies, and support key U.S. governmental initiatives. Nearly half of Intel’s over 115,000 employees are located in the United States. Intel is thus an important part of the U.S. economy, and its technologies are critical to the country’s global competitiveness and national-security readiness.

Intel holds a substantial patent portfolio; it routinely places in the top ten annually in number of patents granted by the U.S. Patent and Trademark Office (PTO). While Intel has defended its innovations as a patent-litigation plaintiff in the past, over the last fifteen years Intel’s experience—like that of many technology companies—has increasingly been as a defendant in suits by

¹ Pursuant to Supreme Court Rule 37.6, counsel for *amicus curiae* state that no counsel for a party authored this brief in whole or in part, and no party or counsel for a party, or any other person other than *amicus curiae* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. All parties have consented in writing to the filing of this brief.

sophisticated non-practicing entities seeking return on litigation as a portfolio investment strategy.

Intel's experience with *inter partes* review confirms that it is an invaluable means of combating invalid patents. Intel also has substantial experience with the recently enacted PTO policy at issue in this case—that is, the “*NHK-Fintiv* rule,” which requires the Patent Trial and Appeal Board (PTAB) to decline to institute *inter partes* review when it determines that conducting review would be “inefficient” in light of parallel district-court infringement proceedings. In Intel's experience, the *NHK-Fintiv* rule leads to perverse and unjustifiable outcomes. It also exceeds the PTAB's statutory authority and violates the Administrative Procedures Act (APA), 5 U.S.C. 701 *et seq.* Intel is a plaintiff in *Apple Inc. v. Iancu*, No. 20-cv-6128 (N.D. Cal.), an APA suit challenging the *NHK-Fintiv* rule in district court.

Intel agrees with petitioner Mylan Laboratories, and with petitioner Apple Inc. in *Apple Inc. v. Optis Cellular Technology, LLC*, No. 21-118, that denials of institution based on the *NHK-Fintiv* rule should be reviewable on appeal. Intel submits this amicus brief to address the *NHK-Fintiv* rule's invalidity and negative consequences.

INTRODUCTION AND SUMMARY OF THE ARGUMENT

In the America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress created *inter partes* review to further “the public's ‘paramount interest in seeing that patent monopolies[] are kept within their legitimate scope.’” *Cuozzo Speed Techs., LLC v. Lee*, 136 S.

Ct. 2131, 2144 (2016). To that end, Congress conferred broad authority on the PTAB “to revisit and revise earlier patent grants.” *Id.* at 2139-2140. *Inter partes* review is thus a streamlined administrative proceeding designed to “improve patent quality” while “limit[ing] unnecessary and counterproductive litigation costs.” H.R. Rep. No. 112-98, at 40 (*House Report*).

The PTAB’s *NHK-Fintiv* rule—which the PTAB must apply in determining whether to decline to institute *inter partes* review based on a parallel district-court infringement action involving the same patent—cannot be reconciled with Congress’s fundamental purpose in creating *inter partes* review. Through various AIA provisions, Congress established that when parallel district-court proceedings are underway, *inter partes* review ordinarily should serve as a *substitute* for litigation that narrows the issues that must be litigated in district court. Yet the *NHK-Fintiv* rule requires the PTAB to refuse to institute *inter partes* review when six discretionary factors weigh against it. Those factors examine little more than the existence of a parallel district-court proceeding. The rule thus renders *inter partes* review unavailable in the very situations in which Congress thought it was most necessary. That perverse result cannot be reconciled with the AIA’s provisions governing the interaction of *inter partes* review and district-court litigation. The *NHK-Fintiv* rule therefore exceeds the PTAB’s statutory authority.

The *NHK-Fintiv* rule also undermines the efficient operation of the patent system. Although the PTO defends the *NHK-Fintiv* rule on the ground that efficiency concerns warrant denying institution when the district-court action will proceed to judgment first, the PTO routinely errs in predicting when patent trials will occur.

Intel's own experience demonstrates just how ill-positioned the PTAB is to make predictive judgments about district-court litigation. The upshot is that companies like Intel are denied *inter partes* review for reasons that not only have nothing to do with the merits of their invalidity contentions, but that are based on fundamental misjudgments about the state of play between the parties.

