

Key Factors In Establishing Compelling Merits At The PTAB

By **David Holman and Tyler Liu** (March 11, 2024, 4:46 PM EDT)

Under the Patent Trial and Appeal Board's precedential *Apple Inc. v. Fintiv Inc.* decision in 2020, the board may exercise its discretion to deny an inter partes review or post-grant review petition in view of parallel litigation when the six nonexclusive Fintiv factors collectively weigh against instituting trial.[1]

USPTO Director Kathi Vidal's June 2022 guidance memorandum[2] and precedential decisions in October 2022, *OpenSky*,[3] and February 2023, *CommScope*,[4] provided further guidance that when a petitioner broadly stipulates that it will not pursue any invalidity grounds in parallel district court litigation that it raised or reasonably could have raised in the post-grant proceeding — a Sotera stipulation[5] — the PTAB can no longer exercise its discretion to deny institution under Fintiv.[6]

Absent a Sotera stipulation, however, when the Fintiv factors collectively weigh against instituting trial, the petition must provide a compelling, meritorious challenge to overcome Fintiv-based discretionary denial.[7]

But what, exactly, are compelling, meritorious challenges? The guidance memo states that they are challenges "in which the evidence, if un rebutted in trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence." [8]

The *OpenSky* decision further explained that "a compelling-merits challenge is a higher standard than the reasonable likelihood required for the institution of an IPR," and is met when "it is highly likely that the petitioner would prevail with respect to at least one challenged claim." [9]

Despite these definitions, uncertainty remains as to what this standard means. For example, in its February 2023 *Daiichi Sankyo Inc.* decision, the PTAB explained that for compelling merits, the "precise bounds of a 'highly likely' case as opposed to a mere 'likely' one, are not entirely clear." [10]

In this article, we shed light on the substance behind compelling merits arguments at the PTAB. We surveyed over 450 decisions on institution issued from June 2022 through February that addressed Fintiv discretionary denial and the compelling merits standard.[11]

We filtered our results to focus exclusively on decisions in which the Fintiv factors weighed against institution and the petitioner did not file a Sotera stipulation — i.e., decisions based specifically on



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whether the petitioner established compelling merits.[12] We identified 77 such decisions and summarize our analysis below.

The PTAB finds compelling merits more often than not. The PTAB found compelling merits and instituted trial in 60%, or 46 out of 77, of the decisions and denied institution for lack of compelling merits in 40%, or 31 out of 77, of the decisions. This was somewhat surprising as compelling merits is a higher standard compared to the reasonable likelihood standard.[13]

According to USPTO statistics, the institution rate for IPR petitions in the 2023 financial year was 67% and is currently 64% in the first quarter of this year — only slightly higher than the institution rate in these compelling merits decisions.[14]

Thus, it appears that petitioners are having somewhat comparable success rates for institution with compelling merits arguments as they are for reasonable likelihood arguments.

Preinstitution replies may have a marginal effect on establishing compelling merits. In decisions finding compelling merits, slightly more petitioners filed a preinstitution reply to the patent owner's preliminary response — 57%, or 26 out of 46 — compared with the number of petitioners who did not file a preinstitution reply, 43%, or 20 out of 46.

In decisions denying institution for lack of compelling merits, the breakdown was almost even, with 48%, or 15 out of 31, of petitioners filing a preinstitution reply to the patent owner's preliminary response and 52%, or 16 out of 31, of petitioners not filing a preinstitution reply. Thus, while this sample size is small, it appears that preinstitution replies may improve a petitioner's likelihood of establishing compelling merits at the institution stage, albeit slightly.

Simplicity is the key for petitioners. A recurring theme for petitions establishing compelling merits is simplicity. In cases where the PTAB found compelling merits, the PTAB routinely characterized the petitioners' arguments as straightforward, clear, and that they spoke for themselves.[15]

Anticipation or single-reference obviousness grounds — which often require less complicated explanations than multireference obviousness grounds — were frequently deemed compelling due to their simplicity.

