The PTAB’s Ground-Breaking Decision in Apple v. Fintiv Promises to Make IPR Institutions More Challenging

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The Patent Trial and Appeal Board’s (“PTAB”) institution rate for inter partes reviews (“IPRs”) has fallen virtually every year. In its recent decision in Apple, Inc. v. Fintiv, Inc. issued on May 13, 2020, the PTAB denied institution of Apple’s petition for IPR and set forth a new test for determining whether to institute an IPR based on the status of the underlying district court proceedings, which suggests that institution rates may continue to fall.

Ever since inception of the AIA, the institution rate of IPRs has declined significantly almost every year. According to published PTAB statistics, the institution rate has fallen from a high of over 87% in 2013 to a low of 63% in 2019 and is only 55% so far in 2020.[1] An analysis of the data reveals that the driving force behind the falling IPR rate appears to be the recent and dramatic increase in the rate of discretionary denials under 35 U.S.C. §314(a). Under that statute, an IPR may not be instituted unless there is a “reasonable likelihood that the petitioner would prevail” on at least one patent claim challenged in the petition.[2] Over the past four years, discretionary denials have increased from only 5 petitions denied under §314(a) in 2016 to 75 petitions denied under §314(a) in 2019.[3] That number is expected to more than double in 2020.[4]

A recent decision by the PTAB is a good illustration of the PTAB’s exercise of its broad discretion to deny institution under §314(a) in view of the advanced stage of the underlying district court proceeding.

In a landmark decision designated as precedential or binding, the PTAB recently exercised its discretion under §314(a) to deny institution of an IPR petition filed by Apple against Fintiv, Inc., a company that develops mobile commerce platforms to support mobile marketing and mobile payments.[5] In Apple, the PTAB announced and applied a new six-factor test to be used in determining whether to deny institution based on the advanced status of the underlying district court case. Technically, the six factors were articulated in the PTAB’s order authorizing supplemental briefing on whether to grant a discretionary denial a couple months earlier,[6] and a different list of non-exclusive factors was set forth in General Plastic Co., Ltd.
v. Canon Kabushiki Kaisha,[7] but the present six-factor test was not designated as precedential until the PTAB’s May 13, 2020 decision. In any event, the parties’ dispute began when Fintiv filed suit against Apple for patent infringement in the Western District of Texas.[8] Apple filed its IPR petition ten months later, and the parties were in the relatively early stages of discovery when the PTAB issued its decision. In denying institution, the PTAB announced and considered the following six factors: (1) whether the District Court had granted a stay or evidence exists that the Court would grant a stay if the IPR were instituted; (2) the proximity of the court’s trial date to the PTAB’s expected deadline for a final decision in the IPR proceeding; (3) the investment by the parties and the court in the district court proceedings; (4) the degree of overlap between the issues raised in the IPR and the district court case; (5) whether the parties in the two proceedings are the same; and (6) any other factors that might affect the Board’s discretion, including the merits of the IPR petition.[9]

First, the PTAB observed that neither party had requested a stay pending the IPR and “declined to infer” whether a stay would be granted if the IPR were instituted, which did not weigh for or against institution. Second, the PTAB noted that trial in the district court was expected to occur two months before the Board’s deadline for a final decision in the IPR proceeding, which weighed in favor of a discretionary denial.[10] Third, even though fact discovery was only “in its early stages, with document production ongoing and depositions just getting underway,” the PTAB noted that the district court had issued a Markman ruling, and the parties had exchanged their final infringement and invalidity contentions.[11] Based on the parties’ investment in the district court case, the PTAB considered this factor to weigh “somewhat in favor” of a discretionary denial.[12] Fourth, although Apple had raised additional invalidity contentions in the district court case that were not at issue in the IPR, the PTAB reasoned that the assertion of additional invalidity contentions in the District Court is “not relevant to the question of the degree of overlap.” Instead, because the identical patent claims were challenged in both proceedings, and because “same [prior] art” was presented in both proceedings, this factor weighed in favor of discretionary denial.[13] Fifth, because Apple and Fintiv were parties in both proceedings, this factor also weighed against institution. Finally, the PTAB’s “initial inspection” of Apple’s petition revealed “certain weaknesses,” such as where the prior art disclosed certain steps and other claimed features. In conclusion, the PTAB determined that the balance of factors weighed in favor of discretionary denial and that “efficiency is best served by denying institution.”[14]

**Takeaways:** Discretionary denials under §314(a) are increasing. Patent owners seeking to defeat institution of IPR petitions may wish to emphasize the weaknesses in the merits of the IPR petition and argue that the denial of institution will save judicial and party resources. On the other hand, IPR petitioners may wish to file their petitions sooner and not wait the full twelve-month statutory period allowed before filing their IPR petition in order to give the district court proceedings less time to reach an advanced state. Additionally, petitioners may wish to challenge more or different patent claims in the IPR than challenged in the district court case to reduce the degree of overlap between the IPR and district court proceedings. For the same reason, petitioners seeking institution may also wish to assert additional or other invalidity contentions, prior art or prior art combinations in the IPR petition in order to reduce the degree of overlap between the IPR and district court proceedings.

**FOOTNOTES**


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[4] Id.


[8] Id. at 8.

[9] Id. at 7-8.

[10] Id. at 13.


[12] Id.

[13] Id. at 15.

[14] Id. at 17.

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