The rule also encourages litigants to split validity issues between their IPR petitions and district-court proceedings to maximize the chance of institution, undermining the IPR system's error-correction function. Finally, the *NHK-Fintiv* rule promotes exactly the type of forum-shopping by patent plaintiffs that this Court attempted to arrest four years ago in *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017), eroding efficacy of judicial review in the patent system. This Court's review is warranted.

ARGUMENT

I. THE *NHK-FINTIV* RULE CANNOT BE RECONCILED WITH THE AMERICA INVENTS ACT.

A. The *NHK-Fintiv* rule frustrates the fundamental purpose of *inter partes* review.

1. The central purpose of *inter partes* review is to provide an efficient alternative pathway for resolving validity issues that the challenger previously could bring only in litigation. At the time of the AIA's enactment, Congress understood that infringement litigation—in particular, over-enforcement of weak patents

by non-practicing entities—was imposing severe costs on innovative companies. In the two decades leading up to the AIA’s enactment, lawsuits by non-practicing entities cost accused infringers half a trillion dollars—and those losses were not offset by corresponding gains to patent holders that promote innovation. See James Bessen & Michael J. Meurer, *The Direct Costs from NPE Disputes*, 99 Cornell L. Rev. 387, 389-390 (2014). Such lawsuits therefore were understood to have “a negative impact on innovation and economic growth.” Executive Office of the President, *Patent Assertion and U.S. Innovation 2* (June 2013).

A significant part of the problem is that although a defendant may defend against allegations of infringement by claiming that the asserted patents are invalid, doing so creates uncertainty and requires significant litigation costs. See Am. Intellectual Prop. Law Ass’n, *Report of the Economic Survey* 41 (2017) (“AIPLA Survey”) (calculating median cost of litigating a single claim of a high-value patent to be \$3 million); PricewaterhouseCooper, *2018 Patent Litigation Study* 4 (2018).² Patents are presumed valid in litigation, 35 U.S.C. 282, and jury trials give rise to significant uncertainty, enabling non-practicing entities to extract substantial settlements even when the asserted patents are likely invalid.

Congress designed *inter partes* review to provide a procedure for invalidating bad patents that is “more efficient and streamlined” than litigation. *House Report* 40; Andrew J. Lagatta & George C. Lewis, *How Inter Partes Review Became a Valuable Tool So Quickly*,

² <https://www.ipwatchdog.com/wp-content/uploads/2018/09/2018-pwc-patent-litigation-study.pdf>.

Law360 (Aug. 16, 2013)³; AIPLA Survey at 43; 35 U.S.C. 316(a)(11). Congress sought to establish an *alternative* to litigation that would enable companies to devote their resources to innovation rather than litigation. *House Report* 48; 157 Cong. Rec. S5319 (daily ed. Sept. 6, 2011) (*inter partes* review is a “substitute” for litigation) (statement of Sen. Kyl); *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020) (“[C]oncerned about overpatenting and its diminishment of competition,” Congress “sought to weed out bad patent claims efficiently.”).

Congress well understood that many—if not most—*inter partes* review proceedings would take place in parallel with district-court infringement proceedings. See, e.g., 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl); Jeffrey Kushan, *3 Years of Coordinating Litigation with PTAB Proceedings*, Law360 (Sept. 14, 2015).⁴ Post-enactment empirical evidence bears out Congress’s understanding; most *inter partes* review proceedings concern patents that are also the subject of infringement litigation between the IPR petitioner and the patentee. See, e.g., Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. Chi. L. Rev. Dialogue 93, 103 (2014) (80% of instituted IPR proceedings concerned a patent that was also the subject of litigation).

Several features of the *inter partes* review framework reflect the fact that Congress intended that *inter partes* review would take precedence over parallel district-

³ <https://www.law360.com/articles/463372/how-inter-partes-review-became-a-valuable-tool-so-quickly>.

⁴ <https://www.law360.com/articles/700323/3-years-of-coordinating-litigation-with-ptabproceedings>.

court litigation by addressing disputed validity issues, thereby narrowing the issues to be resolved in litigation. Congress provided numerous procedural guardrails that discourage splintering issues between *inter partes* review and litigation, and that assume that *inter partes* review ordinarily will proceed first:

- Section 314(a) conditions the availability of *inter partes* review upon a showing of a reasonable likelihood of success, incentivizing accused infringers to assert the strongest possible grounds for challenging the patent and to assert multiple grounds at once.
- Section 314(a) also provides that if the Director institutes *inter partes* review, he must do so for *all* of the claims challenged in the petition, guaranteeing a complete resolution of all asserted invalidity issues. See *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354-1356 (2018).
- Section 315(d) provides that if *inter partes* review is instituted and results in a final written decision, the petitioner is estopped in district-court litigation from raising invalidity claims that it raised or could have raised in the *inter partes* review proceeding.
- Section 315(b)—particularly relevant here—requires that when an IPR petitioner is a defendant in an infringement action, it must seek *inter partes* review within one year after being served with the complaint. That reflects Congress’s intention that accused infringers would be able to obtain *inter partes* review notwithstanding the existence of district-court litigation. In addition, Congress expected that district courts would often avoid duplication of effort by staying infringement suits to permit IPR proceeding to conclude first. See *Murata Mach. USA*

v. *Daifuku Co.*, 830 F.3d 1357, 1362 (Fed. Cir. 2016). In the context of post-grant PTAB review of covered business-method patents, Congress expressly provided that the ability of such review to narrow the issues in litigation should weigh in favor of staying the litigation. AIA § 18(b)(2). The Federal Circuit has held that the same consideration is equally applicable in the context of *inter partes* review. *Murata*, 830 F.3d at 1362.

Collectively, these provisions establish that when an infringement defendant petitions for *inter partes* review and the PTAB institutes review, the IPR proceeding—not the district-court action—should be the primary forum for resolving the accused infringer’s invalidity contentions. Cf. *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) (precursor re-examination proceedings “free[d] the court from any need to consider prior art without the benefit of the PTO’s initial consideration”). That makes sense: given that the very purpose of *inter partes* review is to provide a streamlined *alternative* to litigation, review should be used to *narrow* the issues that must be resolved in district court.

2. The *NHK-Fintiv* rule therefore frustrates the very purpose of *inter partes* review. That rule establishes a binding policy against instituting IPR when the six factors indicate that instituting IPR would be inefficient in light of parallel litigation involving the same patent claims. But virtually all of those factors are directed to routine aspects of district-court litigation that Congress already anticipated may be present *whenever* an infringement defendant seeks *inter partes* review. See *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, 2020 WL 2126495, at *2 (P.T.A.B. Mar. 20, 2020).

First, the PTAB considers whether there is “overlap between issues raised in the petition and in the parallel proceeding.” See, e.g., *Apple Inc. v. Maxell, Ltd.*, No. IPR2020-00203, 2020 WL 3662522, at *7 (P.T.A.B. July 6, 2020). But overlap will often be present, as the *inter partes* review is designed to provide a streamlined administrative forum for adjudicating some of the same invalidity contentions that previously could be raised only in litigation. Second, the PTAB considers whether the IPR petitioner and the district-court defendant are the same party—but again, Congress expected there would often be identity of parties. See, e.g., 35 U.S.C. 315(d). Third, the PTAB considers the extent to which the parties and the court have invested in the district-court action—but given that Section 315(b) affords infringement defendants one year to seek *inter partes* review, and that preparing an IPR petition is time-consuming, there will almost always be *some* amount of investment in the district-court action. Fourth, the PTAB considers the existence of a trial date earlier than the PTAB’s statutory deadline for completing the IPR proceeding—but district courts often set putative trial dates at the outset, knowing that those dates will be pushed back as the litigation proceeds. Finally, the PTAB views the absence of a stay of proceedings in the district court as militating against institution—but the district court would rarely stay an action *before inter partes* review is instituted.

Because the *NHK-Fintiv* factors focus on oft-present, routine aspects of parallel district-court proceedings, the rule contemplates denying institution based on little more than the *existence* of a parallel infringement suit. But the very purpose of *inter partes* review is to provide a streamlined alternative to litigation. The *NHK-Fintiv*

rule thus cannot be reconciled with Congress’s fundamental purpose in providing for *inter partes* review.

B. The AIA does not grant the PTAB authority to adopt the *NHK-Fintiv* rule.

1. The PTO’s primary defense of the *NHK-Fintiv* rule is that Section 314(a) grants the PTAB broad discretion to decide whether to institute an IPR proceeding. That provision states that the PTAB “may not” institute *inter partes* review “unless” there is a reasonable likelihood that the petitioner will prevail with respect to at least one claim, but it does not *mandate* institution of *inter partes* review in any circumstance. 35 U.S.C. 314(a); *Cuozzo*, 136 S. Ct. at 2140. Nonetheless, as an administrative agency whose discretion is conferred and limited by statute, the PTAB must exercise its discretion over IPR institution consistent with the surrounding statutory provisions. See *SAS Inst.*, 138 S. Ct. at 1354-1356. In addition to being inconsistent with the purpose of *inter partes* review, the *NHK-Fintiv* rule cannot be reconciled with Section 315(b).

