

5-2023

Patent Office Power and Discretionary Denials

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"Patent Office Power and Discretionary Denials" (2023). *Connecticut Law Review*. 569.
https://opencommons.uconn.edu/law_review/569

CONNECTICUT LAW REVIEW

VOLUME 55

MAY 2023

NUMBER 3

Article

Patent Office Power and Discretionary Denials

GREG REILLY

One of the most divisive and debated issues in patent law in recent years has been the Patent Office's practice of denying petitions for inter partes review (IPR)—the Patent Office proceeding to review and cancel wrongfully issued patents—on discretionary procedural grounds, such as duplicative Patent Office proceedings or the existence of advanced parallel litigation. On the surface, the discretionary denial practice seems like an odd candidate to provoke such fierce opposition. Discretionary denials have affected a small percentage of IPR petitions without making any changes to the features that have made IPRs so effective at invalidating “bad” patents. As a normative matter, the discretionary denial practice presents a close, nuanced, and unclear trade-off between the benefits of invalidating wrongfully issued patents and the inefficiencies and burdens of duplicative proceedings. And despite frequent objections from sophisticated patent stakeholders, the one thing that is clear about the discretionary denial practice is that it is consistent with the statutory text and objectives and a lawful exercise of the enhanced power and authority the America Invents Act (AIA) grants to the Patent Office. But below the surface, the discretionary denial controversy is more understandable. It reflects a patent system struggling to accept a shift to greater administrative authority after two hundred years of judicial dominance of patent policy-making. Discretionary denials offer a useful case study to evaluate the patent system's changing institutional arrangements. This Article demonstrates how the AIA gave the Patent Office significant power and discretion over IPRs, authority that comfortably encompasses the discretionary denial practice. It further shows how the experience with discretionary denials confirms the benefits provided by the AIA's shift toward greater administrative patent power: expertise, flexibility, reasoned deliberation and policy-making, and accountability.

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GREG REILLY*

INTRODUCTION

The America Invents Act (AIA) of 2011 created an inter partes review (IPR) proceeding that significantly expanded the United States Patent and Trademark Office’s (Patent Office or PTO) ability to review and cancel patents that fail the statutory criteria of patentability and were wrongfully issued.¹ But how much power and discretion does the AIA assign to the Patent Office to design and implement IPRs? According to one 2016 Supreme Court amicus brief, “Congress did not grant the PTO a small crumb of interpretative authority; it granted the agency wide authority over *every* aspect of IPR on which Congress has not otherwise spoken (*and spoken plainly*).”² By contrast, a 2021 Supreme Court certiorari petition argued that “Congress placed both substantive and procedural limits on the [Patent Office] Director’s authority” and “a number of conditions on the Director’s discretion,” so “the Director’s duty ‘is to follow [the statute’s] commands as written, not to supplant those commands with others it may prefer.’”³

On first glance, these contradictory views reflect the polarization of patent policy debates.⁴ The AIA’s creation of the Patent Office Patent Trial and Appeal Board (PTAB) to conduct IPRs⁵ has been particularly controversial.⁶ To some, PTAB review has been crucial in addressing the inevitable inaccuracy of initial patent examination and the significant costs

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¹ Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 299–305 (2011) (codified as amended at 35 U.S.C. §§ 311–319); *see* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016) (describing the authority the AIA grants to the Patent Office to conduct IPRs).

² Amicus Curiae Brief of Mylan Pharmaceuticals Inc. Supporting Respondent at 2, *Cuozzo*, 136 S. Ct. 2131 (No. 15-446) (second emphasis added).

³ Petition for Writ of Certiorari at 21–22, 26, *Mylan Lab’ys. Ltd. v. Janssen Pharmaceutica, N.V.*, 142 S. Ct. 874 (2022) (No. 21-202) [hereinafter *Mylan Cert Petition*] (quoting *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018)).

⁴ *See* Lisa Larrimore Ouellette, *Cultural Cognition of Patents*, 4 IP THEORY 28, 28–30 (2014).

⁵ 35 U.S.C. § 6(a), (b)(4).

⁶ *See* Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for Its Money: Challenging Patents in the PTAB*, 91 NOTRE DAME L. REV. 235, 251–57 (2015).

wrongfully issued patents impose on innovation and competition.⁷ To others, the PTAB improperly siphons power from Article III courts, is biased in favor of patent challengers, “willy-nilly” invalidates even legitimate patent rights (or, unnecessarily dramatically, is a “death squad . . . killing patent rights”⁸), and hinders innovation by introducing uncertainty into the patent grant.⁹

However, the conflicting statements submitted to the Supreme Court about the Patent Office’s power were made by the same entity—generic drug company Mylan Pharmaceuticals, Inc.¹⁰ What changed in the five years between Mylan’s conflicting statements? The answer, perhaps unsurprisingly, is the substance of the Patent Office’s policy choices in designing IPRs. The question of the Patent Office’s power to design IPRs has been subsumed into larger patent debates over the proper scope and strength of patent rights, with stakeholders, like Mylan, taking broad or narrow views of the Patent Office’s authority based on whether the agency’s particular choices align with their own substantive preferences for patent rights.¹¹ The very creation of the PTAB and the Patent Office’s initial implementation of IPRs aligned with the interests of those concerned about overbroad and overly strong patent rights.¹² But concerns that the PTAB skewed too far in that direction subsequently led the Patent Office to make IPR design choices that limited, somewhat, post-issuance PTAB validity challenges.¹³ In particular, the Patent Office adopted a discretionary denial practice that declined to institute review of some IPR petitions raising meritorious validity challenges because of procedural considerations, most notably the existence of related pending litigation.¹⁴ This discretionary denial practice has generated fierce opposition, including numerous Supreme Court certiorari petitions, multiple

⁷ *Id.* at 258–60.

⁸ Chief Federal Circuit Judge Randall R. Rader was the first to use the “death squad” label for the PTAB in his speech at an annual meeting of the American Intellectual Property Law Association. See Brian Mahoney, *Software Patent Ruling a Major Judicial Failure, Rader Says*, LAW360 (Oct. 25, 2013 6:36 PM), <https://www.law360.com/articles/482264/software-patent-ruling-a-major-judicial-failure-rader-says>.

⁹ ALDEN ABBOTT ET AL., REGUL. TRANSPARENCY PROJECT OF THE FEDERALIST SOC’Y, CRIPPLING THE INNOVATION ECONOMY: REGULATORY OVERREACH AT THE PATENT OFFICE 4 (2017), <https://regproject.org/wp-content/uploads/RTP-Intellectual-Property-Working-Group-Paper.pdf> (citations omitted).

¹⁰ Technically, the latter statement was made by Mylan’s subsidiary Mylan Laboratories Ltd. See Mylan Cert Petition, *supra* note 3, at iii.

¹¹ *E.g.*, compare Brief of Apple, Inc., as Amicus Curiae in Support of Respondent at 18 & n.6, *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (No. 15-446) (contending that Section 315(b) is not “a jurisdictional limit on the Board’s authority”), with Complaint ¶¶ 61–64, 79–80, *Apple Inc. v. Iancu*, No. 5:20-cv-6128 (N.D. Cal. Aug. 31, 2020) [hereinafter *Apple Complaint*] (contending that Section 315(b) was a statutory limit on the PTAB’s authority over institution).

¹² See *infra* Sections I.A–B.

¹³ See *infra* Section I.B.

¹⁴ See *infra* Subsection I.C.1.

challenges under the Administrative Procedure Act, and over 800 comments in administrative rulemaking.¹⁵

This Article provides a process-oriented evaluation of the Patent Office's power to design IPRs—focusing on the controversial discretionary denial practice— independent of the substance of the Patent Office's policy choices. The discretionary denial practice is consistent with the AIA's text and objectives.¹⁶ The AIA explicitly makes the Patent Office's decision whether to institute IPR review discretionary, not mandatory, by using permissive language, authorizing the Patent Office to define standards for institution, and instructing the Patent Office to account for policy considerations related to the “economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings.”¹⁷ The statute places limits on the Patent Office's institution authority, but these limits all define situations where the Patent Office is *precluded* from instituting review.¹⁸ For example, the AIA precludes IPR institution for petitions filed more than one year after service of a patent infringement complaint.¹⁹ But within this one-year period, the statute does not alter the Patent Office's baseline discretion over whether to institute review.²⁰ In fact, no provision of the statute ever limits the Patent Office's power by *mandating* institution.²¹ This is not surprising, as administrative agencies typically have much broader (near-plenary) power to abstain from activity than to engage in activity.²²

The discretionary denial practice does interfere with a primary goal of the AIA—administrative cancellation of wrongfully issued patents—by denying potentially meritorious petitions for procedural reasons.²³ However, the practice reasonably promotes other objectives that Congress balanced against the need to eliminate “bad” patents—using Patent Office resources efficiently, reducing litigation costs, avoiding duplicative proceedings, and preventing the harassment and burdening of patent owners.²⁴ In sum, despite the many objections to the Patent Office's statutory authority to adopt the discretionary denial practice, it is a reasonable and lawful exercise of the power and discretion the AIA delegates to the Patent Office over IPRs generally, and IPR institution specifically.

¹⁵ Dani Kass, *Sen. Leahy Aims to Override PTAB's Fintiv Rule in New Bill*, LAW360 (Sept. 22, 2021, 4:37 PM) [hereinafter Kass, *Sen. Leahy Aims*], <https://www.law360.com/articles/1424079>; see also *infra* Subsection I.C.2.

¹⁶ See *infra* Part II.

¹⁷ 35 U.S.C. § 316(a)–(b); see *infra* Subsection II.A.1.

¹⁸ See *infra* Subsections II.A.2–3.

¹⁹ 35 U.S.C. § 315(b).

²⁰ See *id.*; *infra* notes 224–26 and accompanying text.

²¹ See *infra* note 228 and accompanying text.

²² See *infra* notes 234–41 and accompanying text.

²³ See *infra* note 296–97 and accompanying text.

²⁴ See *infra* note 293 and accompanying text.

Whether the discretionary denial practice is a wise policy choice is more debatable, involving difficult (and maybe intractable) trade-offs between the value of eliminating wrongfully issued patents and the value of avoiding duplicative proceedings.²⁵ While the substance of the Patent Office's discretionary denial practice is open for discussion, the calls for judicial invalidation of the practice are misplaced. From a process perspective, the Patent Office has the statutory authority to resolve the normative debate over discretionary denials, and the only option for opponents of the practice is to convince the Patent Office of the merits of their arguments.

The Patent Office's use of discretionary denials significantly declined in the second half of 2022.²⁶ This may be explained in part by practitioners changing strategies regarding IPR challenges—changes that have made it less necessary for the Patent Office to actually use the discretionary denial power.²⁷ However, the legitimacy of the Patent Office's discretionary denial practice remains an important question. Observers expect discretionary denials to reach an equilibrium where they continue to occur, just not at previous volumes.²⁸ Indeed, commentators view a Patent Office decision in early 2023 as reinvigorating, at least somewhat, discretionary denials.²⁹ And opponents of the practice continue to assert its illegitimacy, even using the decline in discretionary denials as evidence.³⁰

More significantly, the discretionary denial controversy offers a lens into larger questions about administrative power in the patent system. The strenuous, though misplaced, opposition to the Patent Office's *power* to adopt discretionary denials reflects a patent community adjusting to shifting institutional arrangements. For most of the patent system's history, the federal judiciary dominated patent policy-making, but the Supreme Court

²⁵ See *infra* Section III.A.

²⁶ Dani Kass, *PTAB Permanently Altered by Fintiv, Even as Denials Plummet*, LAW360 (Nov. 9, 2022, 3:05 PM), <https://www.law360.com/articles/1547765> (showing only one discretionary denial in Q3 2022); Angela Morris, *Fintiv Discretionary Denial Rate Slides to 11% in 2022 Under Vidal's Hand*, IAM (Feb. 9, 2023), <https://www.iam-media.com/article/fintiv-discretionary-denial-rate-slides-11-in-2022-under-vidals-hand>.

²⁷ See Kass, *supra* note 26 (“That guidance has helped petitioners make strategic choices about when to proceed, attorneys said.”).

²⁸ See, e.g., *id.* (quoting a practitioner: “We had a time period where Fintiv denials were very prevalent . . . I think, ultimately, we’ll reach a happy medium where Fintiv has a role in preventing truly duplicative efforts.”).

²⁹ Roberto J. Fernandez, *USPTO Director Vidal Closes Fintiv Escape Hatch on Discretionary Denial*, FOLEY & LARDNER LLP: INSIGHTS (Mar. 1, 2023), <https://www.foley.com/en/insights/publications/2023/03/uspto-director-vidal-closes-fintiv-escape-hatch> (describing Commscope Techs. LLC v. Dali Wireless, Inc., No. IPR2022-01242 (P.T.A.B. Feb. 27, 2023), as “likely to result in increased denials under *Fintiv*”).

³⁰ *Q3 PTAB Discretionary Denial Report: Use of Fintiv Drops to Near-Zero*, UNITED PATS. (Oct. 27, 2022) [hereinafter *Q3 PTAB Discretionary Denial Report*], <https://www.unifiedpatents.com/insights/2022/10/27/q3-ptab-discretionary-denial-report-use-of-fintiv-drops-to-near-zero> (noting that the decrease in discretionary denials “offer[s] recognition that, while the Office may have some discretion over institution, it cannot harness that to policy aims contrary to the real goals of the America Invents Act, regardless of lobbying pressure to do otherwise”).

and Congress have shifted more power to the Patent Office in recent years.³¹ In *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, the Supreme Court rejected constitutional challenges to the legitimacy of the PTAB brought by patent owner interests, which objected to the enhanced risk of patent invalidation resulting from IPRs.³² The recent judicial challenges to discretionary denials can be seen as a reverse *Oil States* phenomenon. With the Patent Office exercising its power in ways that reduce, somewhat, the threat of PTAB invalidation, patent challengers, not patent owners, are now struggling to accept the legitimacy of Patent Office decisions that do not align with their policy preferences.³³

An evaluation of the discretionary denial practice demonstrates the benefits of entrusting this type of close, nuanced, and difficult policy choice to the Patent Office. Although this Article does not provide a comprehensive weighing of the benefits and costs of administrative decision-making, the Patent Office's approach to discretionary denials provides evidence of the advantages scholars have touted of greater Patent Office authority—most commonly expertise but also reasoned deliberation and policy-making, flexibility, and accountability.³⁴ The Patent Office has proactively addressed the concerns that led to discretionary denials and the concerns with the practice itself, accounted for information from across the patent community, weighed the competing concerns between the benefits of eliminating “bad” patents and the costs of duplicative proceedings, adjusted its IPR design choices as new conditions and information arose, and answered for the discretionary denial practice to democratically elected officials.³⁵

Despite the contentious debate surrounding discretionary denials, this Article provides the first significant scholarly analysis of the practice.³⁶ This Article touches only in passing on two other issues that have arisen in debates over discretionary denials: whether challenges to discretionary denials are barred by the AIA's preclusion of judicial review of IPR institution decisions and whether the Patent Office was required to adopt the discretionary denial practice through notice-and-comment rulemaking, not adjudication.³⁷ The latter will soon be moot, as the Patent Office is

³¹ See *infra* Section III.B.