For example, in *Commscope II*, the PTAB described the petition's anticipation and single-reference obviousness grounds as clear and persuasive, noting that "the single-reference obviousness ground does not rely on a combination of references that simplifies the showing needed for obviousness." [16]

Likewise, petitioners relying on references that plainly disclose claim elements typically had more success establishing compelling merits than those relying on references requiring complex explanations.[17]

As the PTAB explained in its September 2023 *Cisco Systems Inc. v. Orckit Corp.* decision, "most, if not all, of the positions set forth in the Petition for claim 1 are based on the explicit teachings in the prior art." [18]

Perhaps unsurprisingly, petitioners presenting complicated, multireference obviousness grounds or anticipation grounds requiring extensive interpretation were typically less successful at establishing compelling merits.

For example, in *Samsung Electronics Co. Ltd. v. California Institute of Technology* in 2023, the PTAB determined that the petitioner's showing of claim elements disclosed in the prior art was "less than compelling, as it rests tenuously upon apparent logical leaps" between a prior Federal Circuit opinion addressing infringement of the challenged patent and the petitioner's unpatentability arguments in the IPR.[19]

Likewise, in a related IPR involving the same parties, the PTAB denied institution for lacking compelling merits because, according to the PTAB, the petition's arguments left "significant open questions for resolution at trial." [20]

And in a recent January decision, *Samsung v. Mojo Mobility Inc.*, the PTAB agreed with the patent owner's argument that the petition "essentially tells the Board and Patent Owner to go on a treasure hunt for the evidence and the invalidity theory." [21]

Patent owners should consider rebutting the merits. We identified nine decisions in which the patent owner's preliminary response did not rebut the merits of the petition. The PTAB instituted trial in all nine cases.

For example, in its November 2023 *Apple Inc. v. Sonrai Memory Ltd.* decision, the PTAB "looked back at the institution arguments for uncontested limitations and viewed them under the compelling-merits higher standard, before finding that the higher standard was met." [22]

Likewise, in *Bright Data Ltd. v. Oxylabs, UAB* in July 2023, the PTAB noted that, for "most claim limitations, Patent Owner provides no rebuttal to Petitioner's analysis." [23]

Thus, to the extent feasible, patent owners should consider addressing the merits of the petition in the patent owner's preliminary response to increase the chance of successfully derailing a petitioner's compelling merits argument.

Expert testimony from the patent owner may help bolster arguments against compelling merits. In the decisions finding compelling merits and instituting trial, only 24%, or 11 out of 46, of patent owners filed an expert declaration with the patent owner's preliminary response.

However, in the decisions denying institution for lacking compelling merits, 42%, or 13 out of 31, of patent owners filed an expert declaration.

These data indicate that submitting an expert declaration with the patent owner's preliminary response may help bolster the patent owner's arguments against a compelling merits case.

Conclusion

While there is no precise formula for a compelling merits argument in a post-grant challenge petition, our investigation provides some insight. We must first recognize a few caveats in this study.

The 77 PTAB decisions analyzed here provided a relatively small sample size, which included multiple groups of nearly identical decisions from related proceedings involving the same parties. These factors can easily affect the data and trends discussed above.

This investigation nevertheless uncovered potential strategies petitioners and patent owners can

consider when addressing compelling merits in petitions for America Invents Act post-grant proceedings.

For petitioners, simplicity is the key. Petitioners should look for clear disclosures of all claim elements in the art, single-reference grounds over complex multireference grounds, and present straightforward reasons to combine or modify the art.

Complex arguments may satisfy the PTAB's reasonable likelihood standard for institution, but such arguments typically did not fare well under the compelling merits standard. Filing an authorized preinstitution reply to the patent owner's preliminary response may help advance a case for compelling merits.

Patent owners should consider rebutting the merits of the petition's grounds. Sowing seeds of doubt can weaken a compelling merits case, at which point the Fintiv factors can override and weigh against instituting trial.

Patent owners should strive to point out — e.g., unexplained ambiguities in the petition's grounds — missing claim elements in the art, and unexplained reasons to combine or modify the art.

Including expert testimony with the patent owner's preliminary response may help bolster the patent owner's case against compelling merits.

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[1] Apple Inc. v. Fintiv, Inc., IPR2020-00019, Paper 11 at 6 (P.T.A.B. Mar. 20, 2020) (precedential).

[2] Katherine K. Vidal, Interim Procedure For Discretionary Denials in AIA Post-Grant Proceedings With Parallel District Court Litigation (June 21, 2022) at 3; available at: https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf ("Guidance Memo").

