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Insights from Month One of Acting Director Stewart's Decisions on Discretionary Denial under the *New Interim Processes for PTAB Workload Management*

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Just three months ago, Acting Director of the U.S. Patent and Trademark Office (USPTO) Coke Morgan Stewart rescinded existing guidelines governing the Patent Trial and Appeal Board's (PTAB) discretion to deny petitions for *inter partes* review (IPR) and post-grant review (PGR) when parallel litigation is already pending in federal district court or the U.S. International Trade Commission (ITC). Acting Director Stewart replaced those guidelines with new interim processes that rely on the Director to issue decisions on patent owners' requests for discretionary denials.

Since implementing these new processes, Acting Director Stewart has issued 19 Director decisions on discretionary denial, all within a period of just over 30 days. Of those, eight requests for discretionary denials were granted and 11 were denied. While much uncertainty remains concerning discretionary denials, one thing is clear from these early Director decisions: patent owners and patent challengers alike must approach patentability challenges at the PTAB in a new way – at least while the interim processes remain in place.

A Historical Overview of the Swinging Pendulum for Discretionary Denials

In 2020, the PTAB issued two key precedential opinions that addressed considerations for deciding discretionary denials: *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (***Fintiv***) and *Sotera Wireless, Inc. v. Masimo Corp*., IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (***Sotera***). In *Fintiv*, the PTAB established six factors to be weighed:

1. Whether the district court granted a stay or evidence exists that one may be granted if the PTAB proceeding is instituted;
2. Proximity of the district court's trial date to the PTAB's projected statutory deadline for a Final Written Decision;
3. Investment in parallel litigation by the district court and the parties;
4. Overlap between issues raised in the parallel litigation and the PTAB proceeding;
5. Whether the plaintiff and the defendant in the parallel litigation are the same parties as those in the PTAB proceeding; and
6. Any other circumstances that may impact the PTAB's exercise of discretion, including the merits of the petition for IPR or PGR.

Soon after the *Fintiv* decision, the PTAB issued its *Sotera* decision, identifying the fourth *Fintiv* factor (i.e., overlapping issues) as a key consideration. In *Sotera*, the PTAB found that, where the patent challenger filed a stipulation in the PTAB proceeding agreeing not to pursue in the parallel district court litigation any ground either raised or that could have been reasonably raised in the IPR proceeding, such stipulation weighed strongly against a discretionary denial of institution. After the *Sotera* decision, it became commonplace for a patent challenger to submit a *Sotera* stipulation when opposing a discretionary denial to show that the district court litigation and the PTAB proceeding would not overlap.

In 2022, then-current Director Katherine Vidal issued a memorandum entitled *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation*-that clarified the

application of *Fintiv* and *Sotera*. Under the Vidal memorandum, institution of an IPR or PGR would not be denied under *Fintiv* when (1) a petition presents "compelling evidence of unpatentability," (2) when a request for discretionary denial is based on a parallel proceeding, or (3) where a *Sotera s*tipulation is submitted to the PTAB. The Vidal memorandum also provided that *Fintiv* factor two (i.e., time to trial) should not outweigh all other factors and that the PTAB may consider statistics on median time-to-trial in the district court in addition to the actual trial date scheduled.

At the end of February 2025, the USPTO rescinded the Vidal memorandum and once again looked to *Fintiv* and *Sotera* for guidance on discretionary denials.

In March 2025, PTAB Chief Administrative Patent Judge Scott Boalick issued a memorandum explaining how discretionary denials should be addressed in view of the USPTO's rescission of the Vidal memorandum. The Boalick memorandum reinforced the applicability of the *Fintiv* factors and stressed the high relevance of a *Sotera* stipulation. It also emphasized that the PTAB may consider any evidence on time to trial and provided that the *Fintiv* factors would also be applied where the parallel proceeding is in the ITC.

Acting Director Stewart Introduces New Interim Processes for Discretionary Denials

Shortly after the Boalick memorandum, Acting Director Stewart issued a new memorandum on March 26, 2025, entitled *Interim Processes for PTAB Workload Management* that rescinded the USPTO's prior procedures for deciding discretionary denials of IPRs and PGRs and put in place new bifurcated processes that rely heavily on the Director's decision making. Under the new bifurcated processes, discretionary denials first are reviewed by the Director, in consultation with a panel of PTAB judges. If discretionary denial is warranted, then the Director denies the petition. If not warranted, the Director issues that decision and then a panel of PTAB judges decides whether to institute based on non-discretionary considerations and the merits of the petition.