³² 138 S. Ct. 1365, 1372–74 (2018).

³³ See *infra* Section III.B.

³⁴ See *infra* Section III.C.

³⁵ See *infra* Section III.C.

³⁶ See Lidiya Mishchenko, *A Functional Approach to Agency (In)Action*, 75 SMU L. REV. 117, 141 (2022) (touching on discretionary denials in evaluating the bar on appellate review of institution); Saurabh Vishnubhakat, *Patent Inconsistency*, 97 IND. L.J. 59, 105–07 (2022) [hereinafter Vishnubhakat, *Inconsistency*] (describing discretionary denials in passing). See generally Janelle Barbier, Note, *The NHK-Fintiv Rule*, SANTA CLARA HIGH TECH. L.J. (forthcoming), available at <https://ssrn.com/abstract=4097201> (focusing on procedural challenges to discretionary denials).

³⁷ See *infra* Subsection I.C.3.

undertaking formal rulemaking.³⁸ The former has been addressed at length by Lidiya Mishchenko.³⁹ From a policy perspective, courts' refusal to address discretionary denial challenges because of the bar on appellate review of institution has the incidental, but unfortunate, effect of permitting uncertainty and doubt about the practice to fester. On a separate front, this Article evaluates the Patent Office within the established landscape of the administrative state, though it is worth acknowledging that current anti-administrative trends in politics and the law raise questions about how that landscape may change in future years.⁴⁰

Part I describes the Patent Office's broad power and discretion to design IPRs generally before turning specifically to the discretionary denial practice and the controversy it has sparked. Part II shows that discretionary denials are well within the Patent Office's statutory authority in light of the AIA's text and objectives. Part III turns to normative issues, noting that the question of whether discretionary denials are good policy is difficult and unclear and that the patent community has struggled to accept the Patent Office's enhanced role in resolving these types of ambiguous policy questions. Part III concludes by exploring how the experience with discretionary denials reveals some of the benefits of the Patent Office's enhanced patent policy-making role. A brief conclusion follows.

I. PTAB PROCEEDINGS AND PATENT OFFICE POWER

The primary job of the Patent Office is to review patent applications and issue patents if, and only if, the claimed invention meets the various criteria of patentability: it is the type of technological advancement for which patents are granted; it has a real-world, practical function; it is an actual invention that did not previously exist and is sufficiently different from what did exist to warrant patent protection; and it has a description sufficient to allow others to make and use the invention and show possession by the inventor of what is claimed.⁴¹ Traditionally, the validity of issued patents could be challenged in, and only in, federal court on these same grounds of patentability.⁴² In the 1980s, Congress first created Patent Office post-issuance procedures to

³⁸ See Britain Eakin, *Vidal Sees More Fintiv Changes After Formal Rulemaking*, LAW360 (June 24, 2022, 8:05 PM), <https://www.law360.com/articles/1506082> (“Vidal described the guidance as a step the agency could take immediately to create more certainty for administrative patent judges and parties while the agency prepares for rulemaking that will consider all the public feedback and make bigger changes down the road.”).

³⁹ See generally Mishchenko, *supra* note 36 (discussing the “nonappealability” of the Director’s decision and whether such decisions can ever be judicially reviewed).

⁴⁰ See generally Gillian E. Metzger, Foreword, *1930’s Redux: The Administrative State Under Siege*, 131 HARV. L. REV. 1, 5–7 (2017) (discussing past and current widespread legislative and judicial attacks on the administrative state and how such attacks are unlikely to fundamentally change the administrative state).

⁴¹ 35 U.S.C. §§ 101–103, 112(a)–(b).

⁴² *Regents of the Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1333 (Fed. Cir. 2019).

reconsider and cancel issued patents that failed the patentability criteria, but flaws in those procedures made them fairly ineffective.⁴³

As described in Section A below, in significantly expanding and strengthening Patent Office post-issuance review and cancellation of wrongfully issued patents, the AIA “bestow[ed] a glut of new powers upon the” Patent Office to design, implement, and manage these new proceedings.⁴⁴ Section B describes how the Patent Office has exercised that authority, with Section C focusing on the Patent Office’s adoption of the controversial discretionary denial practice.

A. *The Patent Office’s Enhanced Powers over Patent Validity*

The AIA created inter partes review (IPR), which allows any party to challenge an issued patent for anticipation (the claimed invention is not new) or obviousness (the claimed invention is not different enough) based on printed prior art from nine months after the patent issues through the life of the patent.⁴⁵ The AIA also created post grant review (PGR), which allows any patent to be challenged by any party on any basis within nine months of issuance.⁴⁶ PGR’s short timeframe has made it far less popular than IPRs, with IPRs comprising over 90% of PTAB proceedings.⁴⁷ The short timeframe also creates less of the duplication concerns that begot discretionary denials. This Article therefore focuses on IPRs.⁴⁸

In the IPR “institution stage,” a challenger files a petition asking the PTAB to review and cancel one or more claims of a patent, the patent owner can respond, and the PTAB must decide whether to institute review.⁴⁹ To warrant IPR institution, the petitioner must show “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”⁵⁰ If instituted, the PTAB decides whether the challenged claims should be cancelled as unpatentable.⁵¹ IPR is an adversarial proceeding between the patentee and challenger that includes limited discovery and an oral hearing.⁵² It is resolved by three PTAB

⁴³ *Id.* at 1333–34.

⁴⁴ Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1962–64 (2013).

⁴⁵ 35 U.S.C. § 311; see Sarah Tran, *Patent Powers*, 25 HARV. J.L. & TECH. 609, 633–35 (2012).

⁴⁶ 35 U.S.C. § 321; see Tran, *supra* note 45, at 631–32.

⁴⁷ U.S. PAT. & TRADEMARK OFF., PTAB TRIAL STATISTICS FY21 END OF YEAR OUTCOME ROUNDUP IPR, PGR, CBM 3 (2021) [hereinafter USPTO FY21 ROUNDUP], https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2021__roundup.pdf (reporting that IPR makes up 93% of PTAB proceedings, whereas PGR makes up 7% for the fiscal year).

⁴⁸ The relevant PGR statutory provisions are similar to those for IPRs, so most conclusions about the Patent Office’s broad power over IPRs also apply to PGRs. Tran, *supra* note 45, at 634–35.

⁴⁹ 35 U.S.C. § 314(b); see also SAS Inst. Inc. v. Iancu, 138 S. Ct. 1348, 1353 (2018).

⁵⁰ 35 U.S.C. § 314(a).

⁵¹ SAS, 138 S. Ct. at 1354 (citing 35 U.S.C. § 318(a)).

⁵² Dreyfuss, *supra* note 6, at 242–43.

administrative patent judges (APJs), who are patent lawyers with technical and legal training, using a preponderance-of-the-evidence standard.⁵³

IPR has been very popular among patent challengers and quite effective at invalidating issued patents.⁵⁴ In the 2021 fiscal year, claims from 1,135 patents were challenged at the PTAB, which instituted review for claims from over 800 patents and cancelled one or more claims from over 300 patents.⁵⁵ As compared to the period before the introduction of IPRs, the yearly number of invalidated patents has increased 400%.⁵⁶

The AIA empowers the Patent Office with significant authority to design and implement IPR.⁵⁷ The AIA authorizes (and requires) the Patent Office to “prescribe regulations” covering a range of specific implementation issues (e.g., discovery, abuse of discovery, oral hearings, and joinder), as well as granting it the open-ended power to “establish[] and govern[] inter partes review under this chapter and the relationship of such review to other proceedings under this title.”⁵⁸ The AIA expressly makes the IPR institution decision permissive and delegates to the Patent Office the authority to “set[] forth the standards for the showing of sufficient grounds to institute a review under section 314(a).”⁵⁹ The statute also provides that “[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”⁶⁰

The AIA imposes some limits on the Patent Office’s design of PTAB proceedings—for example, requiring an oral hearing on the request of either party and requiring the patent owner be allowed one motion to amend the claims.⁶¹ The AIA also limits the Patent Office’s authority over institution by only permitting institution upon the threshold showing of “a reasonable likelihood” of invalidity,⁶² and prohibiting IPR institution if the challenger first filed a civil action challenging the patent’s validity or the petition was filed more than one year after the challenger was served with an infringement complaint for the patent.⁶³ Beyond these explicit limits, Congress envisioned the Patent Office exercising policy-making authority in designing IPRs, instructing it to account for the following policy considerations: “the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office,

⁵³ *Id.* at 243, 261.

⁵⁴ *Id.* at 249–51 (noting that, as of 2014, “IPRs . . . ha[d] proven extremely popular”).

⁵⁵ USPTO FY21 ROUNDUP, *supra* note 47, at 7, 15.

⁵⁶ Stephen Yelderman, *Prior Art in Inter Partes Review*, 104 IOWA L. REV. 2705, 2706 (2019).

⁵⁷ *See* Tran, *supra* note 45, at 633 (noting that Congress “granted the USPTO broad powers over inter partes review proceedings”).

⁵⁸ 35 U.S.C. § 316(a).

⁵⁹ *Id.* § 316(a)(2).

⁶⁰ *Id.* § 314(d).

⁶¹ *Id.* § 316 (a)(10), (d)(1).

⁶² *Id.* § 314(a).

⁶³ *Id.* § 315(a)–(b).

and the ability of the Office to timely complete proceedings instituted under this chapter.”⁶⁴

The Supreme Court has largely confirmed the Patent Office’s authority over IPRs. It rejected the contention that administrative cancellation of issued patents violated Article III of the Constitution and the Seventh Amendment right to a jury trial.⁶⁵ It confirmed the Patent Office’s power to determine the proper standard for interpreting patent claims.⁶⁶ The Court also repeatedly upheld and extended the AIA’s ban on appellate review of the institution decision, extending it to appeals from final decisions, not just interlocutory appeals;⁶⁷ refusing to limit it to challenges about the threshold “reasonable likelihood” standard;⁶⁸ and extending it to other statutory provisions regulating institution.⁶⁹

The Court emphasized that “giving the Patent Office significant power to revisit and revise earlier patent grants” was an “important congressional objective” of the AIA.⁷⁰ It characterized the AIA as assigning the Patent Office broader policy-making authority than prior statutes,⁷¹ with the proper policy for designing IPR being a “question that Congress left to the particular expertise of the Patent Office,” which is “legally free to accept or reject [various] policy arguments on the basis of its own reasoned analysis.”⁷² Of particular interest, the Court emphasized that “Congress entrusted the institution decision to the agency.”⁷³

SAS Institute, Inc. v. Iancu is the only case in which the Court rejected the Patent Office’s IPR design choice, viewing a regulation allowing the Patent Office to institute review on some, but not all, of the challenged patent claims as inconsistent with the “unmistakable commands” imposed by the “plain text” of the AIA that were “both mandatory and comprehensive.”⁷⁴ This conclusion is questionable,⁷⁵ and *SAS* signaled broader skepticism about the scope of the Patent Office’s authority to design IPRs. For example, it described the AIA as “opt[ing] for a party-directed, adversarial process,” instead of an “agency-led, inquisitorial process for reconsidering patents.”⁷⁶

⁶⁴ *Id.* § 316(b).

⁶⁵ *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018).

⁶⁶ *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142 (2016) (“[T]he statute allows the Patent Office to issue rules ‘governing inter partes review,’ § 316(a)(4), and the broadest reasonable construction regulation is a rule that governs inter partes review.”).

⁶⁷ *Id.* at 2140.

⁶⁸ *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1375 (2020).

⁶⁹ *Cuozzo*, 136 S. Ct. at 2142 (requirement of petition “particularity”); *Thryv*, 140 S. Ct. at 1373 (timeliness of petition).

⁷⁰ *Cuozzo*, 136 S. Ct. at 2139–40.

⁷¹ *Id.* at 2143.

⁷² *Id.* at 2146.

⁷³ *Thryv*, 140 S. Ct. at 1376.

⁷⁴ *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1354, 1358 (2018).

⁷⁵ See *Mishchenko*, *supra* note 36, at 126 & n.75 (“*SAS* arguably contorted even its textual arguments to reach the result it wanted . . .”).

⁷⁶ *SAS*, 138 S. Ct. at 1355.

Yet, even *SAS* confirmed that the AIA “invests the Director with discretion on the question *whether* to institute review.”⁷⁷

Subsequent decisions have not shared *SAS*’s skepticism.⁷⁸ In the only other case in which the Supreme Court upheld a challenge to PTAB proceedings, *United States v. Arthrex, Inc.*, the Court’s remedy was to *expand* the Patent Office’s power over IPRs.⁷⁹ The Court found a constitutional Appointments Clause violation because PTAB APJs made final, unreviewable validity decisions on behalf of the executive branch, even though they were inferior officers not appointed by the President with the advice and consent of the Senate.⁸⁰ To preserve the AIA’s constitutionality, the Court held that the presidentially appointed and Senate-confirmed Patent Office Director could “review final PTAB decisions and, upon review, may issue decisions [their]self on behalf of the Board.”⁸¹ The Court emphasized the Director’s broad authority in doing so, explaining that “the Director need not review every decision of the PTAB” and “[w]hat matters is that the Director have the discretion to review decisions rendered by APJs.”⁸²

B. *The Patent Office’s Design and Redesign of IPRs*

The Patent Office’s power “reached a high-water mark” shortly after the AIA as it “advanced expansive interpretations” of its statutory power that made the PTAB effective at, and popular for, invalidating patents.⁸³ It was inevitable that the PTAB would pose a threat to issued patents, as the AIA was “intended to make it systematically easier to invalidate patents generally—so that patents of questionable quality will be more likely to fall.”⁸⁴ But the Patent Office also made design choices in implementing the AIA that magnified the threat IPRs posed to issued patents.

For example, the Patent Office expanded the patents subject to review by adopting a “lax interpretation of the [AIA] requirement” that the IPR petition make the requisite showing of invalidity “with ‘particularity’” and

⁷⁷ *Id.* at 1356.

⁷⁸ See Mishchenko, *supra* note 36, at 125 (“The holding in *SAS* [on the scope of Patent Office discretion] did not survive the test of time.”).

⁷⁹ 141 S. Ct. 1970, 1974, 1988–89 (2021).

