



Has Vidal's Latest Decision Revitalised the Fintiv Rule?

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The US Patents and Trademark Office director's latest key decision has seemingly reinforced the viability of the controversial rule, as Muireann Bolger finds.

For some time it appeared that the power of the controversial *Fintiv* rule was on the wane—to the chagrin of many patent owners and the delight of petitioners.

But if the latest decision handed down by the [US Patent and Trademark Office](#) (USPTO) director Kathi Vidal is anything to go by, predictions of its demise seem decidedly premature.

In [CommScope Techs v Dali Wireless](#) issued on February 27, Vidal vacated a [Patent Trial and Appeal Board's](#) (PTAB) decision granting the institution of an *inter partes* review (IPR) of a Commscope patent.

Notably, she criticised the PTAB's failure to apply the *Fintiv* rule when making its decision—and ordered a rehearing.

The comeback rule

So how did the PTAB fall foul of Vidal, and what does it mean for *Fintiv's* future?

After all, as [Scott Hejny](#), principal at McKool Smith notes, many had interpreted Vidal's earlier guidance on how to approach the controversial rule as prefiguring the “death of *Fintiv*”.

“In view of *CommScope* that doesn't seem to be the case,” he reflects. “This decision will encourage patent owners to once again focus on comprehensive *Fintiv* analyses when responding to petitions, and this is a welcome ruling when many recent PTAB decisions seem to favour petitioners.”

Introduced in 2020, the *Fintiv* rule dictates that the existence of a parallel district court lawsuit should preclude an *inter partes* review (IPR), resulting in more denials of IPR petitions of patents over the ensuing two years.

Since then the rule has met with trenchant criticism: most notably from big tech and pharma heavyweights including [Apple](#), [Edwards Life Sciences](#) and [Mylan](#).

All have filed [petitions](#) at the US Supreme Court, arguing that the rule compromises the integrity of the US patent system by protecting poor-quality patents. And all have been unsuccessful so far.

Opponents of *Fintiv*

As the clamour for clarity grew, the need for better *Fintiv* guidance climbed to the top of Vidal's priority list when she [took the helm](#) at the office in April 2022.

And when her much-anticipated [memorandum](#) arrived in June, Vidal notably emphasised the role played by the “compelling merits standard” and seemed, for many, to downplay the importance of *Fintiv*.

Further, it coincided with a marked decline in *Fintiv*-related decisions—which dropped to just one during the third quarter of 2022, down from 60 in the first quarter of 2021.

Put simply, Vidal urged the board not to deny institution when the petitioner presents compelling merits of unpatentability—a point widely held to mean that *Fintiv* would no longer hold sway when deciding whether to institute the IPR of a patent.

This view was reflected in *Commscope*, when the board found on February 7 that because the petitioner “presents compelling unpatentability challenges,” and “that it is highly likely that the petitioner would prevail with respect to at least one challenged claim”.

In reaching this conclusion, the board relied solely on the compelling merits inquiry and bypassed the *Fintiv* rule.

Misunderstood intent

But shortly after the decision’s release, Vidal acted swiftly to clarify her meaning—and preserve the viability of *Fintiv*.

In her *Commscope* precedential decision, she acknowledged how her words could have been misconstrued.

She stated: “though I now recognise that [the Guidance Memo’s] instruction could be read to allow for a compelling merits determination as a substitute for a *Fintiv* analysis, that was not my intent.”

Vidal went on to insist that she had, instead, “intended for PTAB panels to only consider compelling merits if they first determined that *Fintiv* factors...favoured a discretionary denial.

“Thus, in circumstances where the board determines that the other *Fintiv* factors...do not favour discretionary denial, the board shall decline to discretionarily deny under *Fintiv* without reaching the compelling merits analysis,” she wrote.

However, where the board’s analysis of *Fintiv* factors favours denial of institution, the board must then assess compelling merits, she urged.

[Rob McFarlane](#), partner of Hanson Bridgett, explains that this decision unequivocally demands “a fulsome analysis of all of the *Fintiv* factors” before the institution of the IPR.

“Parties will need to keep the breadth of that analysis in mind in [when] deciding what evidence to present in order to best support their positions under all of the *Fintiv* factors, and should be prepared to address each factor in turn,” he adds.

As [Cyrus Morton](#), partner and chair of the patent office trials group at Robins Kaplan puts it, the decision shows that “the *Fintiv* analysis still has teeth”—and retains the power to deliver a painful bite into a patent owner’s portfolio.

And what’s more, Vidal may even have come to view the rule as akin to a necessary backup or guarantee that a review of a patent will proceed, if unforeseen obstacles later emerge.

As Morton notes: “In the event that the ‘compelling merits’ finding is thrown out, the prerequisite finding that the *Fintiv* factors would have resulted in a discretionary denial can take effect immediately.”

One thing is clear: Vidal is profoundly against unveiling a substitute test for *Fintiv*.

As [Jonathan Bowser](#), counsel at Haynes Boone points out, the director's guidance categorically does not allow for a compelling merits determination to serve as a substitute for a *Fintiv* analysis.

"Board panels should only consider compelling merits if they first determine that *Fintiv* factors favour a discretionary denial.

"And if the Board declines to deny institution because a petition presents compelling merits, the board must explain its determination sufficiently to allow the parties to challenge that finding and allow for review of that determination."

More policy avoidance?

For [John Donch](#), president and shareholder at IP law firm Volpe Koenig in Philadelphia,

Vidal may have to evade a situation where she inadvertently unveiled a brand new standard for testing whether an IPR should be instituted.

"At least part of director Vidal's motivation for her decision may have been to avoid the possibility of the so-called 'compelling merits test', which sets a higher bar for avoiding a denial of a petition, to become the de facto test for determining whether to institute an America Invents Act post-grant proceeding where there is parallel district court litigation," he explains.

Certainly, this would be in line with Vidal's previous default actions, when she has potentially waded into the murky territory of perceived policy making.

For example, in a highly critical decision in November, Vidal [lambasted](#) Open Sky for filing an IPR in what she described as an "opportunistic attempt to extract payment from VLSI as well as from Intel".

Vidal barred OpenSky from the IPR proceedings, relegating it to a "silent understudy" role, "temporarily elevating" Intel to lead petitioner and describing the company's actions as "abusive".

The strength of her words raised eyebrows, especially given that the USPTO had not offered guidance on what is abusive and what is not.

This fallout, speculated lawyers, [may have prompted](#) her subsequent decision to rethink the director review process.

At the time, [Dina Blikshteyn](#), counsel at Haynes Boone, told *WIPR*: "Vidal is very clear that she wants the review process to be seen as a clarifying route.

"Ultimately, she wants to reinforce prime office positions, rather than take up cases where she changes the policy."

A fine balance

So does this mean that the pendulum at the USPTO has swung back in favour of petitioners?

It doesn't go quite that far, according to Donch. Rather, he says, it underscores Vidal's "common sense approach when working towards a balanced post-grant ecosystem for both petitioners and patent owners".

This latest decision, he reflects, is a promising sign for Vidal's tenure and another example of her thoughtful, steadfast approach. "The director's decision shows that she is listening to both petitioners and patent owners and trying to strike the proper balance between the two camps."

Nonetheless, it seems as if the doomsayers have ultimately been proven wrong—for now.

“The director’s decision further reinforces that *Fintiv* factors will continue to play a critical role in discretionary denials for the foreseeable future,” concludes Donch.