Section 315(b) provides that “[a]n *inter partes* review may not be instituted if the petition” was filed more than one year after the petitioner was served with a complaint alleging infringement of the patent in question. That provision reflects Congress’s substantive judgment that the defendant in an infringement action should have one year to seek *inter partes* review, notwithstanding the existence of a parallel district-court proceeding. But as discussed above, the *NHK-Fintiv* rule establishes a policy of denying institution of a *timely* IPR petition, based on little more than the *existence* of the parallel infringement action. That is inconsistent with Section 315(b). While that provision does

not prohibit the PTAB from denying institution even of timely filed petitions, the PTAB may only do so based on considerations that do not conflict with Congress's intent that parallel district-court proceedings should be no obstacle to seeking *inter partes* review within the one-year limitations period.

Section 315(a) reinforces the conclusion that Congress intended to authorize IPR proceedings that run in parallel with federal litigation. Section 315(a) states that *inter partes* review "may not be instituted" if the petitioner has already instituted a declaratory judgment action challenging the validity of the patent. Congress thus knew how to provide that the existence of a parallel proceeding would bar institution of *inter partes* review.

In addition, the *NHK-Fintiv* rule conflicts with Congress's judgment that *as a general matter*, instituting *inter partes* review within one year after the filing of an infringement suit will not unduly disrupt the litigation. Section 315(b)'s one-year time bar reflects Congress's balancing of the need to avoid permitting an IPR petition to interfere with a district-court action that has already substantially progressed towards judgment, *House Report 47*, with the need to ensure that accused infringers would have adequate time to investigate the plaintiff's claims and prepare their IPR petitions. 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl) (explaining that "[h]igh-technology companies * * * are often sued by defendants asserting multiple patents with large numbers of vague claims, making it difficult to determine in the first few months of the litigation" which claims should be the subject of an IPR petition). Section 315(b) thus reflects Congress's judgment that a generally applicable limitations period of one year

best balances those considerations—notwithstanding the possibility of individual situations in which the parties might have substantially invested in the district-court action even before one year has passed. The *NHK-Fintiv* rule contradicts those judgments by directing PTAB panels to deny review based on a case-by-case re-balancing of the very considerations that Congress already weighed in establishing a general rule.

2. The PTAB also has justified the *NHK-Fintiv* rule as promoting efficiency by avoiding duplication of efforts by the PTAB and the district court. But the AIA does not permit the PTAB to use efficiency as a justification for declining to institute *inter partes* review based on parallel proceedings. Although Section 316(b) instructs the Director to consider “the efficient administration of the Office,” among other things, in “prescribing regulations” governing *inter partes* review, the *NHK-Fintiv* rule is not embodied in a regulation, and the PTAB may not prioritize its conception of efficiency over the AIA’s statutory commands. See *SAS Inst.*, 138 S. Ct. at 1357 (rejecting argument that PTAB could use efficiency concerns to justify practice of partially instituting *inter partes* review). Here, Congress contemplated that *inter partes* review would often proceed in parallel to an infringement action, and made a policy judgment that IPR proceedings instituted within one year would promote efficiency in the aggregate. That judgment displaces the agency’s authority: the existence of a parallel action, and the mere potential for duplication of effort in any particular instance, cannot be sufficient to justify denying institution. See *Cent. United Life Ins. v. Burwell*, 827 F.3d 70, 73 (D.C. Cir. 2016) (“Disagreeing with Congress’s expressly codified policy choices isn’t a luxury administrative agencies enjoy.”).