⁸⁰ *Id.* at 1985–86. The Appointments Clause requires the President to appoint judges and principal federal officers, though Congress can vest the power to appoint “inferior” officers in the President, the courts, or department heads. U.S. CONST. art. II, § 2, cl. 2.

⁸¹ *Arthrex*, 141 S. Ct. at 1987.

⁸² *Id.* at 1988.

⁸³ Saurabh Vishnubhakat, *Disguised Patent Policymaking*, 76 WASH. & LEE L. REV. 1667, 1669 (2019) [hereinafter Vishnubhakat, *Disguised*].

⁸⁴ Saurabh Vishnubhakat, *Renewed Efficiency in Administrative Patent Revocation*, 104 IOWA L. REV. 2643, 2644 (2019) [hereinafter Vishnubhakat, *Renewed*].

accepting grounds “implicitly” raised in the petition.⁸⁵ It adopted the standard used in examination—“broadest reasonable construction”—for interpreting the patent claims that define the patent owner’s legal rights,⁸⁶ rather than the “ordinary meaning” standard used in litigation.⁸⁷ This standard resulted in a broader scope for the patent, increasing the likelihood the claim will be deemed invalid because it already existed or was obvious over what already existed.⁸⁸ When a patent owner exercised its statutory right to seek to amend a challenged claim to narrow the claim’s scope (and reduce the chances of invalidity),⁸⁹ the Patent Office imposed the burden on the patent owner to make the difficult showing that the amended claim was patentable over all known prior art, rather than the typical Patent Office presumption that claims are patentable unless proven unpatentable.⁹⁰ As a result, motions to amend, which could preserve patent validity, were almost never granted in the early years of IPRs.⁹¹

Other Patent Office design choices for IPRs did not inevitably make invalidation more likely, but they increased the PTAB’s power over the proceedings. Perhaps because of the general threat the PTAB posed to issued patents, observers perceived these choices as skewing IPRs toward invalidation.⁹² The Patent Office asserted the “partial institution” power to pick and choose which challenged claims to review and adopted broad interpretations of the bar on appellate review of its institution decisions.⁹³ The Patent Office also occasionally engaged in a practice of “panel stacking” by adding APJs to a panel on rehearing to reverse an outcome (generally on a procedural issue) contrary to the preferences of the Patent Office leadership.⁹⁴

Subsequently, the Patent Office significantly modified some IPR policy choices, changes that observers perceived as benefiting patent owners and

⁸⁵ Vishnubhakat, *Disguised*, *supra* note 83, at 1687 (quoting 35 U.S.C. § 312(a)(3)); *see* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2138–39 (2016) (describing a case in which the PTAB agreed to reexamine three patent claims, even though only one had been “expressly challenged,” when the challenged claim depended on the nonchallenged claims).

⁸⁶ *Cuozzo*, 136 S. Ct. at 2142 (citing 37 C.F.R. § 42.100(b) (2015)).

⁸⁷ *Id.* (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005)).

⁸⁸ *Id.* at 2145.

⁸⁹ 35 U.S.C. § 316(d).

⁹⁰ Greg Reilly, *Amending Patent Claims*, 32 HARV. J.L. & TECH. 1, 16 (2018); *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1301 (Fed. Cir. 2017).

⁹¹ *Aqua Products*, 872 F.3d at 1300 (noting that “as of April 30, 2016, the [PTAB] had completely denied 112 of 118 motions to amend” in IPRs and “partially denied motions to amend in four of the [other] six”).

⁹² Vishnubhakat, *Disguised*, *supra* note 83, at 1676–704, 1724 (identifying “case-specific readjudication” and “panel stacking” as examples of Patent Office aggrandizement of power that has hurt patent owners, even if Patent Office power does not have to inure to their detriment).

⁹³ *See supra* note 74 and accompanying text.

⁹⁴ John M. Golden, *PTO Panel Stacking: Unblessed by the Federal Circuit and Likely Unlawful*, 104 IOWA L. REV. 2447, 2449 (2019).

decreasing the risk of invalidation during IPR.⁹⁵ Two factors caused the shift. First, vocal and influential segments of the patent community portrayed the PTAB as skewing too much toward challengers, invalidating even meritorious patents and creating uncertainty that undermined the value of all patent rights.⁹⁶ Regardless of the merits of the criticism, it created a widespread perception that there was a problem—or even crisis—with the PTAB.⁹⁷ Second, a new presidential administration brought a new Patent Office Director, Andrei Iancu, promising “a new day at the PTAB!” that would “bring[] more balance to the proceedings.”⁹⁸ Director Iancu equated this “balance” with reducing the risk of invalidation to ensure “the PTAB is no longer a death squad for patents.”⁹⁹

Under Director Iancu, the Patent Office replaced the “broadest reasonable interpretation” claim construction standard with the narrower “ordinary meaning” standard used in litigation, in part to prevent perceived over-invalidation of patent rights.¹⁰⁰ The Patent Office also sought to make IPR less “all-or-nothing” and preserve overbroad claims that “actually describe[] patentable subject matter”¹⁰¹ by shifting the burden to the challenger to prove unpatentability of amended claims¹⁰² and allowing revisions to proposed amendments based on responses from the challenger or PTAB.¹⁰³ Additionally, Patent Office procedures clarified that expanded panels on rehearing should be “rare” and “not favored,” and that they “ordinarily will not be used” except to secure uniformity among related

⁹⁵ Ryan Davis, *Iancu Leaves Pro-Patentee Legacy as USPTO Director*, LAW360 (Jan. 21, 2021, 8:54 PM) [hereinafter Davis, *Iancu Leaves*], <https://www.law360.com/articles/1347266>.

⁹⁶ ABBOTT ET AL., *supra* note 9, at 4.

⁹⁷ Davis, *Iancu Leaves*, *supra* note 95 (noting that IPRs “were seen as an extremely hostile environment for patent owners”).

⁹⁸ Andrei Iancu, Dir., U.S. Pat. & Trademark Off., Remarks at the American Intellectual Property Law Association (AIPLA) Annual Meeting (Oct. 25, 2018) [hereinafter Iancu, AIPLA], *available at* <https://www.uspto.gov/about-us/news-updates/remarks-director-iancu-american-intellectual-property-law-association-annual>.

⁹⁹ Andrei Iancu, Dir., U.S. Pat. & Trademark Off., Remarks at the U.S. Chamber of Commerce (Jan. 19, 2021), *available at* <https://www.uspto.gov/about-us/news-updates/remarks-director-iancu-us-chamber-commerce-event-how-innovation-and>.

¹⁰⁰ Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51340 (Oct. 11, 2018) (codified at 37 C.F.R. § 42.100(b) (2019)); Iancu, AIPLA, *supra* note 98 (describing “using a claim construction standard in IPR that eliminates patents that would otherwise survive challenge in District Courts” as an “over-correction”).

¹⁰¹ Iancu, AIPLA, *supra* note 98.

¹⁰² Rules of Practice to Allocate the Burden of Persuasion on Motions to Amend in Trial Proceedings Before the Patent Trial and Appeal Board, 85 Fed. Reg. 82923, 82928 (Dec. 21, 2020) (codified at 37 C.F.R. § 42.121(d) (2021)).

¹⁰³ Notice Regarding a New Pilot Program Concerning Motion to Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 84 Fed. Reg. 9497 (Mar. 15, 2019).

cases assigned to different panels.¹⁰⁴ To address policy, procedural, and other important questions in a way “that is more transparent and predictable” than panel stacking, the Patent Office created a precedential opinion panel composed of the PTO Director, the Commissioner of Patents, and the PTAB Chief Judge.¹⁰⁵ The panel could designate prior PTAB decisions as precedential, as well as convene to rehear cases involving issues of exceptional importance.¹⁰⁶ Finally, as explored in the next section, the Patent Office adopted its discretionary denial practice.

C. *The Patent Office’s Discretionary Denial Practice*

The most significant and controversial IPR reform made during Director Iancu’s tenure was the discretionary denial practice. It has generated questions about the substance of the practice, the procedure for adopting it, and the procedure for challenging it.

1. *The Development of Discretionary Denials*

The PTAB often denies institution of IPRs based on the merits of the invalidity arguments, specifically for failure to meet the threshold standard of “reasonable likelihood” of invalidity.¹⁰⁷ But some institution denials, referred to as procedural denials, are based on other considerations, even if (or without deciding whether) the merits threshold is satisfied.¹⁰⁸ AIA section 315 mandates procedural denials when the challenger previously filed a declaratory judgment of invalidity suit or if the challenger was served with a complaint for patent infringement more than one year before seeking IPR.¹⁰⁹ Section 325(d) further provides that the Director “may take into account” and deny a petition when “the same or substantially the same prior art or arguments” were presented in a previous Patent Office proceeding.¹¹⁰

The Patent Office has asserted an additional general power to deny PTAB institution for non-merits reasons (“discretionary denials”), stating that “[e]ven in cases where a petitioner has satisfied the institution standard, the statutes . . . provide the Director with discretion to deny a petition.”¹¹¹

¹⁰⁴ *Revisions to Standard Operating Procedures: Paneling and Precedential Decisions*, U.S. PAT. & TRADEMARK OFF. (Sept. 21, 2018, 12:52 PM), <https://www.uspto.gov/patents/ptab/procedures/revisions-standard-operating>; PAT. TRIAL & APPEAL BD., STANDARD OPERATING PROCEDURE 1 (REVISION 15) 15 & n.4, <https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf>.

¹⁰⁵ *Revisions to Standard Operating Procedures: Paneling and Precedential Decisions*, *supra* note 104.

¹⁰⁶ *Id.*

¹⁰⁷ *PTAB Procedural Decisions Report: Non-Merits Based Decisions Rise, Denials Fall*, UNIFIED PATS. (Feb. 6, 2022) [hereinafter *PTAB Procedural Decisions Report*], <https://www.unifiedpatents.com/insights/ptab-procedural-decisions-report> (showing approximately 300 to 500 institution denials on the merits per year).

¹⁰⁸ *Id.* (showing approximately 75 to 225 procedural denials per year).

¹⁰⁹ 35 U.S.C. § 315(a)–(b).

¹¹⁰ *Id.* § 325(d).

¹¹¹ Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66502, 66503 (Oct. 20, 2020) [hereinafter USPTO Request].

Because the merits threshold of section 314(a) is written in permissive terms, the Patent Office contends that it is a “minimum” requirement for institution, not an exclusive criterion.¹¹²

The Patent Office has taken a fact-specific, case-by-case approach to discretionary denials.¹¹³ However, it has identified several recurring situations in which discretionary denials are particularly appropriate. First, discretionary denials may be used for follow-on or serial petitions challenging a patent already challenged in a previous proceeding because of concerns of abuse, harassment, and inefficiency.¹¹⁴ Second, discretionary denials may be appropriate for parallel petitions, where a petitioner files multiple petitions challenging the same patent at or about the same time, because “one petition should be sufficient for a petitioner to challenge the claims of a patent in most situations” and parallel petitions raise fairness and efficiency concerns.¹¹⁵ Third, discretionary denials may be used where only some, but not all, of the challenged claims meet the “reasonable likelihood” standard because review of a partially meritorious petition is not the best use of the Patent Office’s resources, given the SAS requirement of all-or-nothing institution.¹¹⁶ For similar reasons, the Patent Office may use discretionary denials if a petition lacks particularity, with voluminous and excessive grounds.¹¹⁷ Fourth, and most controversially, the Patent Office has concluded that discretionary denials are an appropriate tool to avoid duplication with pending litigation, particularly if that litigation is at an advanced stage.¹¹⁸ These so-called *Fintiv* (or *NHK-Fintiv*) denials are justified on the grounds of efficiency, stemming from concerns about duplicating efforts with advanced-stage litigation, as well as concerns about different tribunals reaching different validity determinations on the same patent.¹¹⁹

The Patent Office’s discretionary denial practice is generally traced to a 2017 precedential PTAB opinion, *General Plastic Industrial Co. v. Canon Kabushiki Kaisha*,¹²⁰ which identified a seven-factor balancing test focused on duplicative petitions:

¹¹² *Id.*; 35 U.S.C. § 314(a) (“The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims . . .”).

¹¹³ USPTO Request, *supra* note 111, at 66504.

¹¹⁴ *Id.* at 66504–05.

¹¹⁵ *Id.* at 66505.

¹¹⁶ *Id.*; see Mishchenko, *supra* note 36, at 128 (noting an inefficient use of resources from instituting partially meritorious petitions).

¹¹⁷ USPTO Request, *supra* note 111, at 66505.

¹¹⁸ *Id.*

¹¹⁹ *Id.* (noting “the Board found that the advanced state of a district court proceeding was a factor weighing in favor of not instituting” in *NHK Spring Co. v. Intri-Plex Technologies, Inc.*, No. IPR2018-00752, 2018 WL 4373643, at *7 (P.T.A.B. Sept. 12, 2018), and later summarized factors it considers “when a patent owner raises an argument for discretionary denial based on a parallel proceeding in another tribunal” in *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, 2020 WL 2126495, at *2–3 (P.T.A.B. Mar. 20, 2020)).

¹²⁰ No. IPR2016-01357, 2017 WL 3917706 (P.T.A.B. Sept. 6, 2017).

1. whether the same petitioner previously filed a petition directed to the same claims of the same patent;
2. whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;
3. whether at the time of filing of the second petition the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition;
4. the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
5. whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
6. the finite resources of the Board; and
7. the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.¹²¹

The 2020 *Apple Inc. v. Fintiv, Inc.* precedential opinion¹²² adopted another multi-factor balancing test focused on co-pending district court litigation:

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. 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.¹²³

Discretionary denials became more common at the end of the 2010s. Whereas 6% of all IPR institution decisions were procedural denials in 2016,

¹²¹ *Id.* at *4.

¹²² *Apple Inc.*, 2020 WL 2126495.

¹²³ *Id.* at *2.