The Stewart memorandum also provides that any considerations relevant to discretionary denial may be relied on, including:

7. Existing PTAB precedent, including *Fintiv*; *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (Sept. 6, 2027); *Advanced Bionics, LLC v. MED-EL Elektromedizinische Gertite GmbH*, IPR2019-01469, Paper 6 (Feb. 13, 2020);
8. "Whether the PTAB or another forum has already adjudicated the validity or patentability of the challenged patent claims;"
9. "Whether there have been changes in the law or new judicial precedent since issuance of the claims that may affect patentability;"
10. "The strength of the unpatentability challenge;"
11. "The extent of the petition's reliance on expert testimony;"
12. "Settled expectations of the parties, such as the length of time the claims have been in force;"
13. "Compelling economic, public health, or national security interests;" and
14. "Any other considerations bearing on the Director's discretion," which may include "the ability of the PTAB to comply with pendency goals for *ex parte* appeals, its statutory deadlines for AIA proceedings, and other workload needs."

Scorecard for Director Decisions on Discretionary Denials in the PTAB under the New Bifurcated Processes: 8 Granted, 11 Denied

Acting Director Stewart has issued 19 Director decisions on discretionary denial under the new bifurcated processes. Starting on May 16, 2025, two discretionary denials were granted and two were denied. In all four decisions, the time to trial in the district court, as compared to the PTAB's projected Final Written Decision date, was critical to the outcome:

Discretionary Denial Granted:

- In *Arm Ltd. and Mediattek, Inc. v. Daedalus Prime LLC*, Acting Director Stewart granted a discretionary denial where time to trial statistics projected a trial date to occur before the PTAB would issue its Final Written Decision.
- In *Ericsson and Verizon Wireless v. Procomm International*, Acting Director Stewart granted a discretionary denial where the scheduled and statistically projected trial date in the district court litigation would occur before the projected Final Written Decision date.

Discretionary Denial Denied:

- In *Twitch Interactive, Inc. v. Razdog Holding, LLC*, Acting Director Stewart denied a patent owner's request for discretionary denial even though the district court had not scheduled a trial date in the parallel litigation. The patent challenger relied on time-to-trial statistics that projected a trial date occurring well after the projected Final Written Decision date in the PTAB and submitted evidence that both the district in which the parallel litigation resides and the presiding judge were likely to grant a stay.
- In *Amazon.com v. NL Giken, Inc*., Acting Director Stewart denied a request for discretionary denial where the district court's scheduled trial date was before the date for the projected Final Written Decision in the PTAB, but the time-to-trial statistics suggested the trial would not begin until after the issuance of the Final Written Decision.

On June 6, 2025, Acting Director Stewart issued a fifth Director decision, this time granting discretionary denial based on the parties' "settled expectations":

Discretionary Denial Granted:

- In *iRhythm Technologies, Inc. v. Welch Allyn, Inc.*, Acting Director Stewart preliminarily recognized several factors that weighed against discretionary denial, including that the trial date was likely to occur after the PTAB's projected Final Written Decision; there was little investment in the parallel litigation; there was a high likelihood the parallel litigation would be stayed; and the petition was not overly reliant on expert testimony. Notwithstanding those, Director Stewart granted the discretionary denial based on the patent challenger's failure to challenge the patent sooner (the patent challenger had known of the patent for years and even cited it in an information disclosure statement filed during prosecution of the patent challenger's own application) and the "settled expectations" of the parties.

The next week, on June 12 and 13, 2025, Acting Director Stewart issued 13 more Director decisions. Of those, discretionary denial was granted in four and denied in the remaining nine:

Discretionary Denial Granted:

- In *Tessel, Inc. v. Nutanix, Inc.*, Acting Director Stewart granted a request for discretionary denial based on "unfair dealings," where named inventors later sought to challenge the patent they were awarded.
- In *Advanced Micro Devices, Inc. et al. v. Concurrent Ventures, LLC et al.*, Acting Director Stewart granted a request for discretionary denial where there had already been substantial investment in the parallel district court proceedings, despite conflicting statistics on time to trial and the possibility that the district court could grant the petitioner's motion to transfer the litigation.
- In *Shenzen Tuozhu Technology Co., Ltd*, *v. Stratasys, Inc.*, Acting Director Stewart granted a request for discretionary denial, noting not only that the time-to-trial statistics projected a date close to the Final Written Decision date, but also that the patent challenger's *Sotera* stipulation was not coextensive with the invalidity arguments raised in the parallel district court litigation.
- In *Neogenomics Laboratories, Inc. v. Natera, Inc.*, Acting Director Stewart granted the request for discretionary denial where the trial date was likely to occur before the Final Written Decision and

significant investment had already been made in the parallel court litigation, including that the court had already issued a claim construction order.