Moreover, Congress intended that any efficiency concerns raised by possible duplication of effort in parallel proceedings would be addressed by the district court, not by the PTAB. Congress contemplated that district courts would often stay infringement litigation to permit the PTAB to address the petitioner’s invalidity contentions in the first instance—thereby conserving the *district court’s* resources and sparing the parties the burden of litigation. See *IOENGINE, LLC v. PayPal Holdings, Inc.*, No. 18-452-WCB, 2019 WL 3943058, at *3-4 (D. Del. Aug. 21, 2019) (“Congress intended for district courts to be liberal in granting stays[.]”); see p. 8, *supra*. Under the *NHK-Fintiv* rule, however, PTAB panels attempt to conserve *PTAB* resources by declining to institute *inter partes* review based on predictive judgments about whether the district-court action will conclude before the IPR proceeding. See, e.g., *Supercell Oy v. Gree, Inc.*, No. IPR2020-00310, 2020 WL 3368960, at *5 (P.T.A.B. June 18, 2020). That approach turns on its head Congress’s intent to lessen *district-court* burdens.

For all of those reasons, the *NHK-Fintiv* rule exceeds the PTAB’s statutory authority.

II. THE *NHK-FINTIV* RULE UNDERMINES THE EFFICIENT OPERATION OF THE PATENT SYSTEM.

A. The purported efficiency benefits of the *NHK-Fintiv* rule are largely illusory.

The PTAB’s efficiency justification for the *NHK-Fintiv* rule not only exceeds the agency’s permissible considerations under the AIA, it is also wrong as a practical matter. The *NHK-Fintiv* rule does not actually further efficiency. In fact, it does the opposite: it precludes *inter*

partes review based on nothing more than the PTAB's ill-informed, often-wrong predictions about the course of district-court litigation.

The PTO's argument rests on the proposition that district courts that have scheduled early trial dates will resolve validity disputes faster than the PTAB. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 9 (P.T.A.B. Mar. 20, 2020). The problem is that putative trial dates set by district courts early in patent litigation are often unreliable. Courts routinely set aspirational trial dates to encourage litigants to act with celerity in discovery and motion practice. Similarly, courts often set cases for trial close together on the assumption that some or all of the matters will settle or otherwise resolve before trial, as most federal civil cases do. When discovery takes longer than anticipated or cases do not settle as expected, trial dates move.

The PTO has proven remarkably inexpert in predicting the pace of litigation in the district courts. In *Fintiv* itself, the PTAB denied an IPR petition filed by Apple on the ground that "trial is scheduled to begin two months before we would reach a final decision" if *inter partes* review were instituted. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, 2020 WL 2486683, at *3, *7 (P.T.A.B. May 13, 2020). Trial was later rescheduled to after the deadline for the PTAB to issue a final written decision had it instituted the *inter partes* review.

Intel has suffered from the PTAB's errant speculation about the likely course of patent litigation in district court. A non-practicing entity owned by the large hedge fund Fortress Investment Group, VLSI Technology LLC, filed three separate suits against Intel in the Western District of Texas, involving eight

different patents. All three cases were set for trial *on the same day* in October 2020.

Intel timely filed seven IPR petitions seeking review of various patents at issue in these VLSI-filed lawsuits. The PTAB denied all of the petitions. See, e.g., *Intel Corp. v. VLSI Technology LLC*, IPR2020-00112, 2020 WL 2544910, Paper 15 (P.T.A.B. May 19, 2020). In its orders applying the *NHK-Fintiv* rule, the PTAB freely acknowledged that three trials could not occur simultaneously in a single courtroom, *id.* at *4 (conceding that “at least two of the trials will not occur on October 5”), but concluded that because it was *possible* that one trial could begin before the IPR proceeding had run its course, the bare existence of a trial date—however implausible—weighed against granting the petition. *Id.*

Later, Intel filed a second wave of IPR petitions in February 2020, including a petition regarding a patent asserted in the third *VLSI* case. See *Intel Corp. v. VLSI Tech. LLC*, No. IPR2020-00582, 2020 WL 5846628, at *3 (P.T.A.B. Oct. 1, 2020). By that time, the Western District of Texas had issued a new scheduling order fixing a trial date for only the *first* of the three *VLSI* cases, and providing that the trial dates for the second and third cases were “[t]o be set by the Court in each case.” *Id.* at *3. The still PTAB refused to institute the IPR proceeding on *NHK-Fintiv* grounds. Despite the lack of *any* firm trial date, the PTAB explained that there was “no indication” that the trial would not start by the October 2021 deadline for the IPR decision. *Id.*

Ultimately, *none* of the three trials originally set for the same day in October 2020 began by that date. All three trial dates were delayed between four and fourteen months. The first *VLSI* trial began in February

2021, and the second began in April 2021. The third trial is set to begin this December—*after* the October 2021 statutory deadline for concluding the second-wave IPR proceedings, had they been instituted. See Order Resetting Jury Selection & Trial, *VLSI Tech. LLC v. Intel Corp.*, No. 1:19-cv-977, ECF No. 525 (W.D. Tex. May 17, 2021).