19% were in 2020, before dipping to 14% in 2021.¹²⁴ From a slightly different perspective, procedural denials were 17% of all institution denials in 2016, rose to 44% in 2020, and dipped down to 26% in 2021.¹²⁵ Pure discretionary denials under section 314(a), as opposed to those expressly authorized by the statute, have also become more common, with six section 314(a) denials in 2016 but 123 in 2021.¹²⁶ The most controversial discretionary denials in light of pending litigation were nonexistent before 2019, a year in which they made up just 7% of section 314(a) denials.¹²⁷ In 2021, *Fintiv* denials constituted 68% of section 314(a) denials, 47% of all procedural denials, 16% of all institution denials, and 7% of all institution decisions.¹²⁸ Notably, the number of *Fintiv* denials remained constant between 2020 and 2021, with the dip in procedural denials in 2021 driven instead by a decrease in the number of denials of parallel petitions.¹²⁹ One estimate suggests that the PTAB addressed discretionary issues, most commonly *Fintiv*, in 40% of the institution decisions it made.¹³⁰

The Patent Office continues to refine its discretionary denial practice. In October 2020, it issued a formal request for comments on the practice as part of the process of codifying or modifying the discretionary denial practice through formal notice-and-comment rulemaking.¹³¹ No rulemaking occurred, presumably because the change of presidential administration left the Patent Office without a permanent director for a year and a half.¹³² In June 2022, the new Director of the Patent Office, Kathi Vidal, issued agency guidance clarifying (or modifying) several aspects of the *Fintiv* discretionary denial practice.¹³³ Under the revised practice, (1) *Fintiv* discretionary denials will not be used if a petition presents compelling evidence of unpatentability; (2) *Fintiv* denials will only be used with pending district court litigation, not litigation before the International Trade Commission (ITC), whose invalidity determinations are not binding on other tribunals; (3) *Fintiv* denials will not be used if the challenger stipulates not to raise in the pending litigation the same grounds raised or that reasonably could have been raised

¹²⁴ Q3 PTAB Discretionary Denial Report, *supra* note 30.

¹²⁵ *Id.*

¹²⁶ PTAB Procedural Decisions Report, *supra* note 107.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ USPTO Request, *supra* note 111, at 66506.

¹³² Ryan Davis, *A To-Do List for New USPTO Director Kathi Vidal*, LAW360 (Apr. 6, 2022, 10:21 PM) [hereinafter Davis, *To-Do*], <https://www.law360.com/articles/1481431> (noting that the lack of Director created “a kind of limbo where significant policy changes couldn’t be implemented,” such as modifications to discretionary denials).

¹³³ Memorandum from Katherine K. Vidal, Dir., U.S. Pat. & Trademark Off., Interim Procedures for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (June 21, 2022) [hereinafter Discretionary Denial Guidance], https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

in the IPR, since the stipulation eliminates the risk of duplication and conflicting decisions; and (4) *Fintiv* denials evaluating the proximity between trial and the IPR decision deadline will not unduly weigh on the court's stated trial date, which tends to change over the course of litigation, and may rely instead on the district's median time from filing to trial.¹³⁴ Director Vidal indicated that "formal rulemaking" on discretionary denials would occur and would further modify the practice.¹³⁵

Subsequent to Director Vidal's guidance, the Patent Office's use of discretionary denials significantly decreased, with only one discretionary denial in the third quarter of 2022.¹³⁶ Observers attribute this decline to a change in PTAB behavior in response to Director Vidal's guidance, as well as the strategies the guidance offered to practitioners to avoid discretionary denials, particularly stipulations.¹³⁷ Director Vidal continued to tweak the discretionary denial practice in early 2023. She sua sponte initiated Director review of a PTAB panel's decision in order to clarify the provision of her prior guidance memo providing that compelling evidence of unpatentability could prevent a *Fintiv* denial.¹³⁸ Director Vidal explained that a compelling merits inquiry was not a substitute for a *Fintiv* analysis and should only occur after the full *Fintiv* analysis.¹³⁹ She also explained that the compelling merits standard was a higher standard than the basic institution standard and that the PTAB must provide sufficient reasoning to support a conclusion that the compelling merits of a petition prevented a *Fintiv* denial.¹⁴⁰ Commentators have suggested that this tweak makes *Fintiv* denials at least somewhat more likely.¹⁴¹

2. *The Fierce Opposition to Discretionary Denials*

Discretionary denials, particularly *Fintiv* denials, have "become a lightning rod, generating litigation, debate and more than 800 public comments."¹⁴² This is somewhat surprising. Even at their peak, procedural denials accounted for less than 20%—and *Fintiv* denials only 7%—of institution decisions.¹⁴³ The percentage of IPR petitions instituted has fallen from 65% in 2016 to 56% in 2020 and 45% in 2021.¹⁴⁴ But it had already dropped to 61% in 2017, before the rise of procedural denials,¹⁴⁵ suggesting

¹³⁴ *Id.* at 9.

¹³⁵ *Id.*; see also Eakin, *supra* note 38.

¹³⁶ Kass, *supra* note 26.

¹³⁷ *Id.*

¹³⁸ *Commscope Techs. LLC v. Dali Wireless, Inc.*, No. IPR2022-01242, at 2–4 (P.T.A.B. Feb. 27, 2023).

¹³⁹ *Id.* at 4–5.

¹⁴⁰ *Id.* at 3–5.

¹⁴¹ Fernandez, *supra* note 29.

¹⁴² Davis, *To-Do*, *supra* note 132.

¹⁴³ *Q3 PTAB Discretionary Denial Report*, *supra* note 30.

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

that other factors are at play in their decline. Compared to 2017, the last year before a significant jump in procedural denials, the percentage of institution grants decreased only 5% in 2020.¹⁴⁶ Although the percentage of petitions granted was 16% less in 2021 than in 2017, merits denials were at least partially to blame, rising from 34% of all petitions in 2017 to 40% in 2021.¹⁴⁷ Total petitions filed are down a couple hundred from 2016 and 2017,¹⁴⁸ so perhaps procedural petitions are deterring challenges at the PTAB, though there are a lot of other potential variables. There has been only a slight decrease in invalidations, with 312 patents having claims invalidated at the PTAB in fiscal year 2021 (October 2020 to September 2021) compared to 377 in fiscal year 2019 (October 2018 to September 2019).¹⁴⁹ The data suggest discretionary denials have had limited impact on the PTAB's function of invalidating wrongfully issued patents.

Yet, observers have described the Patent Office's discretionary denial practice, particularly its *Fintiv* practice, as "one of the most controversial parts of patent law, drawing battle lines and challenges in all three branches of government."¹⁵⁰ The practice has been challenged repeatedly in petitions for certiorari to the Supreme Court from major technology and generic pharmaceutical companies like Apple and Mylan Pharmaceutical.¹⁵¹ Major technology companies Apple, Cisco, Google, and Intel have also challenged the practice as violating the Administrative Procedure Act, first in the district courts and subsequently on appeal to the Federal Circuit.¹⁵² Opponents have lobbied Congress and the Secretary of Commerce (to whom the Patent Office Director reports).¹⁵³ The discretionary denial

¹⁴⁶ *Id.*

¹⁴⁷ *Id.*

¹⁴⁸ *Id.*

¹⁴⁹ Compare U.S. PAT. & TRADEMARK OFF., PTAB TRIAL STATISTICS FY21 END OF YEAR OUTCOME ROUNDUP IPR, PGR, CBM 12 (2021), https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2021__roundup.pdf, with U.S. PAT. & TRADEMARK OFF., PTAB TRIAL STATISTICS FY19 END OF YEAR OUTCOME ROUNDUP IPR, PGR, CBM 14 (2019), https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2019_roundup.pdf.

¹⁵⁰ Dani Kass, *Leahy's Bill Seeks To "Course Correct" From Iancu's PTAB*, LAW360 (Sept. 27, 2021, 10:11 PM) [hereinafter Kass, *Leahy's Bill*], <https://www.law360.com/articles/1424694>.

¹⁵¹ Dani Kass, *High Court Delays Mulling Apple, Mylan Fintiv Challenges*, LAW360 (Nov. 24, 2021, 4:33 PM) [hereinafter Kass, *High Court*], <https://www.law360.com/articles/1443483>; see, e.g., Petition for Writ of Certiorari, *Apple Inc. v. Optis Cellular Tech., LLC*, No. 21-118, 2021 WL 3207820 (July 26, 2021), *cert. denied*, 142 S. Ct. 859 (2022); Petition for Writ of Certiorari, *Mylan Lab'ys. Ltd. v. Janssen Pharmaceutica, N.V.*, No. 21-202, 2021 WL 3598273 (Aug. 9, 2021), *cert. denied*, 142 S. Ct. 874 (2022).

¹⁵² Britain Eakin, *Tech Giants Urge Fed. Circ. To Abolish "Unlawful" Fintiv Rule*, LAW360 (Feb. 9, 2022, 8:44 PM), <https://www.law360.com/articles/1463601>; see *Apple Inc. v. Iancu*, No. 20-cv-06128, 2021 WL 5232241 (N.D. Cal. Nov. 10, 2021); Brief for Plaintiffs-Appellants, No. 2022-1249, 2022 WL 445008 (Fed. Cir. Feb. 8, 2022).

¹⁵³ E.g., Letter from 1564b et al. to Sen. Lindsey Graham, Chairman, S. Comm. on the Judiciary, et al. (Oct. 8, 2020), available at <https://www.uspto.gov/sites/default/files/documents/11192020GitHubInc.pdf> (letter from fifty-four companies, including Amazon, Google, and Microsoft); Letter from Steven R.

practice was a major issue during Director Vidal's confirmation hearing.¹⁵⁴ Legislation has been introduced in Congress to abolish the Director's discretion over the institution decision.¹⁵⁵ And over 800 comments were submitted in response to the Patent Office's request for comments on its discretionary denial practice.¹⁵⁶

Some of this opposition contends that discretionary denials, especially *Fintiv* denials, are bad policy because, for example, they create inefficiency and uncertainty in challenging patents in the PTAB.¹⁵⁷ But many opponents do not stop at policy objections and instead contend that the Patent Office lacks the statutory authority to use discretionary denials, which they contend are "illegal"¹⁵⁸ and "violate[] the America Invents Act."¹⁵⁹ Because the discretionary denial practice is unlawful, in their view, courts must set it aside and bar the Patent Office from using it in the future.¹⁶⁰

3. *Three Categories of Disputes Related to Discretionary Denials*

The Patent Office's discretionary denial practice has led to disputes within the patent community about three distinct issues: the substance of the discretionary denial practice and the Patent Office's power to adopt it; the process by which the Patent Office adopted the discretionary denial practice; and the availability of appellate review of the discretionary denial practice. This Article focuses on the first issue, addressing the Patent Office's statutory authority to adopt discretionary denials in Part II and the normative wisdom of the practice in Part III.

The second issue that has been debated in the patent community is whether the Patent Office adopted the practice in a procedurally defective manner through PTAB decisions designated as precedential rather than engaging in notice-and-comment rulemaking.¹⁶¹ Opponents contend that the Patent Office was required to use notice-and-comment rulemaking because

Rodgers, Exec. Vice President & General Counsel, Intel Corp., et al., to Gina M. Raimondo, Sec'y, U.S. Dep't of Commerce (Jan. 28, 2022), available at <https://images.law.com/contrib/content/uploads/documents/292/108209/GC-letter-re-Fintiv.pdf> (letter from general counsels of twenty-three companies, including General Motors, Netflix, and Twitter).

¹⁵⁴ Samantha Handler, *PTO Pick Vidal Promises Fresh Look at Rule on Patent Reviews*, BLOOMBERG L. (Dec. 1, 2021, 2:58 PM), <https://www.bloomberglaw.com/bloomberglawnews/health-law-and-business/XLVF8C4000000>; *Nomination Hearing*, U.S. SENATE COMM. ON THE JUDICIARY (Dec. 1, 2021), <https://www.judiciary.senate.gov/committee-activity/hearings/11/24/2021/nominations> (video of Vidal's hearing).

¹⁵⁵ E.g., Patent Trial and Appeal Board Reform Act of 2022, S. 4417, 117th Cong. (2022); see also Kass, *Leahy's Bill*, *supra* note 150.

¹⁵⁶ Dani Kass, *Sens. Back PTAB Denial Rules, Drug Pricing Activists Balk*, LAW360 (Dec. 4, 2020, 10:59 PM) [hereinafter Kass, *Activists Balk*], <https://www.law360.com/articles/1320928>.

¹⁵⁷ Joseph Matal, Opinion, *PTAB Discretionary Denials Are Unpredictable and Illegal*, LAW360 (Dec. 13, 2021, 4:14 PM), <https://www.law360.com/articles/1448126>.

¹⁵⁸ *Id.*

¹⁵⁹ Kass, *High Court*, *supra* note 151.

¹⁶⁰ Eakin, *supra* note 152.

¹⁶¹ E.g., Apple Complaint, *supra* note 11, ¶¶ 76–77.

the discretionary denial practice “is a substantive rule that alters the rights and interests” of PTAB petitioners.¹⁶² However, “the Administrative Procedure Act and Supreme Court precedents permit federal agencies to articulate new policy through both rules and adjudicative orders,”¹⁶³ and “the choice made between proceeding by general rule or by individual, ad hoc litigation is one that lies primarily in the informed discretion of the administrative agency.”¹⁶⁴ As one commentator explained, “agency policies articulated through adjudication . . . can be as major as developing a whole regulatory framework,” giving the example of an agency enforcing a “no vehicles in the park” rule that could, through adjudication, “articulate a multi-factor test explaining how it will adjudicate this prohibition going forward—much as it could through a notice-and-comment regulation.”¹⁶⁵ This is exactly what the Patent Office has done with its discretionary denial practice. Notably, the Federal Circuit held that courts are not barred from considering challenges contending that the Patent Office can only adopt the discretionary denial practice through notice-and-comment rulemaking, though the court did not reach the merits of such a challenge.¹⁶⁶ In any event, this issue will be mooted by the Patent Office’s expected formal rulemaking on the issue.¹⁶⁷

The third issue is whether section 314(d)’s prohibition on appellate review of the PTAB institution decision forecloses challenges to the discretionary denial practice, either on direct appeal from individual denials or APA challenges to the general practice.¹⁶⁸ This Article does not weigh in on this issue.¹⁶⁹ In March 2023, the Federal Circuit confirmed that section 314(d) bars appellate review of the substance of the Patent Office’s discretionary denial practice, whether on direct review of an institution decision or in a collateral APA challenge.¹⁷⁰ The practical effect of application of section 314(d) to bar review of the discretionary denial practice is the persistence of debate and uncertainty regarding the Patent Office’s statutory authority to use discretionary denials, given the absence of a definitive appellate decision on the issue.

¹⁶² *Id.*

¹⁶³ Todd Phillips, *A Change of Policy: Promoting Agency Policymaking by Adjudication*, 73 ADMIN. L. REV. 495, 496 (2021).

¹⁶⁴ SEC v. Chenery Corp., 332 U.S. 194, 203 (1947).

¹⁶⁵ Phillips, *supra* note 163, at 497.

¹⁶⁶ Apple v. Vidal, No. 2022-1249, slip op. at 3–4, 19–21 (Fed. Cir. Mar. 13, 2023).

¹⁶⁷ See *supra* Subsection I.C.1.

¹⁶⁸ See Eakin, *supra* note 152.

¹⁶⁹ For a comprehensive discussion of the bar on appellate review of IPR institution, see Mishchenko, *supra* note 36, at 131–32 (discussing the scope of the Director’s discretion in making nonappealable administrative determinations).

