

April 24, 2025

## The USPTO is Poised to Reject More IPR Petitions

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In February and March 2025, the USPTO changed how the Patent Trial and Appeal Board (“PTAB” or “Board”) may exercise its discretion to deny institution of an *Inter Partes Review* (“IPR”), particularly when there is a parallel district court case or International Trade Commission (“ITC”) investigation.<sup>1</sup> According to the USPTO, the changes were made to help the PTAB manage its workflow.

Now, the impacts of those changes are being felt. The PTAB has shown a willingness to exercise its discretion to deny institution even where the petitioner showed a likelihood of success on the merits or submitted a *Sotera*-style stipulation (*i.e.*, a stipulation that the petitioner will not pursue any ground it raised or reasonably could have raised in the IPR in the parallel proceeding). A rise in denials of IPR petitions at the institution phase seems likely.

In this alert, we provide an overview of (i) the recent history of the PTAB’s use of its discretion to deny institution of IPRs; (ii) the PTAB’s updated procedures regarding discretionary denials; and (iii) recent decisions denying institution in the wake of the updated procedures.

### I. Background – The PTAB’s Discretion under 35 U.S.C. § 314(a) and *Fintiv*.

After being accused of patent infringement, a party seeking to challenge the patent often chooses to file an IPR petition at the PTAB. However, the PTAB is not required to institute the IPR proceeding.<sup>1</sup> Rather, it maintains discretion to deny institution. Over the years, the USPTO Director and the PTAB have issued guidance and decisions affecting how the PTAB should exercise that discretion.

In particular, in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020), the PTAB set forth nonexclusive factors the PTAB should consider in deciding whether to exercise its discretion to deny institution of an IPR when there is a parallel district court litigation or ITC investigation involving the same patent.<sup>2</sup> Less than three months after the *Fintiv* decision was rendered, the USPTO designated it as precedential.

<sup>1</sup> The updated procedures and guidance also apply to *post grant review* proceedings, but we focus on IPRs in this article.

<sup>2</sup> The *Fintiv* factors include (1) whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted; (2) the proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision; (3) the investment in the parallel proceeding by the court and the parties; (4) the overlap between issues raised in the petition and in the parallel proceeding; (5) whether the petitioner and the defendant in the parallel proceeding are the same party; and (6) other circumstances that impact the Board’s exercise of discretion, including the merits. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 6 (PTAB Mar. 20, 2020).

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However, on June 21, 2022, the former Director of the USPTO, Katherine Vidal, issued a memo (the “Vidal Memo”) constraining the use of the *Fintiv* factors to deny institutions.<sup>ii</sup> Specifically, the Vidal Memo precluded denial of an IPR under *Fintiv* in the following circumstances:

“(i) when a petition presents compelling evidence of unpatentability;”

“(ii) when a request for denial under *Fintiv* is based on a parallel ITC proceeding;” or

“(iii) where a petitioner stipulates not to pursue in a parallel district court proceeding the same grounds as in the petition or any grounds that could have reasonably been raised in the petition”—a stipulation referred to as a *Sotera* stipulation.<sup>iii</sup>

In addition, the Vidal Memo instructed the PTAB to weigh the “median time-to trial” (rather than simply take the scheduled trial date at face value) against exercising discretion to deny institution if it is “around the same time or after the projected statutory deadline for the PTAB’s final written decision.”<sup>iv</sup>

## II. The USPTO’s Rescission of the Vidal Memo and Introduction of a Bifurcated Procedure for Deciding Whether to Grant or Deny Institution.

Then came the Trump administration and a new Director of the USPTO. Beginning in February 2025, the USPTO made a series of changes surrounding discretionary denials under *Fintiv*:

**February 28:** The USPTO rescinded the Vidal Memo.<sup>v</sup>

**March 24:** The Chief Administrative Patent Judge of the PTAB issued guidance regarding the rescission of the Vidal Memo,<sup>vi</sup> which confirmed the expansion of the PTAB’s discretion to deny institutions under *Fintiv*. With the Vidal Memo rescinded, the PTAB can now do the following:

1. apply the *Fintiv* analysis to ITC proceedings, which was prohibited under the Vidal Memo;
2. treat compelling evidence of unpatentability or the existence of a *Sotera* stipulation merely as relevant considerations under *Fintiv* rather than being dispositive as they were under the Vidal Memo; and
3. consider any evidence relevant to a district court’s trial date or the ITC’s final determination target date, potentially allowing for more weight to be given to a district court’s scheduled trial date.<sup>vii</sup>

**March 26:** Acting director Coke Morgan Stewart issued a memorandum (“Workflow Memo”) creating a new interim process “for PTAB Workload Management.” The new process specified that the Director—rather than the three-judge panel assigned to the IPR—would decide whether to deny institution based on discretionary considerations such as *Fintiv*.<sup>viii</sup>

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Specifically, under the Director's Workflow Memo, institution decisions will be bifurcated between (i) discretionary considerations made by the Director (in consultation with at least three PTAB judges) and (ii) merits and other statutory considerations made by the three-judge panel assigned to the IPR. Only if the Director decides that discretionary denial of institution is inappropriate will she put the merits-based question to the three-judge panel.<sup>ix</sup>

The new process appears precipitated solely by concerns about the PTAB's workload, specifically "[t]o ensure that the PTAB continues to meet its statutory obligation as to ex parte appeals, while continuing to maintain its capacity to conduct AIA proceedings."<sup>x</sup> To that end, the Director's Workflow Memo makes explicit that when the Director makes institution decisions, she will "consider the ability of the PTAB to comply with the pendency goals for ex parte appeals, its statutory deadlines for AIA proceedings, and other workload needs."<sup>xi</sup>