For Intel, the consequences of the PTAB's discretionary denials were severe. Instead of obtaining the fast and comparatively low-cost determination of the validity of VLSI's patents that Congress contemplated, Intel has been forced to expend substantial resources litigating multiple related cases through trial in district court. High-level Intel engineers had to spend their time participating in the litigation and testifying at trial. And they did so in response to a non-practicing entity's assertion of patents that may have been proven invalid had the IPR process run its course. Compounding the problem, the district-court litigation was an inferior forum for litigating the validity of the patents at issue: Intel had just 15 hours of trial time to present its entire case, resulting in abbreviated time to present invalidity to the jury. Intel ultimately suffered a \$2.175 billion damages verdict that commentators have flagged as a significant outlier.⁵

As Intel's experience illustrates, the *NHK-Fintiv* rule denies the benefits of *inter partes* review to defendants

⁵ See, e.g., Josh Landau, *One Case, All the Problems: VLSI v. Intel Exemplifies Current Issues in Patent Litigation*, Patent Progress (Mar. 15, 2021), <https://www.patentprogress.org/2021/03/15/one-case-all-the-problems-vlsi-v-intel-exemplifies-current-issues-in-patent-litigation/>.

accused of infringing potentially invalid patents based on little more than the PTAB's error-prone forecasts about when district court litigation *might* proceed to trial.⁶ The *NHK-Fintiv* rule replaces the swift and certain IPR process with a lottery system where any particular defendant may be irrevocably deprived of any vehicle to obtain speedy patent review.

B. The *NHK-Fintiv* rule promotes fragmentation of issues between district court and IPR proceedings.

The *NHK-Fintiv* rule also undermines Congress's design by forcing accused infringers to fragment their invalidity contentions between the district-court action and an IPR petition. As explained above, the AIA contemplates overlap between IPR petitions and the challenger's litigation positions. See 157 Cong. Rec. S1041 (daily ed. Mar 1, 2011) (statement Sen. Kyl) (explaining that the AIA's limitations period and related provisions were designed to "coordinate" *inter partes* review with litigation). Congress anticipated that district courts would address that overlap by either staying the litigation, or by proceeding to trial anyway (a decision that

⁶ The rule also has the effect of precluding *inter partes* review whenever there is a parallel International Trade Commission investigation. Because the ITC typically holds evidentiary hearings within nine to twelve months after filing, the ITC proceeding will almost always be resolved before the IPR proceeding. The PTAB accordingly has denied institution when there was a parallel proceeding before the ITC, even though the ITC's validity determinations do not bind either the PTO or the district court. See, e.g., *Intel Corp. v. Koninklijke Philips N.V.*, IPR2021-00328, Paper 9 (P.T.A.B. July 16, 2021). There is no evidence that Congress intended this result.

reflects the court’s conclusion that any duplicated effort is not problematic under the circumstances).⁷

The *NHK-Fintiv* rule thwarts this institutional design by enabling the PTAB effectively to compel petitioners to fragment issues between IPR proceedings and infringement litigation. Under the rule, the existence of “overlap between issues raised in the petition and in the parallel proceeding” is frequently invoked to deny *inter partes* review, even when the issues are not in fact identical. See, e.g., *Maxell*, 2020 WL 3662522, at *5-6 (holding that “overlap between issues” discretionary denial even though the “obviousness ground[s] asserted” in each proceeding were “not identical”). Indeed, a recent survey of *NHK-Fintiv* institution decisions concluded that of the six *NHK-Fintiv* factors, the issue-overlap factor is one of the two most determinative. See Brenton Babcock & Tyler Train, *PTAB Factors for Instituting IPR: What the Stats Show*, Law360 (Sep. 18, 2020).⁸

Unsurprisingly, IPR petitioners have responded to the *NHK-Fintiv* rule by attempting to minimize substantive overlap between their IPR petitions and their pending litigation. See David McCombs et al., *IPR Tricks of the Trade: Use of Stipulations to Overcome a Fintiv*

⁷ If the district court proceeds to judgment first and concludes that the patent is not invalid, *inter partes* review could still proceed. A judicial decision or jury verdict upholding a patent holds only that the challenger did not meet the demanding clear-and-convincing-evidence standard. In *inter partes* review, the challenger need only establish invalidity under the lower preponderance-of-the-evidence standard.