¹⁷⁰ Apple v. Vidal, slip op. at 14–19.

II. THE PATENT OFFICE'S POWER TO ADOPT DISCRETIONARY DENIALS

A focal point of debates over discretionary denials is whether the practice is a lawful exercise of the Patent Office's statutory authority under the AIA.¹⁷¹ If reviewable,¹⁷² the Patent Office's discretionary denial practice, like any administrative action, must be set aside as unlawful if it is either "in excess of statutory jurisdiction, authority, or limitations, or short of statutory right" or is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law."¹⁷³ As further developed in Section A below, the AIA explicitly assigns the Patent Office broad discretion over the institution decision, including near-absolute discretion over denial of institution. The discretionary denial practice is well within this broad statutory authority over institution.

Nor is the discretionary denial practice arbitrary, capricious, or an abuse of discretion. In evaluating this question, a court must defer to the agency and accept its policy choices, even if the court disagrees.¹⁷⁴ The agency's actions must be upheld if they are "within a zone of reasonableness" and reasonably considered and explained.¹⁷⁵ Section B shows that the Patent Office's discretionary denial practice is a reasonable implementation of the statutory framework in light of the text and objectives of the AIA and therefore not arbitrary, capricious, nor an abuse of discretion.

The reasonableness of the discretionary denial practice in light of the statutory text and its objectives is potentially important for a second reason. The clear statutory text described in Section A, conferring broad institution discretion (especially institution denial discretion) on the Patent Office, makes it unnecessary to rely on principles of administrative deference, which are on shaky footing given general anti-administrative trends.¹⁷⁶ However, even if somehow one were to conclude that the statute is unclear about the Patent Office's institution discretion, at the very least, the statute is silent or ambiguous because nothing in the statute precludes the discretionary denial practice or ever mandates institution.¹⁷⁷ Under the *Chevron* doctrine, "if the statute is silent or ambiguous with respect to the specific issue," the reasonable interpretation of the statute by an administrative agency that administers it is entitled to deference.¹⁷⁸ Because the AIA delegates administration of IPRs, including determining standards

¹⁷¹ Apple Complaint, *supra* note 11, ¶¶ 6, 9 (contending that *Fintiv* denials "violate[] the AIA" and are "unlawful"); Mylan Cert Petition, *supra* note 3, at 21 (contending that *Fintiv* denials are "not a lawful exercise of the Director's discretion").

¹⁷² See *supra* Subsection I.C.3.

¹⁷³ 5 U.S.C. § 706(2)(A), (C).

¹⁷⁴ *FCC v. Prometheus Radio Project*, 141 S. Ct. 1150, 1158 (2021).

¹⁷⁵ *Id.*

¹⁷⁶ See Metzger, *supra* note 40, at 24–26 (discussing increasing criticism and limitations on *Chevron*, including Supreme Court justices' suggestions that judicial deference is unconstitutional).

¹⁷⁷ See discussion *infra* Section II.A.

¹⁷⁸ *Chevron U.S.A., Inc. v. Nat. Res. Def. Council*, 467 U.S. 837, 843–44 (1984).

for institution, to the Patent Office,¹⁷⁹ the Patent Office's interpretation of the AIA as permitting discretionary denials is entitled to deference because, as explained in Section B, it is "reasonable in light of the text, nature, and purpose of the statute."¹⁸⁰

A. *The Patent Office's Broad Discretion to Deny Institution*

1. *The Patent Office's General Institution Discretion*

The statute explicitly provides the Patent Office with general discretionary authority to deny institution. Section 314(a) governs the institution decision and provides that "[t]he Director *may not* authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."¹⁸¹ The express statutory language makes the institution decision permissive, not mandatory, provided that the "reasonable likelihood" of invalidity requirement is satisfied. The Supreme Court has recognized, albeit in passing, that "[section] 314(a) invests the Director with discretion on the question *whether* to institute review."¹⁸²

The discretion conferred by the plain language of section 314(a) is confirmed by the rest of the statute. Beyond the permissive language, section 314(a) is titled "Threshold," suggesting a minimum requirement, not the sole and comprehensive standards for institution.¹⁸³ The AIA explicitly allows the Patent Office to define additional requirements for institution. Section 316(a) gives the Patent Office the power to "set[] forth the *standards* for the showing of sufficient *grounds* to institute a review under section 314(a)."¹⁸⁴ The plurals "standards" and "grounds" indicate a broad Patent Office power

¹⁷⁹ See *supra* Section I.A; see also *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142 (2016) (explaining that the Patent Office has the legal authority to issue its previous "broadest reasonable construction" regulation).

¹⁸⁰ *Cuozzo*, 136 S. Ct. at 2142.

¹⁸¹ 35 U.S.C. § 314(a) (emphasis added).

¹⁸² *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1351 (2018) (emphasis added); see also *Cuozzo*, 136 S. Ct. at 2140 (stating that "the agency's decision to deny a petition is a matter committed to the Patent Office's discretion").

¹⁸³ See *Threshold*, FINDLAW LEGAL DICTIONARY, <https://dictionary.findlaw.com/definition/threshold.html> (last visited March 8, 2023) (defining "threshold" as "a minimum requirement for further action").

¹⁸⁴ 35 U.S.C. § 316(a)(2) (emphasis added). Section 316 would provide stronger support for the discretionary denial practice if that practice were codified through notice-and-comment rulemaking, rather than adjudicative decisions. Section 316 gives the Patent Office the power to prescribe "regulations," not "rules." The term "regulations" could be seen as a reference to formal rulemaking. See William Funk, *When Is a "Rule" a Regulation? Marking a Clear Line Between Nonlegislative Rules and Legislative Rules*, 54 ADMIN. L. REV. 659, 660 n.7 (2002) (favoring use of the term "regulation" only to refer to the product of formal rulemaking). On the other hand, "the terms 'rule' and 'regulation' are generally considered synonymous." *Id.* Therefore, Section 316's reference to the power to prescribe "regulations" may extend to rules that are the product of adjudicative decisions like *General Plastic* and *Fintiv*. See *supra* notes 119–20.

to impose institution requirements, not a limited power to only define the singular “reasonable likelihood” merits standard. Section 314(d)’s bar on appellate review of the institution decision further reinforces the Patent Office’s broad authority and discretion over institution.¹⁸⁵

Fintiv discretionary denials in light of pending litigation are further supported by section 316(a)(4), which expressly grants the Patent Office the power to issue regulations that establish and govern “the relationship of [IPR] to other proceedings *under this title*.”¹⁸⁶ The statutory provision that creates a civil action for patent infringement is in the same Title 35 as section 316(a)(4), with section 281 providing that “[a] patentee shall have remedy by civil action for infringement of his patent.”¹⁸⁷ Thus, the power to define the relationship of IPRs to other proceedings under Title 35 would include the power to define the relationship of IPR to a civil action for patent infringement under section 281. Since *Fintiv* denials are based on the advanced stage of pending civil actions, they govern the relationship between IPRs and any infringement actions filed under section 281, falling within section 316(a)(4)’s express grant of authority to the Patent Office.

If Congress wanted to limit the Patent Office’s institution decision to the express statutory criteria of a “reasonable likelihood” of invalidity, “it knew exactly how to do so—it could have simply borrowed from the statute next door.”¹⁸⁸ The Patent Act elsewhere uses mandatory “shall” language to mandate Patent Office action when prerequisites are satisfied. For example, section 131 provides that “[t]he Director *shall cause* an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Director *shall issue* a patent therefor.”¹⁸⁹ The mandatory “shall” language requires patent issuance if the statutory criteria are met, without allowing additional criteria or discretion.¹⁹⁰ By contrast, other provisions that use similar permissive “may” language as section 314(a) have been interpreted as conferring discretion on the Patent Office. For example, the pre-AIA statutory provisions governing interferences between two pending applications (or an application and an issued patent) covering the same invention stated that “[w]henever an application is made for a patent which, in the opinion of the Director, would interfere with any pending application, or with any unexpired patent, an interference *may be* declared.”¹⁹¹ The Federal Circuit concluded that “[t]he plain meaning of this statute is clear

¹⁸⁵ 35 U.S.C. § 314(d).

¹⁸⁶ *Id.* § 316(a)(4) (emphasis added).

¹⁸⁷ *Id.* § 281.

¹⁸⁸ SAS Inst. Inc. v. Iancu, 138 S. Ct. 1348, 1355 (2018).

¹⁸⁹ 35 U.S.C. § 131 (emphasis added).

¹⁹⁰ Markman v. Westview Instruments, Inc., 52 F.3d 967, 985 n.14 (Fed. Cir. 1995) (en banc), *aff’d* 517 U.S. 370 (1996) (“There is no discretion on the part of the PTO as to whether or not to grant the patent—if the statutory requirements are met, a patent is issued.”).

¹⁹¹ 35 U.S.C. § 135(a) (2006) (emphasis added), *amended by* 35 U.S.C. § 135(a) (Supp. V 2012).

from the use of the permissive term ‘may’ that the Commissioner has discretion whether to declare an interference.”¹⁹²

The statutory provisions related to IPR’s precursor, reexamination, are particularly instructive.¹⁹³ They used mandatory language to require institution if the requisite merits threshold was satisfied,¹⁹⁴ with the ex parte reexamination provision providing that “[i]f, in a determination made under the provisions of subsection 303(a), the Director finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination *will* include an order for reexamination”¹⁹⁵ and the inter partes reexamination provision providing:

If, in a determination made under section 312(a), the Director finds that it has been shown that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request, the determination *shall* include an order for inter partes reexamination of the patent for resolution of the question.¹⁹⁶

Moreover, unlike the AIA’s broad grant of power to the Patent Office to “set[] forth the [plural] standards for the showing of sufficient [plural] grounds to institute a review,”¹⁹⁷ the reexamination provisions limited the Director’s institution determination to the single question of satisfaction of the cross-referenced merits standards found in section 303(a) for ex parte reexamination (“substantial new question of patentability”) and the pre-AIA section 312(a) for inter partes reexamination (“reasonable likelihood” of invalidity).¹⁹⁸

As the Supreme Court has explained in another context comparing IPR to reexamination, “Congress’s choice to depart from the model of a closely related statute is a choice neither we nor the agency may disregard.”¹⁹⁹ By altering the language of the institution decision from mandatory to permissive and broadening the Patent Office’s task from simply evaluating the statutory merits threshold to also defining the standards and grounds for institution, the AIA gives the Patent Office broad discretion over institution and the ability to impose criteria beyond those expressly stated in the AIA.

¹⁹² *Barton v. Adang*, 162 F.3d 1140, 1144 (Fed. Cir. 1998).

¹⁹³ *SAS*, 138 S. Ct. at 1355 (“It’s telling, too, to compare this structure [of inter partes review] with what came before [in the reexamination statutes.]”).

¹⁹⁴ *See* *Mishchenko*, *supra* note 36, at 133. By contrast, the Federal Circuit has concluded that the permissive “may determine” language used in Section 303(a) to describe the Patent Office’s power to sua sponte initiate reexamination means this decision “rests solely in the PTO’s discretion.” *Pieczenik v. Domantis*, 120 F. App’x 317, 319–20 (Fed. Cir. 2005).

¹⁹⁵ 35 U.S.C. § 304 (2006) (emphasis added). The AIA did not alter the text of this section.

¹⁹⁶ *Id.* § 313 (emphasis added).

¹⁹⁷ 35 U.S.C. § 316(a)(2) (2018).

¹⁹⁸ 35 U.S.C. §§ 303(a), 312(a) (2006).

¹⁹⁹ *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018).

This conclusion from the statutory text is consistent with the AIA's objective of enhancing the Patent Office's power and discretion over the design and implementation of IPRs, including the institution decision specifically.²⁰⁰ The statute requires the Patent Office to engage in policy-making considering "the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings" when exercising its delegated authority to design and implement IPRs, including its authority to "set[] forth the standards for the showing of sufficient grounds to institute a review under section 314(a)."²⁰¹ Congress also sought to give the Patent Office flexibility in designing and implementing IPRs to address problems that might arise but could not be anticipated, such as abuse of IPRs, potential inefficiencies, or potential backlogs.²⁰² It would be impossible for the Patent Office to engage in this policy-making or flexibility in designing and implementing IPR institution if it was limited to applying the threshold "reasonable likelihood" standard and could not impose additional requirements on institution. Instead, "Congress entrusted the [PTAB] institution decision to the agency."²⁰³

2. *The Ways the AIA Does and Does Not Limit the Patent Office's Institution Authority*

Though broad, the Patent Office's power over institution is not absolute. Most obviously, the AIA limits the Patent Office's discretion by only permitting institution if the merits "reasonable likelihood" of invalidity threshold is satisfied.²⁰⁴ Some challenges to the discretionary denial practice contend the "reasonable likelihood" merits standard is the exclusive criteria for institution and the Patent Office lacks authority to deny institution on other "procedural grounds."²⁰⁵ They contend, for example, that the *Fintiv* practice is unlawful because "Congress nowhere authorized denial of a timely IPR petition based on overlap with parallel litigation brought by the patent owner."²⁰⁶ However, the Supreme Court, long before the modern administrative state, described a similar argument that there must be express

²⁰⁰ See *supra* Section I.A.

²⁰¹ 35 U.S.C. § 316(a)–(b) (2018).

²⁰² H.R. REP. NO. 112-98, pt. 1, at 48 (2011) ("[T]he Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded procedural authority."); 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (noting the expectation that "the threshold regulations" would allow the Patent Office to decline to institute petitions because of "a high volume of pending proceedings").

²⁰³ *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1376 (2020).

²⁰⁴ 35 U.S.C. § 314(a); see *supra* note 106 and accompanying text.

²⁰⁵ Joe Mullin, *When the U.S. Patent Office Won't Do Its Job, Congress Should Step In*, ELEC. FRONTIER FOUND. (July 29, 2020), <https://www.eff.org/deeplinks/2020/07/when-us-patent-office-wont-do-its-job-congress-should-step> (suggesting that the statute requires the Patent Office to institute IPRs for all petitions that meet the statutory standard of likely invalidity).

²⁰⁶ Apple Complaint, *supra* note 11, ¶¶ 61, 66.

statutory authorization for every administrative action as “evinc[ing] a most unpardonable ignorance on the subject.”²⁰⁷ Although executive agencies are “limited in the exercise of [their] powers by the law,” the Court said, “it does not follow, that [they] must show a statutory provision for every thing [they] do[]” because “[n]o government could be administered on such principles.”²⁰⁸ Rather, “the great outlines of [the agency’s] movements may be marked out, and limitations imposed on the exercise of its powers” by the statute, but the agency “is often compelled to exercise [its] discretion” in carrying out the statute,²⁰⁹ just as the Patent Office has done with its discretionary denial practice.