[3] OpenSky Industries, LLC v. VLSI Technology, LLC, IPR2021-01064, Paper 102 at 49 (P.T.A.B. Oct. 4, 2022) (precedential),

[4] CommScope Technologies LLC v. Dali Wireless, Inc., IPR2022-01242, Paper 23 at 4-5 (P.T.A.B. Feb. 27, 2023) (precedential).

[5] Sotera Wireless, Inc. v. Masimo Corp., IPR2020-01019, Paper 12 (P.T.A.B. Dec. 1, 2020) (precedential as to § II.A).

[6] For a detailed review of Fintiv discretionary denial trends in 2023, see Bemben and Higgins, "The Staying Power of Fintiv: The Effect of Parallel Litigation at the PTAB in 2023," available at <https://www.sternekeessler.com/news-insights/publications/staying-power-fintiv-effect-parallel-litigation-ptab-2023> (Sterne, Kessler, Goldstein & Fox, p.l.l.c. 2024).

[7] Guidance Memo at 4.

[8] Id. at 4.

[9] OpenSky, IPR2021-01064, Paper 102 at 49.

[10] Daiichi Sankyo, Inc. v. SeaGen Inc., PGR2021-00030, Paper 36 at 9 (P.T.A.B. Feb. 14, 2023).

[11] We used Docket Navigator to identify the total number of institution decisions issued from June 2022 through February 2024. The search identified 485 cases.

[12] Out of 485 total decisions reviewed, 408 (84%) were excluded from further analysis because (i) the petitioner filed a Sotera stipulation (precluding a Fintiv analysis); (ii) the PTAB determined that the Fintiv factors did not weigh against instituting trial (precluding a compelling merits analysis); or (iii) the PTAB denied or instituted trial for reasons not involving a Fintiv analysis.

[13] OpenSky, IPR2021-01064, Paper 102 at 49.

[14] FY24 End of Year Outcome Roundup at 6; available at https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2024_q1_roundup_.pdf.

[15] See e.g., Samsung Bioepis Co., Ltd. v. Regeneron Pharms., Inc., IPR2023-00884, Paper 13 at 52 (P.T.A.B. Nov. 17, 2023); Vizio, Inc. v. Maxell, Ltd., IPR2022-01463, Paper 7 at 22 (P.T.A.B. Apr. 11, 2023); Commscope Techs. LLC v. Dali Wireless, Inc., IPR2022-01293, Paper 18 at 17 (P.T.A.B. Mar. 9, 2023) ("Commscope II"); Unified Patents, LLC v. Intellectual Ventures II, LLC, IPR2022-00429, Paper 12 at 13 (P.T.A.B. Aug. 11, 2022); Avail Medsystems, Inc. v. Teladoc Health, Inc., IPR2022-00445, Paper 9 at 8 (P.T.A.B. July 22, 2022).

[16] CommScope II, IPR2022-01293, Paper 18 at 17.

[17] See e.g., Vizio, Inc. v. Maxell, Ltd., IPR2022-01458, Paper 8 at 56, 59, 61 (P.T.A.B. Apr. 11, 2023)

[18] Cisco Systems, Inc. v. Orckit Corp., IPR2023-00554, Paper 8, at 17 (P.T.A.B. Sep. 20, 2023).

[19] Samsung Elecs. Co., Ltd. v. California Institute of Technology, IPR2023-00130, Paper 10 at 25-27 (P.T.A.B. May 4, 2023).

[20] Samsung Elecs. Co., Ltd. v. California Institute of Technology, IPR2023-00131, Paper 10 at 19-24 (P.T.A.B. May 4, 2023).

[21] Samsung Elecs. Co., Ltd. v. Mojo Mobility Inc., IPR2023-01091, Paper 11 at 33-36 (P.T.A.B. Jan. 8, 2024); see also id., at 35 ("Petitioner has presented us with only a one-paragraph, confusing explanation.").

[22] Apple Inc. v. Sonrai Memory Ltd., IPR2023-00819, Paper 8 at 12-13 (P.T.A.B. Nov. 21, 2023); Apple Inc. v. Sonrai Memory Ltd., IPR2023-00975, Paper 9 at 12-13 (P.T.A.B. Dec. 14, 2023).

[23] Bright Data Ltd. v. oxylabs, UAB, IPR2023-00185, Paper 9 at 29 (P.T.A.B. July 18, 2023); Bright Data Ltd. v. oxylabs, UAB, IPR2023-00186, Paper 9 at 31-32 (P.T.A.B. July 18, 2023).