The Director's procedural changes to address workload concerns coincides with the Trump administration's efforts to reduce the size of the federal workforce, including at the PTAB.<sup>xii</sup> Indeed, it was recently reported that the Chief Administrative Patent Judge told PTAB judges to expect layoffs,<sup>xiii</sup> while in the meantime the administration's return-to-office policies have triggered attrition at the PTAB.<sup>xiv</sup>

### III. Recent Decisions Foreshadow an Increase in Discretionary Denials of IPRs.

Not surprisingly, since the rescission of the Vidal Memo, the PTAB has shown a willingness to deny institution where the district court or ITC appears likely to adjudicate the validity of the challenged patent before the PTAB is projected to issue its final written decision in the IPR. Such denials have occurred even where the petitioner showed a likelihood of success on the merits or submitted a *Sotera* stipulation.

The Director set the tone on March 28, 2025, in *Motorola Solutions, Inc. v. Stellar, LLC*, where she vacated a panel's decision granting institution.<sup>xv</sup> The Director found that institution should have been denied, but "[t]he Board did not give enough weight to the investment in the parallel proceeding and gave too much weight to Petitioner's *Sotera* stipulation."<sup>xvi</sup> Since that decision, the PTAB has followed the Director's lead and denied institution based on *Fintiv* multiple times. Below are examples:

- *Apple, Inc. v. Haptic, Inc.*, IPR2024-01475, Paper 11 (PTAB Apr. 4, 2024);
- *SAP America, Inc. v. Cyandia, Inc.*, IPR204-01496, Paper 13 (PTAB Apr. 7, 2025);
- *Dell Inc. v. Universal Connectivity Techs.*, IPR2024-01749, Paper 11 (PTAB Apr. 7, 2025);
- *Eunsung Global Corp. v. Hydrafacial LLC*, IPR2024-01491, Paper 17 (PTAB Apr. 11, 2025);
- *HP Inc. v. Universal Connectivity Techs.*, IPR2024-01429, Paper 11 (PTAB Apr. 16, 2025);
- *Charter Comms., Inc. v. Adaptive Spectrum & Signal Alignment, Inc.*, IPR2024-01379, Paper 16 (PTAB Apr. 17, 2025);
- *Samsung Elecs. Co. v. Truesight Comms. LLC*, IPR2025-00123, Paper 12 (PTAB Apr. 22, 2025);
- *Solus Advanced Materials Co. v. SK Nexilis Co.*, IPR2024-01460, Paper 14 (PTAB Apr. 22, 2025); and
- *Google LLC v. Cerence Operating Co.*, IPR2024-01465, Paper 15 (PTAB Apr. 23, 2025).

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Although the sample size is relatively small so far, the *Fintiv* pendulum seems to be swinging in favor of patent owners. The Board appears poised to give less weight to strong merits and *Sotera* stipulations, while giving more weight to the relative progress in a parallel district court or ITC proceeding. In light of these changes, it is increasingly important for a petitioner to file its IPR petition early so that a final written decision at the PTAB can occur well before a trial date in the district court or the issuance of a final determination in the ITC.

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<sup>i</sup> See 35 U.S.C. 314(a) (setting the threshold for instituting an IPR while implicitly providing the USPTO Director with discretion to deny institution).

<sup>ii</sup> *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation*, June 21, 2022, at 1, available at [https://www.uspto.gov/sites/default/files/documents/interim\\_proc\\_discretionary\\_denials\\_aia\\_parallel\\_district\\_court\\_litigation\\_memo\\_20220621\\_.pdf](https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf).

<sup>iii</sup> *Id.* at 9.

<sup>iv</sup> *Id.*

<sup>v</sup> *USPTO Rescinds Memorandum Addressing Discretionary Denial Procedures*, Feb. 28, 2025, available at <https://www.uspto.gov/about-us/news-updates/uspto-rescinds-memorandum-addressing-discretionary-denial-procedures>.

<sup>vi</sup> *Guidance on USPTO's rescission of "Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation,"* Mar. 24, 2025, at 1, available at [https://www.uspto.gov/sites/default/files/documents/guidance\\_memo\\_on\\_interim\\_procedure\\_rescission\\_20250324.pdf](https://www.uspto.gov/sites/default/files/documents/guidance_memo_on_interim_procedure_rescission_20250324.pdf).

<sup>vii</sup> *Id.* at 2–3.

<sup>viii</sup> *Interim Process for PTAB Workload Management*, Mar. 26, 2025, at 1, available at <https://www.uspto.gov/sites/default/files/documents/InterimProcesses-PTABWorkloadMgmt-20250326.pdf>.

<sup>ix</sup> *Id.*

<sup>x</sup> *Id.*

<sup>xi</sup> *Id.* at 3.

<sup>xii</sup> Theresa Schliep, *PTAB Judges Told To Get Ready For Layoffs*, Law360, Mar. 21, 2025, available at <https://www.law360.com/articles/2314328>.

<sup>xiii</sup> *Id.*

<sup>xiv</sup> Andrew Karpan, *PTAB Judge Heads to Boutique, Citing Return-to-Office Order*, Law360, Apr. 18, 2025, available at <https://www.law360.com/trials/articles/2325798>.

<sup>xv</sup> *Motorola Solutions, Inc. v. Stellar, LLC*, IPR2024-01205, Paper 19 (PTAB Mar. 28, 2025).

<sup>xvi</sup> *Id.* at 2.

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