Moreover, beyond the Patent Office’s general institution discretion, the AIA expressly provides for, or requires, procedural denials unrelated to the merits “reasonable likelihood” standard. Section 325(d) provides that the Patent Office can “take into account whether, and *reject the petition* or request because, the same or substantially the same prior art or arguments previously were presented to the [Patent] Office.”²¹⁰ Section 315(a)(1) prohibits the Patent Office from instituting IPR if the challenger previously filed a declaratory judgment action of invalidity in federal court.²¹¹ And section 315(b) prohibits institution if the petition is filed more than one year after the challenger is served with a patent infringement complaint.²¹²

Other discretionary denial challenges contend that these statutory provisions specify the exclusive procedural grounds on which institution can be denied, and the Patent Office lacks the general authority or discretion to deny institution for additional reasons.²¹³ Section 313 arguably provides a textual hook for this argument, allowing the patent owner to file a response to the petition “that sets forth reasons why no inter partes review should be instituted based upon *the failure of the petition to meet any requirement of this chapter*.”²¹⁴ Since the statute limits the patent owner’s response to the “requirement[s] of this chapter,” the argument would also seem to assume that the Patent Office’s institution decision would be limited to the

²⁰⁷ United States v. Macdaniel, 32 U.S. (7 Pet.) 1, 14 (1833).

²⁰⁸ *Id.*; see also 1 GLENN A. MITCHELL & JACOB A. STEIN, ADMINISTRATIVE LAW § 4.02[4] (MB 2022) (noting that agencies, “while required to act within the limits of the law, are granted the power to exercise discretion in carrying out the responsibilities of the department” and “are not required to show express statutory authority for every function they perform”).

²⁰⁹ *Macdaniel*, 32 U.S. at 14.

²¹⁰ 35 U.S.C. § 325(d) (emphasis added).

²¹¹ *Id.* § 315(a)(1).

²¹² *Id.* § 315(b).

²¹³ See, e.g., Mylan Cert Petition, *supra* note 3, at 22–25 (contending that “it would have made little sense for Congress to direct how IPR and overlapping proceedings should be managed” in provisions like Sections 325(d) and 315(a)–(b) if the Patent Office had general discretion over institution); cf. Brief of the Computer & Communications Industry Ass’n as Amicus Curiae in Support of Petitioner at 13, Apple Inc. v. Optis Cellular Tech., LLC, 142 S. Ct. 859 (2022) (No. 21-118) [hereinafter CCA Amicus Brief] (contending that the Patent Office lacks the power to specify additional timing considerations for institution beyond those identified in the statute).

²¹⁴ 35 U.S.C. § 313 (emphasis added).

“requirement[s] of this chapter.” However, to interpret section 313 as part of the statutory whole and reconcile it with section 314(a)’s grant of institution discretion and section 316(a)’s grant of power to define the standards and grounds of institution, a better reading of section 313’s reference to the denial of institution being based on the “requirement[s] of this chapter” would include any additional requirements and criteria that the Patent Office imposes on institution pursuant to the powers granted to it by other provisions of the same “chapter,” such as sections 314(a) and 316(a). Otherwise, the powers granted to the Patent Office in these other provisions would be meaningless.

Leading congressional proponents characterized the AIA as specifying nonexhaustive criteria, anticipating that the Patent Office would use its authority over institution to impose additional requirements. Senator Jon Kyl of Arizona specifically noted: “It is expected that the Office will include in the threshold regulations a safety valve that allows the Office to decline to institute further proceedings if a high volume of pending proceedings threatens the Office’s ability to timely complete all proceedings,” even if the petitions “otherwise satisfy the threshold for instituting an inter partes or post-grant review.”²¹⁵ Thus, Senator Kyl understood the AIA as permitting a discretionary denial practice not expressly specified in the statute and based on procedural considerations (specifically, backlog) unrelated to the merits “reasonable likelihood” threshold.²¹⁶ Nothing in the record suggests that Senator Kyl was mistaken or an outlier.²¹⁷

Some challenges to the discretionary denial practice contend that specific aspects of the practice are foreclosed by the statutory text. One argument is that section 325(d)’s specific provision for denial based on duplicative prior art and arguments²¹⁸ shows the Patent Office lacks general discretion to deny institution based on duplicative proceedings because Congress specified the sole situation—overlapping prior art and arguments—in which duplicative Patent Office proceedings warranted denial.²¹⁹ This argument ignores the broad institution power granted to the Patent Office, reads a *limit* on the Patent Office’s power from a provision that *grants* it power, overlooks that nothing in this provision nor elsewhere in the statute mandates institution, and is inconsistent with Senator Kyl’s expectation that the Patent Office would add institution criteria not specified in the statute.²²⁰ Rather, section 325(d) is best read as Congress emphasizing the ability to deny institution in this particularly concerning example of

²¹⁵ 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

²¹⁶ *Id.*

²¹⁷ See Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. BAR J. 539, 610 (2012) (summarizing the legislative history, including Senator Kyl’s view, and not providing any contrary indications).

²¹⁸ 35 U.S.C. § 325(d).

²¹⁹ See, e.g., Mylan Cert Petition, *supra* note 3, at 22–25 (making a similar argument).

²²⁰ See *supra* Section II.A.

duplication of prior art and arguments, not identifying the exclusive situation that raises duplication concerns. Moreover, section 325(d) covers more than IPRs and applies, importantly, to reexamination.²²¹ As a result, section 325(d) is not redundant or superfluous of the Patent Office's general institution discretion because section 325(d) provided the Patent Office with discretion in reexamination institution that did not previously exist.²²² Notably, Senator Kyl's detailed discussion of section 325(d) focused on its use in reexamination.²²³

Another argument challenges the *Fintiv* practice specifically, contending that section 315(b)'s bar on institution more than one year after service of an infringement complaint demonstrates that Congress intended duplication between IPRs and infringement litigation as long as the IPR is sought within the one-year window.²²⁴ These opponents attempt to rewrite section 315(b), which is a limit on the Patent Office's power *to institute* IPR, into a limit on the Patent Office's power *not to institute* IPR. By its express terms, section 315(b) is a one-way provision that prohibits institution more than one year after an infringement complaint but is silent regarding institution within one year of an infringement complaint.²²⁵ There is no textual support for converting section 315(b) into a two-way provision that both prohibits institution (if more than one year after an infringement complaint) and mandates institution (if less than one year after an infringement complaint and the merits threshold is satisfied). Nor would this be consistent with the statutory framework. Section 315(b) was *not* included in the AIA as a grace period to give patent challengers adequate time to prepare petitions. Rather, it was included to address the statutory objective of avoiding duplicative proceedings.²²⁶ As the Supreme Court explained, "[t]he purpose of § 315(b), all agree, is to minimize burdensome overlap between inter partes review and patent-infringement litigation."²²⁷ Treating section 315(b) as a two-way provision that mandates institution within one year of the infringement complaint would enhance duplication between IPR and litigation, undermining this established purpose of section 315(b).

²²¹ 35 U.S.C. § 325(d) (applying to "a proceeding under this chapter [PGR], chapter 30 [reexamination], or chapter 31 [IPR]").

²²² See *supra* notes 193–98 and accompanying text (describing the general mandatory nature of reexamination institution).

²²³ 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (noting that the Patent Office was forced in reexamination to accept petitions "rais[ing] challenges that are cumulative" but "[u]nder section 325(d), second sentence, however, the Office could nevertheless refuse a subsequent request for ex parte reexamination").

²²⁴ Apple Complaint, *supra* note 11, ¶¶ 62–63.

²²⁵ 35 U.S.C. § 315(b).

²²⁶ See Mishchenko, *supra* note 36, at 128.

²²⁷ *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374–76 (2020).

3. *The Patent Office's Near-Absolute Power to Deny Institution*

Importantly, each of the express statutory limits on the Patent Office's institution authority *prohibits the Patent Office from instituting* IPR. These limits alter the general institution authority Congress delegated to the Patent Office by barring institution in some circumstances where the Patent Office otherwise might have instituted. But these statutory limits do not alter the Patent Office's general institution authority in circumstances where the Patent Office declines to institute review. Nor does any provision in the AIA ever limit the Patent Office's institution discretion by *mandating or requiring* institution.²²⁸ Thus, the Patent Office has broad—near-absolute—discretion to *decline to institute* IPR of even meritorious petitions.²²⁹

The Supreme Court has recognized that the Patent Office has broader power to deny institution than to institute IPR. The majority in *Cuozzo Speed Technologies, LLC v. Lee* noted that “the agency’s decision to *deny a petition* is a matter committed to the Patent Office’s discretion” because there is “no mandate to institute review.”²³⁰ Though viewing the Patent Office’s institution power as more limited than the majority, Justices Alito and Sotomayor in partial dissent in *Cuozzo* inferred “from the statutory scheme that the Patent Office has discretion to deny inter partes review even if a challenger satisfies the threshold requirements for review.”²³¹ To them, for the Patent Office to have broader power to deny institution than to institute was logical, since “[a] patent challenger does not have nearly as much to lose from an erroneous *denial* of inter partes review as a patent owner stands to lose from an erroneous *grant* of inter partes review.”²³² The challenger loses the procedural advantages of IPR compared to litigation, but the patent owner “risks the destruction of a valuable property right.”²³³

Discretionary denial challengers characterize the Patent Office’s claim of near-“absolute discretion” to deny institution as “particularly disturbing.”²³⁴ However, it is analogous to the longstanding administrative principle that an agency’s decision not to enforce statutory provisions “is a decision generally committed to an agency’s absolute discretion” and not subject to judicial review.²³⁵ Just as the Supreme Court emphasized that

²²⁸ See Mishchenko, *supra* note 36, at 132.

²²⁹ *Id.* (describing “Congress’s intent that the PTAB has more discretion to deny institution than when it chooses to institute”).

²³⁰ *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (emphasis added) (citing 5 U.S.C. § 701(a)(2) (precluding judicial review where “agency action is committed to agency discretion by law”); 35 U.S.C. § 314(a)).

²³¹ *Id.* at 2153 (Alito, J., concurring in part and dissenting in part).

²³² *Id.* at 2153 n.6.

²³³ *Id.*

²³⁴ Mylan Cert Petition, *supra* note 3, at 3–4.

²³⁵ *Heckler v. Chaney*, 470 U.S. 821, 831 (1985) (citing *United States v. Batchelder*, 442 U.S. 114, 123–24 (1979); *United States v. Nixon*, 418 U.S. 683, 693 (1974); *Vaca v. Sipes*, 386 U.S. 171, 182 (1967); *Confiscation Cases*, 74 U.S. (7 Wall.) 454 (1868)).

“[a]n agency generally cannot act against each technical violation of the statute it is charged with enforcing,”²³⁶ the Patent Office cannot possibly eliminate all wrongfully issued patents. Furthermore, the Court has explained that “an agency decision not to enforce often involves a complicated balancing of a number of factors which are peculiarly within its expertise,” including the likelihood of success, whether agency resources are best spent on the particular violation or another, and whether the agency has the resources to undertake the action at all.²³⁷ These same considerations apply to the PTAB’s decisions on which issued patents to subject to a second review²³⁸ and echo the policy considerations of section 316(b), such as the efficient administration of the Office and the need for timely completion of proceedings.²³⁹ The Court also emphasized that agencies exercising absolute discretion in nonenforcement is comparatively less concerning because “when an agency refuses to act it generally does not exercise its *coercive* power over an individual’s liberty or property rights.”²⁴⁰ The same is true with PTAB non-institution—in declining to review a challenge, the agency is not exercising its coercive power over the property right created by the patent.²⁴¹

In some circumstances, the Patent Office’s exercise of its discretion to deny institution might go too far—for example, if it stopped granting IPR petitions altogether (at least beyond clearing a backlog) or only granted IPR petitions raising anticipation, but not obviousness, issues.²⁴² These would be analogous to the recognized exceptions to an agency’s near-absolute discretion not to enforce where Congress has provided “law to apply” or “circumscribe[d] an agency’s power to discriminate among issues or cases it will pursue.”²⁴³ In enacting the AIA, Congress expressly made IPRs available and did so for both anticipation and obviousness,²⁴⁴ and the Patent Office is obligated to honor those choices. As discussed in the following section, the Patent Office’s discretionary denial practice does not approach such extreme abdications of statutory responsibility.

²³⁶ *Id.*

²³⁷ *Id.*

²³⁸ See Mishchenko, *supra* note 36, at 138 (discussing considerations such as agency resources and the likelihood of invalidating a patent).

²³⁹ 35 U.S.C. § 316(b).

²⁴⁰ *Heckler*, 470 U.S. at 832.

²⁴¹ See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2153 n.6 (Alito, J., concurring in part and dissenting in part) (discussing how a patent owner stands to lose a property right when there is a wrongful grant of review); see also Mishchenko, *supra* note 36, at 143–44 (discussing how to balance interests between parties, courts, and the Patent Office).

²⁴² Mishchenko, *supra* note 36, at 147–48.

²⁴³ *Heckler*, 470 U.S. at 826, 832–33.

²⁴⁴ 35 U.S.C. § 311(a)–(b).

B. *The Patent Office's Discretionary Denial Practice Is a Reasonable Exercise of Its Institution Discretion Authority*

The broad, near-absolute discretion the AIA grants to the Patent Office to deny institution, discussed in Section A, alone is sufficient to conclude that the non-*Fintiv* discretionary denial practice is not unlawful, contrary to statutory authority, arbitrary, nor capricious. But the reasonableness of this practice is further supported by the way it advances the objectives of the AIA, as articulated in the statutory text and legislative history.

Undoubtedly, the AIA's primary objective is to address the problem of "bad" patents by allowing the Patent Office to review and cancel erroneously granted patents that fail the statutory criteria.²⁴⁵ Discretionary denials seem inconsistent with this objective, since they could prevent PTAB review of patents that meet the merits threshold and have a "reasonable likelihood" of being erroneously granted.²⁴⁶ Indeed, discretionary denial challengers suggest that because the AIA's goal is to eliminate "bad" patents, it is unreasonable for the Patent Office not to institute IPR for patents that meet the "reasonable likelihood" standard merely because of the procedural concerns it has identified.²⁴⁷ However, eliminating all wrongfully issued patents is not rational because the costs of doing so would be too high.²⁴⁸ The AIA specifically balances the objective of eliminating "bad" patents with other considerations.

Section 316(b) specifies other considerations the Patent Office must account for in designing IPRs: "the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter."²⁴⁹ The AIA further provides for denial of institution of petitions with a "reasonable likelihood" of invalidity to avoid duplication with civil litigation or other Patent Office proceedings.²⁵⁰ In an uncodified portion, the AIA explicitly authorized the Patent Office to impose a hard cap on the number of IPRs instituted in the first four years to manage PTAB workload during the transition, even if additional petitions had a "reasonable likelihood" of

²⁴⁵ *Regents of the Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1331–35 (Fed. Cir. 2019) (contextualizing Congress's enactment of the AIA).