⁸ <https://www.law360.com/articles/1309742/ptab-factors-for-instituting-ipr-what-the-stats-show>.

Challenge in Patent Litigation, Reuters (Aug. 26, 2021).⁹ This often means petitioners are forced to file weaker petitions than they otherwise would by omitting potentially meritorious issues that overlap with the litigation. Compounding the problem, the PTAB has encouraged petitioners to stipulate not to pursue in litigation “any ground raised or that could have been reasonably raised in an IPR” to forestall application of the *NHK-Fintiv* rule. *Sand Revolution II, LLC v. Cont’l Intermodal Grp.–Trucking LLC*, No. IPR2019-01393, 2020 WL 3273334, at *5 n.5 (P.T.A.B. June 16, 2020). Effectively, such stipulations force IPR petitioners to defend the district-court action as though they are already subject to IPR estoppel *during the pendency of the IPR proceeding*—but Congress provided that statutory estoppel rules do not take effect until the PTAB has issued its final written decision. 35 U.S.C. 315(d).

The *NHK-Fintiv* rule therefore puts alleged infringers on the horns of a dilemma. If an infringement defendant does not raise an issue as a defense in the litigation to avoid overlap with its IPR petition, the defendant may be deemed to have forfeited the defense, either via waiver or expressly by stipulation. See *Sand Revolution II*, 2020 WL 3273334, at *5 n.5. (stating that the IPR petition should have “expressly waived in the district court any overlapping patentability/invalidity defenses”). But if the infringement defendant instead raises an issue in litigation but holds it back from its IPR petition, it weakens the petition and undermines

⁹ <https://www.reuters.com/legal/legalindustry/ipr-tricks-trade-use-stipulations-overcome-fintiv-challenge-patent-litigation-2021-08-26/>.

the IPR system's ability to comprehensively resolve patentability questions.

C. The *NHK-Fintiv* rule promotes forum-shopping.

A final problem with the *NHK-Fintiv* rule is that it encourages the forum-shopping that has plagued the patent system in recent decades. Patent plaintiffs typically wish to avoid *inter partes* review, because the high costs and slow pace of patent litigation are powerful means to extract favorable settlements from defendants, even in cases involving weak patents. See *Commil USA, LLC v. Cisco Sys., Inc.*, 575 U.S. 632, 646 (2015). Because the rule makes *inter partes* review less likely to be instituted the sooner a district court schedules a trial date, infringement plaintiffs have a substantial incentive to file suit in venues with the speediest dockets or with a local practice of setting trial dates early in litigation.

There is considerable evidence that the *NHK-Fintiv* rule has in fact concentrated patent cases in a handful of venues known for setting trial dates quickly. For example, the number of patent infringement suits in the Waco Division of the Western District of Texas, which often sets trial dates at *Markman* hearings within five months of the filing of a patent infringement complaint, has grown 845% between 2018 and 2020.¹⁰ Eighty-three percent of the cases filed in the Western District of Texas were brought by non-practicing entities who do

¹⁰ See Pauline Pelletier et al., *How West Texas Patent Trial Speed Affects PTAB Denials*, Law360 (Feb. 16, 2021), <https://www.law360.com/articles/1355139/how-west-texas-patent-trial-speed-affects-ptab-denials>.

not make or sell services or products embodying their patented technologies.¹¹ And the strategy is working: an analysis by the High Tech Inventors Alliance concluded that together, the Western District of Texas and the Eastern District of Texas—another venue with a swift patent docket—account for nearly 80% of *NHK-Fintiv* denials.¹²

The *NHK-Fintiv* rule thus does not merely foreclose *administrative* review of questionable patents in many cases. It also undermines effective *judicial* review by encouraging venue-shopping. This sort of forum shopping is particularly pernicious in patent cases, for several reasons. First, robust judicial review serves as a necessary check on the PTO's power to award patents, which is prone to error. Research suggests that half of the patents that are litigated to judgment are deemed invalid. See Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1496 n.4 (2001). By 2016, 75% of patent case filings were concentrated in just nine judicial districts. See Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 Stan. Tech. L. Rev. 1, 8 (2017). The *NHK-Fintiv* rule has only accelerated that trend. This extraordinary concentration of patent cases in a small number of district courts overextends the judiciary and renders judicial review of PTO

¹¹ See UnifiedPatents, *2020 Patent Dispute Report: Year in Review* (Jan. 1, 2021), <https://www.unifiedpatents.com/insights/2020-patent-dispute-report-year-in-review>.