Discretionary Denial Denied:

- In *Globus Medical, Inc. v. Spinelogik, Inc.*, Acting Director Stewart denied a request for discretionary denial where the parties had "settled expectations" based on the expiration of the patent years earlier due to failure to pay maintenance fees.
- In *Tesla, Inc. v. Intellectual Ventures II LLC* and in *Tesla, Inc. v. United States of America as Represented by the Secretary of the Navy*, Acting Director Stewart placed significant weight on the complexity and diversity of the district court litigation in deciding to deny each request for discretionary denial, explaining that "the Board is better suited to review a large number of patents involving diverse subject matter."
- In *Tesla, Inc. v. Charge Fusion Technologies, LLC*, Acting Director Stewart denied a request for discretionary denial where there was evidence that the patent examiner had materially erred during examination of the issued claims.
- In *Microsoft Corporation v. Partec Cluster Competence Center GmbH*, a request for discretionary denial was not granted where there was evidence that the patent examiner had materially erred during examination of the issued claims, even though the trial date was scheduled to occur before the Final Written Decision.
- In *Resmed Corp. v. Cleveland Medical Devices, Inc.*, Acting Director Stewart denied a request for discretionary denial where the challenged patent recently issued.
- In *Merck Sharp & Dohme LLC v. Halozyme, Inc.*, Acting Director Stewart denied a request for discretionary denial where the challenged patents recently issued and the trial date would likely be years after the Final Written Decision.
- In *Imperative Care, Inc. v. Inari Medical, Inc.*, Acting Director Stewart denied a request for discretionary denial where no trial date had been set, a stay was likely, and the challenged patent recently issued.
- In *Savant Technologies LLC d/b/a GE Lighting et al. v. Feit Electric Co., Inc.*, a request for discretionary denial was not granted where the patent challenger was diligent in filing the IPR Petition, delaying less than three months after infringement was asserted in the district court.

Most recently, on June 18, 2025, Acting Director Stewart issued a nineteenth Director decision, this time granting discretionary denial:

Discretionary Denial Granted:

- In *Dabico Airport Solutions Inc. v. AXA Power ApS*, Acting Director Stewart primarily relied on two considerations to grant discretionary denial. First, there were "settled expectations" because the challenged patent had issued almost eight years earlier. Acting Director Stewart explained that "the longer the patent has been in force, the more settled expectations should be." Acting Director Stewart stated that actual notice of the patent or possible infringement is not required to establish "settled expectations" between a patent challenger and patent owner and particularly noted that published patent applications and patents are publicly available. Second, the patent challenger failed to provide a persuasive reason that the IPR is an appropriate use of Office resources, even though the interim processes specifically provide the patent challenger that opportunity.

Current Outlook

While Acting Director Stewart has stressed that the new bifurcated processes are "temporary in nature," how long that may be and what impact they will have remains unclear. As the Acting Director addresses the anticipated surge in filings by patent owners requesting discretionary denials of institution, decisions granting or denying those requests should bring more certainty to the process and better predictability of outcomes.

Based on the first 19 Director decisions, it appears that time to trial continues to be a significant consideration favoring discretionary denial. Substantial investment in the parallel litigation or "unfair dealings" may also tip the scale in favor of discretionary denial. On the other hand, a stay of the parallel litigation, a challenged patent that recently issued, a large number of patents involving diverse subject matter, evidence the patent examiner materially erred, or diligence in filing the petition could lead to a discretionary denial being denied. Depending on what it is, the parties' "settled expectations" could be critical, or seemingly dispositive, to Acting Director Stewart's decision to grant or deny a request for discretionary denial. Finally, instead of only responding to the patent owner's arguments, a patent challenger should affirmatively identify and argue *any* reasons not to exercise discretion to deny institution.

At the outset, the new bifurcated processes appeared poised to offer a more favorable path forward for patent owners to obtain discretionary denials and seemed likely to result in fewer petitions being instituted if the challenged patent was already in parallel litigation in federal district court or the ITC. Now that we have the benefit of the first 19 Director decisions, neither of these now seem so certain.

If you have questions about patent disputes, the post-grant review process, or you would like assistance in building or enforcing a patent portfolio, please reach out to Lea Speed or Dominic Rota, who are both members of Baker Donelson's Intellectual Property Team.