²⁴⁶ See CCIA Amicus Brief, *supra* note 213, at 3 (arguing that discretionary denials "frustrate[]" the AIA's purpose by declining to review a claim likely to be invalid).

²⁴⁷ *Id.*

²⁴⁸ Cf. Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. L. REV. 1495 (2001) ("Conducting a more thorough examination of patent applications requires society to spend more time and more money. Whether these increased resources would be spent wisely depends on the return we get for that money.").

²⁴⁹ 35 U.S.C. § 316(b).

²⁵⁰ See *supra* Subsection II.A.2.

invalidity.²⁵¹ Even after the transition period, Senator Kyl assumed Patent Office regulations would allow denial of petitions to prevent a PTAB backlog.²⁵² Senator Kyl described this as “a legislative judgment that it is better that the Office turn away some petitions that otherwise satisfy the threshold for instituting an inter partes or post-grant review than it is to allow the Office to develop a backlog of instituted reviews that precludes the Office from timely completing all proceedings.”²⁵³ Thus, the AIA’s objective was not to maximize invalidation, but to optimize invalidation in light of other considerations. Indeed, the Supreme Court rejected the notion that the goal of eliminating “bad” patents meant that the AIA must be interpreted to maximize the chance of invalidation, concluding that “[s]tatutes rarely embrace every possible measure that would further their general aims.”²⁵⁴ The discretionary denial practice is consistent with objectives that the AIA balances against the need to eliminate “bad” patents, particularly avoiding inefficiency and duplicative proceedings.

One objective that the AIA seeks to achieve is efficiency, in terms of speed of proceedings, use of Patent Office resources, and litigant costs. Section 316(b) specifically instructs the Patent Office to consider “the efficient administration of the Office and the ability of the Office to timely complete proceedings instituted under this chapter” in issuing regulations governing IPR.²⁵⁵ Section 312(a)(3) requires the petition to identify each ground of the challenge with particularity;²⁵⁶ Section 316(a)(11) imposes a one-year limit from institution to final decision of the IPR and, even with good cause, limits extensions to six months;²⁵⁷ and section 318(d) requires the Director to make publicly available the length of time from institution to final decision.²⁵⁸ The House Report further described “the purpose of the section as providing quick and cost effective alternatives to litigation” and avoiding “divert[ing] resources from the research and development of inventions” to patent disputes.²⁵⁹ Senator Kyl’s concern with backlogs further demonstrates the AIA’s objective of timely and efficient completion of IPRs.²⁶⁰

²⁵¹ 35 U.S.C. § 311 note (“The Director . . . may impose a limit on the number of inter partes reviews that may be instituted . . . during each of the first 4 1-year periods in which the amendments made by subsection (a) are in effect . . .”).

²⁵² 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

²⁵³ *Id.*

²⁵⁴ *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1867 n.11 (2019).

²⁵⁵ 35 U.S.C. § 316(b).

²⁵⁶ *Id.* § 312(a)(3) (“A petition filed under section 311 may be considered only if . . . the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim . . .”).

²⁵⁷ 35 U.S.C. § 316(a)(11).

²⁵⁸ *Id.* § 318(d).

²⁵⁹ H.R. REP. NO. 112-98, pt. 1, at 48 (2011).

²⁶⁰ *See supra* notes 215–16 and accompanying text.

The Patent Office’s discretionary denial practice reasonably implements the AIA’s efficiency objective, with two *General Plastic* factors—the Board’s finite resources and the need to issue a decision within one year of institution²⁶¹—directly echoing section 316(b). The Patent Office has reasonably used its discretionary denial practice to ensure efficient use of Office resources and timely completion of proceedings by denying petitions that raise voluminous, excessive, or unclear grounds, or that combine meritorious challenges with nonmeritorious challenges.²⁶² The need to evaluate and address every challenge based on excessive or unclear grounds would command significant time and resources that could be better used on clearer or more focused petitions. Similarly, given the *SAS* requirement to deny the petition completely or resolve all grounds raised, no matter how unmeritorious,²⁶³ it is reasonable for the Patent Office to prioritize exclusively meritorious petitions, rather than using time and resources addressing a number of weak grounds merely to be able to resolve the meritorious grounds in the same petition.

Another consideration the AIA balances against the need to eliminate “bad” patents is avoiding duplicative proceedings, which create inefficiency and potential burden and harassment of patent owners. Duplicative proceedings can also result in inconsistent decisions, typically (because of the higher burden of proof in litigation) where the PTAB invalidates a patent that the district court previously upheld.²⁶⁴ As a legal matter, these different outcomes are easily explainable by the different burdens of proof in the two proceedings, as well as potential differences in evidence, arguments, etc.²⁶⁵ However, “to outside observers unfamiliar with the niceties of differing burdens of proof and other legalistic constructs,” and even patent scholars and a Supreme Court Justice, these different outcomes are viewed as problematic and undermining the reliability of patent determinations.²⁶⁶

The objective of avoiding duplicative proceedings is reflected in section 316(b)’s concern with the integrity of the patent system. Likewise, the House Report “recognize[d] the importance of quiet title to patent owners to ensure continued investment resources,” and specifically noted that the AIA’s goal of “remov[ing] current disincentives to current administrative processes” should not result in these proceedings “be[ing] used as tools for harassment or a means to prevent market entry through repeated litigation and

²⁶¹ See *supra* notes 120–21 and accompanying text.

²⁶² USPTO Request, *supra* note 111, at 66504–05.

²⁶³ *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1355–56 (2018); see *supra* text accompanying note 74.

²⁶⁴ Greg Reilly, *The Justiciability of Cancelled Patents*, 79 WASH. & LEE L. REV. 253, 280 (2022).

²⁶⁵ *Id.* at 297–303.

²⁶⁶ Paul M. Janicke, *An Interim Proposal for Fixing Ex Parte Patent Reexamination’s Messy Side*, 4 HLRE: OFF REC. 43, 52 (2013); see also Reilly, *supra* note 264, at 291–97 (summarizing criticism from Justice Gorsuch, dissenting in *Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1388 (2020), and from scholars like Paul Gugliuzza).

administrative attacks on the validity of a patent.”²⁶⁷ Senator Kyl likewise emphasized that the AIA incorporated provisions with the objective of “prevent[ing] abuse of these proceedings for purposes of harassment or delay.”²⁶⁸ Senator Kyl specifically identified as an AIA goal that “if an inter partes review is instituted while litigation is pending, that review will completely substitute for at least the patents-and-printed-publications portion of the civil litigation.”²⁶⁹

Various provisions of the AIA demonstrate concern with duplicative Patent Office proceedings. Section 315(c) allows the Director to join together in a single IPR multiple challengers to the same patent,²⁷⁰ while section 315(d) gives the Director, facing overlapping proceedings, the power to “determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.”²⁷¹ Section 325(d) specifically envisions denial of institution to avoid duplication, allowing the Patent Office to reject institution when the same prior art or arguments were previously before the Office.²⁷²

The Patent Office’s discretionary denials of serial or parallel petitions reasonably implement the statutory objective of avoiding duplicative PTAB proceedings that could lead to inefficiency and harassment of the patent owner, while still accounting for situations that could warrant a duplicative proceeding.²⁷³ Serial and parallel petitions require litigants to repeatedly address the validity of the same patent. Subsequent petitions on the same patent will not necessarily be more legitimate than previously resolved petitions and probably the opposite, since financial and other incentives should cause parties to bring their strongest challenges first.²⁷⁴ The Patent Office’s practice accounts for situations where a subsequent petition may be stronger (e.g., a better-resourced challenger or newly discovered prior art), with the *General Plastic* factors for serial petitions that consider whether the challenger is the same, whether the petitioner has newly discovered the prior art, and the time elapsed between petitions.²⁷⁵ Similarly, the parallel petition inquiry accounts for situations that might warrant multiple petitions, considering, for example, whether a large number of claims have been

²⁶⁷ H.R. REP. NO. 112-98, pt. 1, at 48 (2011).

²⁶⁸ 157 Cong. Rec. S1374 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

²⁶⁹ *Id.* at S1376.

²⁷⁰ 35 U.S.C. § 315(c).

²⁷¹ *Id.* § 315(d).

²⁷² *Id.* § 325(d).

²⁷³ USPTO Request, *supra* note 111, at 66504–05.

²⁷⁴ *Cf.* 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (“The elevated threshold will require challengers to front load their case.”).

²⁷⁵ USPTO Request, *supra* note 111, at 66504.

asserted in litigation or whether there is a dispute about priority date that requires alternative prior art challenges.²⁷⁶

Other statutory provisions seek “to minimize burdensome overlap between inter partes review and patent-infringement litigation.”²⁷⁷ Section 315(a)(1) prohibits institution if the challenger previously filed a declaratory judgment action,²⁷⁸ while section 315(a)(2) automatically stays any such action filed after the petition.²⁷⁹ Section 315(b) prohibits institution if the challenger filed its petition more than one year after being served with an infringement complaint.²⁸⁰ And section 315(e)(2) estops the challenger from raising in subsequent litigation any invalidity grounds raised or that reasonably could have been raised during the IPR.²⁸¹ While the statutory framework envisions that overlap *could* occur between IPR and litigation, an original objective of the AIA was to *minimize* such duplicative proceedings.²⁸²

The Patent Office’s *Fintiv* discretionary denial practice reasonably implements this statutory objective by specifically trying to avoid duplication with pending litigation that may resolve before or near the time of the IPR decision.²⁸³ To be fair, the AIA seeks to channel patent validity questions away from the courts and to the expertise of the PTAB, such that IPRs “serve as a substitute for Article III litigation over patent validity.”²⁸⁴ *Fintiv* discretionary denials flip this objective by allowing litigation to substitute for PTAB review, channeling invalidity challenges away from the expertise of the PTAB and to the courts. But it is the practices of federal courts, not the Patent Office, that prevent IPRs from substituting for litigation validity determinations.²⁸⁵

For IPRs not barred by section 315(b)’s one-year window, the statutory framework and legislative history show that Congress assumed duplication between IPRs and litigation would be avoided because courts would routinely grant stays of litigation pending IPR.²⁸⁶ However, stays have been

²⁷⁶ *Id.* at 66505.

²⁷⁷ *Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1374–75 (2020).

²⁷⁸ 35 U.S.C. § 315(a)(1).

²⁷⁹ *Id.* § 315(a)(2).

²⁸⁰ *Id.* § 315(b).

²⁸¹ *Id.* § 315(e)(2).

²⁸² Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 64 (2016) (noting the AIA objective that IPR substitute for, not duplicate, litigation).

²⁸³ USPTO Request, *supra* note 111, at 66505.

²⁸⁴ Vishnubhakat et al., *supra* note 282, at 64.

²⁸⁵ Joel Sayres & Julie Wahlstrand, *To Stay or Not to Stay Pending IPR? That Should be a Simpler Question*, 17 CHI.-KENT J. INTELL. PROP. 52, 53–55 (2018) (explaining that the AIA’s goal that IPRs substitute for litigation validity determinations “ha[s] not been fully realized, in part because the variation and inconsistency” in courts’ stay practices remain).

²⁸⁶ *See id.* at 58 (identifying a congressional expectation of routine stays pending IPR from “the statutory framework and associated legislative history”); *NFC Tech. LLC v. HTC Am., Inc.*, No.

inconsistent.²⁸⁷ Some federal district courts have stay rates of more than seventy percent.²⁸⁸ However, in other district courts, including those popular with patent owners, stays are much less common, with stay rates of less than forty percent.²⁸⁹ In particular, some district courts—most notably the Western District of Texas—purposefully resist staying litigation and set case schedules to try to beat the PTAB to a determination on validity.²⁹⁰ By touting a fast case schedule, Western District of Texas Judge Albright, who handles a quarter of the nation’s patent litigation, has sought to attract patent plaintiffs to his district specifically to beat the PTAB to a decision and ensure that patentees get a judicial resolution of validity,²⁹¹ notwithstanding Congress’s goal of shifting validity decisions to the expert PTAB. Such actions of federal courts—not the Patent Office’s *Fintiv* practice—prevent IPRs from substituting for litigation in determining patent validity.

The *Fintiv* practice represents a reasonable effort to accommodate the AIA’s goal of minimizing overlap with litigation with the reality that district courts have been less willing than expected to stay litigation. Without *Fintiv* denials, IPRs would duplicate, not substitute for, litigation in cases without stays and/or with fast case schedules like those in the Western District of Texas. Instituting review in such circumstances would promote the AIA’s objectives of an expert, administrative validity determination and eliminating “bad” patents while undermining its objectives of efficiency and avoiding duplicative proceedings. By contrast, the *Fintiv* practice promotes the AIA’s objectives of efficiency and avoiding duplicative proceedings but at the cost of the objective of an expert, administrative validity determination. Either approach is a reasonable way to accommodate the competing objectives of the AIA amid the reality of how some federal courts have resisted deferring to the PTAB to resolve invalidity through IPR proceedings. Before deferring to litigation, the *Fintiv* practice reasonably evaluates, on a case-by-case basis, the degree of potential duplication, considering the existence or likelihood of a stay; the proximity of the court trial date and the PTAB’s deadline for a written decision; overlap of issues and parties; and how much work has already been done in the district court.²⁹²

* * *

13-CV-1058, 2015 WL 1069111, at *5–7 (E.D. Tex. Mar. 11, 2015) (Bryson, J. (Fed. Cir.), sitting by designation) (concluding based on the statutory text and objectives that “after the PTAB has instituted review proceedings, the parallel district court litigation ordinarily should be stayed”).

²⁸⁷ Sayres & Wahlstrand, *supra* note 285, at 53–55.

²⁸⁸ Vishnubhakat, *Renewed*, *supra* note 84, at 2674.

²⁸⁹ *Id.*

²⁹⁰ Jonas Anderson & Paul R. Gugliuzza, *Federal Judge Seeks Patent Cases*, 71 DUKE L.J. 419, 465–66 (2021).

²⁹¹ *Id.* at 460–61.

²⁹² *See supra* Subsection I.C.1.

The House Committee report explained that “the Committee intends for the USPTO to address potential abuses and current inefficiencies [with IPRs] under its expanded procedural authority.”²⁹³ The Patent Office’s discretionary denial practice does exactly that and is therefore a reasonable implementation of the AIA’s text and statutory objectives.