¹² HTIA, *Comments of the High Tech Inventors Alliance* at 5, USPTO (Dec. 2, 2020), <https://www.regulations.gov/comment/PTO-C-2020-0055-0819>.

decision-making less efficacious. It also encourages district courts faced with a deluge of patent cases to adopt procedural mechanisms to abate the pressure by limiting their review of patents or curtailing pretrial motion practice—devices that typically disadvantage accused infringers. See, *e.g.*, Standing Order Regarding Motions Under 35 U.S.C. § 101 (E.D. Tex. Nov. 10, 2015)¹³ (adopting rule requiring leave of court and a showing of good cause before a defendant may bring an early motion challenging patent validity).

Second, the forum-shopping the *NHK-Fintiv* rule encourages leads patent owners to select venue based on factors that have nothing to do with convenience to either party or the extent of the injury suffered in the forum. Empirical evidence suggests that venue-selection in patent cases is particularly sensitive to factors affecting litigation strategy, such as a district court’s adopting rules favorable to patent plaintiffs. See Saurabh Vishnubhakat, *Reconceiving the Patent Rocket Docket: An Empirical Study of Infringement Litigation 1985–2010*, 11 J. Marshall Rev. Intell. Prop. L. 58, 64 (2011) (finding that the number of patent cases filed in the Eastern District of Texas increased nearly eightfold following the district’s adoption of specialized patent rules). As the experience in the Western and Eastern Districts of Texas since the *NHK-Fintiv* rule went into effect demonstrates, the rule is the latest example of a seemingly esoteric procedural change exercising an outsized impact on decision-making regarding patent venue.

¹³ https://www.txed.uscourts.gov/sites/default/files/judge-Files/Standing_Order_Regarding_Motions_Under_35_USC_101.pdf

Third, forum-shopping by litigants seeking to evade *inter partes* review undermines the sound development of patent law. This Court has long recognized the benefits of allowing difficult legal questions to percolate throughout the horizontally distributed lower courts. *E.g.*, *Maryland v. Balt. Radio Show*, 338 U.S. 912, 918 (1950). Because patent appeals are consolidated in a single intermediate appellate court, it is particularly important that a diversity of district courts be given an opportunity to weigh in on difficult questions. See *Improving Federal Court Adjudication of Patent Cases, Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the U.S. H.R. Judiciary Comm.*, 109th Cong., 1st Sess. 28 (2005) (“[H]aving only one trial court for all patent cases would eliminate the percolation that currently occurs among the various district courts. Having numerous courts simultaneously considering similar issues permits the law to evolve[.]”).

This Court’s recent jurisprudence has served as a check on forum-shopping in patent litigation. In *TC Heartland*, 137 S. Ct. 1514, the Court held that a corporation resides only in its State of incorporation for purposes of the patent venue statute, 28 U.S.C. 1400(b). The opinion that *TC Heartland* abrogated, *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1577 (Fed. Cir. 1990), had been widely perceived as concentrating patent venue in a handful of plaintiff-friendly courts. The *TC Heartland* decision helped stem—if not reverse outright—the overconcentration of patent cases in those courts.

The *NHK-Fintiv* rule threatens to halt that progress in its tracks. There is every reason to think that forum-shopping will accelerate while the *NHK-Fintiv* rule re-

mains in place. Notwithstanding the fact that the forum-concentration consequences of the rule are already manifesting and rapidly worsening, at least one judge in the Western District of Texas has adopted a set of local patent rules intended to push cases quickly to trial and has publicly stated that he will virtually never stay litigation in favor of the IPR process. See Ryan Davis, *Albright Says He'll Very Rarely Put Cases on Hold for PTAB*, Law360 (May 11, 2021).¹⁴ If neither the PTAB nor the district courts that are becoming the favored forums for infringement suits by non-practicing entities will take steps to curb the baleful effects of venue concentration, then this Court should.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

¹⁴ <https://www.law360.com/articles/1381597/albright-says-he-ll-very-rarely-put-cases-on-hold-for-ptab>.

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