III. EVALUATING THE PATENT OFFICE’S DISCRETIONARY DENIAL PRACTICE

Part II demonstrated that the Patent Office’s discretionary denial practice is a lawful and reasonable exercise of the significant authority and discretion the AIA gave the Patent Office over IPR institution, especially denial of institution. This part situates discretionary denials, and the controversy they have provoked, into the larger context of patent policy debates, particularly those regarding shifting institutional authority within the patent system. Section A evaluates discretionary denials as a policy matter, finding that their normative wisdom is a difficult and nuanced question. Given the limited impact, clear statutory authority, and closeness of the policy question, Section B explores why the discretionary denial practice has been so controversial, suggesting that it reflects a patent community coming to terms with a transfer of authority from courts to the Patent Office. As Section C explains, the discretionary denial practice demonstrates some of the benefits for the patent system of greater administrative power and discretion.

A. *The Discretionary Denial Practice Is a Difficult and Unclear Policy Question*

The challenges to the Patent Office’s statutory authority to adopt discretionary denials often seem more like disguised objections to the Patent Office’s policy choice.²⁹⁴ Normative evaluations of the discretionary denial practice, which focus on the *Fintiv* practice, tend to be absolute.²⁹⁵ However, the wisdom of the *Fintiv* practice is a closer, more nuanced, and more debatable question than often portrayed.

Most obviously, the *Fintiv* practice inverts the AIA’s goal of channeling invalidity challenges away from the courts and to the Patent Office, as discussed in the previous section. Doing so undermines, to some extent, the reasons that Congress created the PTAB in the first place: to allow the Patent Office a second chance to review questionable patents; to make invalidity challenges easier; to evaluate issued patents under the

²⁹³ H.R. REP. NO. 112-98, pt. 1, at 48 (2011).

²⁹⁴ See, e.g., Matal, *supra* note 157 (contending the *Fintiv* policy is “illegal” but raising mostly policy concerns).

²⁹⁵ See, e.g., Davis, *To-Do*, *supra* note 132 (quoting a stakeholder as saying “[t]here’s no good policy rationale for it whatsoever”).

preponderance-of-the-evidence standard, not the clear-and-convincing standard; to reduce the costs of invalidating “bad” patents; and to introduce greater expertise into the invalidity determination.²⁹⁶ And *Fintiv* denials do so in situations where a second look is most warranted: for patents that are the subject of a dispute between parties and therefore among the small percentage of patents that are ever used (asserted, licensed, litigated) in a way that makes their validity relevant and worth deciding.²⁹⁷

Nor does the *Fintiv* practice apply evenly across all litigated patents. As previously explained, *Fintiv* discretionary denials are most likely when the district court refuses to stay litigation and sets a fast case schedule that will lead to trial close in time to the PTAB’s final decision.²⁹⁸ The district courts that tend to deny stays and set fast case schedules—sometimes purposefully to beat the PTAB—are “forum-selling” district courts that try to attract patent cases to their district for a variety of reasons by skewing their procedures in favor of the plaintiff (patentee), who chooses where to file suit.²⁹⁹ Thus, *Fintiv* denials are more likely to occur when the parallel litigation is in a district engaged in forum selling.

This raises several concerns. First, these cases might be the cases where PTAB review is most necessary since forum-selling districts might be more likely to uphold the validity of questionable patents because they skew procedures in favor of the patent owner to attract patent litigation.³⁰⁰ Second, the *Fintiv* practice further encourages patent owners to file in forum-selling districts since patent owners tend to see PTAB review of invalidity as less favorable than judicial review, and the *Fintiv* practice makes PTAB review less likely when parallel litigation is in forum-selling districts.³⁰¹ Third, for the same reason, the *Fintiv* practice gives forum-selling districts another way to attract cases to their district, given how much patent owners want to avoid PTAB review.³⁰² The result is a potentially vicious cycle where the PTAB denies petitions when parallel litigation is occurring in forum-selling districts because of the district courts’ lack of stay and fast case schedule. The greater likelihood of a *Fintiv* denial when parallel litigation is in forum-selling districts will cause more plaintiffs to file in forum-selling districts to avoid PTAB review. And if more cases are filed in forum-selling districts, more PTAB petitions will have parallel litigation in these districts, leading to more *Fintiv* denials. The

²⁹⁶ See Vishnubhakat et al., *supra* note 282, at 51–55; *Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020).

²⁹⁷ Lemley, *supra* note 248, at 1508.

²⁹⁸ See *supra* Section II.B.

²⁹⁹ See *supra* notes 290–91 and accompanying text; see also Greg Reilly & Daniel Klerman, *Forum Selling*, 89 S. CAL. L. REV. 241, 241 (2016); J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. PA. L. REV. 631, 633–34 (2015).

³⁰⁰ See Reilly & Klerman, *supra* note 299, at 279–80.

³⁰¹ See Anderson & Gugliuzza, *supra* note 290, at 459–61, 465–68.

³⁰² *Id.* at 459–61.

ultimate result could undermine the AIA's objective of giving the Patent Office a greater role in policing patent validity.

Finally, the *Fintiv* practice (and discretionary denials more generally) can introduce uncertainty and inefficiency into patent litigation. Simply filing IPR petitions is not cheap, with the median cost of IPRs through the petition stage \$100,000.³⁰³ Discretionary denials mean that even a challenger who correctly evaluated likely invalidity could lose this six-figure investment because of a procedural denial that could not be fully predicted at the time of filing. Likewise, the vast majority of IPR petitions involve parallel litigation, and therefore both the parties and the PTAB must spend additional time and effort (and therefore money) evaluating the *Fintiv* factors, not just the invalidity question, at the institution stage.³⁰⁴ Indeed, in 2021, more than 45% of all institution decisions and 42% of all institution grants (i.e., where no discretionary denial occurred) evaluated the *Fintiv* factors, with the PTAB spending an average of eight pages (over 20% of their decision) on *Fintiv* factors even when it granted review.³⁰⁵

In sum, although the Patent Office has clear statutory authority to adopt its discretionary denial practice, there are strong policy reasons to think the Patent Office should abolish or modify the practice.

However, the policy considerations are not a one-way street, with benefits of the *Fintiv* practice complicating any conclusion that *Fintiv* denials are bad policy. First, IPRs were intended to be a cheaper means of invalidating patents than litigation, and they are undoubtedly cheaper as an alternative to litigation.³⁰⁶ However, IPRs are not cheap in absolute terms, with average costs of IPR, when granted, estimated at over \$300,000 per party.³⁰⁷ When IPRs substitute for invalidity litigation, which can average at least \$950,000 per party,³⁰⁸ this cost is well-justified. But when IPRs proceed in parallel with litigation, the IPR cost is merely tacked on to the already-high cost of patent litigation, raising litigation costs and creating inefficiency contrary to the AIA's goal of more efficient resolution.³⁰⁹ Indeed, general litigation procedural principles and tools recognize that litigating the same or related issues simultaneously in multiple tribunals is difficult and costly and, like the *Fintiv* practice, seek to avoid doing so.³¹⁰ *Fintiv* denials may introduce additional costs in the IPR petitioning process,

³⁰³ Josh Landau, *Inter Partes Review: Five Years, Over \$2 Billion Saved*, PAT. PROGRESS (Sept. 14, 2017), <https://www.patentprogress.org/2017/09/14/inter-partes-review-saves-over-2-billion/>.

³⁰⁴ See Matal, *supra* note 157.

³⁰⁵ *Discretion Dominant: 45% of All 2021 Institutions Analyzed Fintiv*, UNIFIED PATS. (Mar. 21, 2022), <https://www.unifiedpatents.com/insights/discretion-dominant-45-of-all-2021-institutions-analyzed-fintiv>.

³⁰⁶ See Yelderman, *supra* note 56, at 2706.

³⁰⁷ *Id.*

³⁰⁸ Landau, *supra* note 303.

³⁰⁹ See *supra* Section II.B.

³¹⁰ See, e.g., Robin J. Effron, *The Shadow Rules of Joinder*, 100 GEO. L.J. 759, 768–69 (2012) (describing a purpose of joinder rules as avoiding piecemeal and duplicative litigation).

but these pale in comparison to the additional costs imposed by conducting an IPR in parallel with district court litigation. *Fintiv* denials thus promote more efficient dispute resolution.

Second, as noted above, the *Fintiv* practice prevents differing validity outcomes in the PTAB and district courts, typically the PTAB invalidating a patent previously upheld by a court.³¹¹ Whether correctly or not, patent system participants are troubled by this perceived inconsistency between the PTAB and district courts,³¹² undermining trust and confidence in the integrity and accuracy of the patent system. Multiple Federal Circuit judges (and one Supreme Court justice) have objected to PTAB invalidation of a patent upheld by a district court, raising concerns of gamesmanship and harassment, disrespect for prior judicial determinations, and even unconstitutional encroachment on Article III powers.³¹³ Though more cautious, academics largely agree that this is problematic and in tension with the proper role of administrative agencies and the primacy of federal courts over issues presented to them.³¹⁴ By declining institution in the circumstances most likely to result in duplicative (and potentially different) validity determinations between the PTAB and courts, the *Fintiv* practice prevents this perceived inconsistency. Again, avoiding potentially inconsistent outcomes between different tribunals is a core principle of litigation procedure, with a variety of tools seeking to avoid inconsistency.³¹⁵

On the whole, the policy considerations against discretionary denials seem to be slightly stronger, particularly the way the practice undermines the AIA's goal of channeling validity determinations to the expert Patent Office under the lower preponderance-of-the-evidence standard and encourages forum shopping and forum selling. However, without *Fintiv* denials, the public outcry would likely go the opposite direction, with legitimate concerns about the cost and burden of litigating validity in the Patent Office and courts at the same time, as well as pervasive (though somewhat less legitimate) outrage at supposed inconsistency between PTAB and district court invalidity decisions. This Article does not reach a definitive determination of the normative wisdom of *Fintiv* denials. Rather, it concludes that this is a close, difficult, and nuanced policy question. And, as Part II showed, Congress trusted the Patent Office to resolve this complex policy question.

³¹¹ See *supra* Section II.B.

³¹² Reilly, *supra* note 264, at 294–96 (summarizing criticism).

³¹³ *Id.* at 291, 294–95 (discussing separation-of-powers objections by Justice Gorsuch and Federal Circuit Judges O'Malley and Newman about PTAB decisions displacing judgments by Article III courts).

³¹⁴ *Id.* at 295 (citing Paul R. Gugliuzza, *(In)valid Patents*, 92 NOTRE DAME L. REV. 271, 308–10 (2016); Janicke, *supra* note 266, at 47–48).

³¹⁵ See, e.g., Effron, *supra* note 310, at 769 (explaining that joinder rules seek to assure consistency of outcomes and “avoid[] the discomfort” of different tribunals reaching different results on the same issue).

B. *Becoming Accustomed to Greater Administrative Power in the Patent System*

Discretionary denials pose a puzzle. The practice has had a limited impact, the Patent Office's statutory authority is quite clear, and the normative question is very close, but the opposition to the practice has been fierce.³¹⁶ This disconnect is explained, at least in part, by what could be called a reverse *Oil States* phenomenon. Patent system participants are struggling to accept a shift in patent policy power from the judiciary to the Patent Office, albeit only when the Patent Office exercises its expanded powers in a way contrary to their own interests.

To some extent, the vehement opposition to discretionary denials reflects “the dysfunctional public discourse over patents,” where everything is viewed through the prism of whether it advances one side (favoring broader, stronger patent rights) or the other side (favoring narrower, weaker patent rights) of the polarized patent debates.³¹⁷ Discretionary denials are contrary to the interests of powerful groups, such as large technology companies like Apple, that are concerned that patent rights are overly broad and strong.³¹⁸ These groups have the money, influence, and public relations savvy to steer (at least to some extent) patent system discourse against discretionary denials.³¹⁹ But this does not fully explain why these groups have focused on challenging the Patent Office's authority to adopt the practice,³²⁰ rather than using their might to persuade the Patent Office of their view. The weakness of the statutory challenges distracts from, and undermines the persuasiveness of, the legitimate normative concerns about discretionary denials. Perhaps opponents are trying to ride the general anti-administrative wave currently in vogue in the Supreme Court and elsewhere in the legal community,³²¹ rather than undertaking the harder work of winning on the merits of the policy debate. Or perhaps the statutory challenges are a means of lobbying the Patent Office or Congress to modify or abolish the practice by casting a shadow over its legitimacy. This form of lobbying arguably worked on the Patent Office before, with Director Iancu pushing reforms to lessen the threat of IPR invalidation after repeated constitutional challenges to IPRs had cast a shadow over their legitimacy.³²²

At least to some extent, however, the strong opposition to the Patent Office's statutory authority to adopt discretionary denials reflects a patent system coming to terms with greater administrative power. Modern

³¹⁶ See *supra* Subsection I.C.2, Part II, and Section III.A.

³¹⁷ See Ouellette, *supra* note 4, at 33.

³¹⁸ See Eakin, *supra* note 152.

³¹⁹ See *infra* Subsection III.C.4 (discussing the risk of industry capture of the Patent Office).

³²⁰ See *supra* notes 150–53 and accompanying text.

³²¹ See generally Metzger, *supra* note 40 (discussing opposition from both the Supreme Court and scholars in relation to the Patent Office's authority).

³²² See *infra* notes 410–12 and accompanying text; *supra* Section I.B.

administrative agencies vary in their role and authority, but the typical modern administrative agency has broad power to regulate in the public interest and to actively monitor, regulate, and enforce in its relevant area of expertise.³²³ But the Patent Office was forged in a different century, with one primary job: reviewing patent applications, determining if they met the relevant statutory considerations, and issuing patents if, and only if, they did, without any discretionary or policy authority.³²⁴ Once the patent issued, the Patent Office's job was done, with no post-issuance role in reviewing, reconsidering, monitoring, regulating, or enforcing the issued patent.³²⁵ As a result, the Patent Office was not a "key player" in the development of American patent law and policy but rather played a "relatively minor role."³²⁶

Like the Patent Office, Congress played a limited role in patent policy. The Patent Act was written in broad, general terms that drew the basic contours of the patent system but required implementation to fill in the details.³²⁷ When Congress acted, it was largely reactionary, codifying developments that had already been adopted by the courts and the patent bar.³²⁸ With limited congressional involvement and limited Patent Office power, the federal judiciary became "the principal architects" of patent law and were "meant to be the stewards" of the patent system.³²⁹ "[P]atent law's history and structure purposely situated the courts as policy drivers, the principal vehicle to effect 'reform'" in the patent system.³³⁰

A shift in this institutional arrangement began at the end of the twentieth century. Congress gave the Patent Office an expanded, albeit still quite limited, role in reexamining and potentially cancelling issued patents.³³¹ The Supreme Court also required the Federal Circuit to give more deference to Patent Office determinations and indicated that the Patent Office should have similar authority to other agencies.³³² This was seen as a broader signal from the Court "that standard administrative law norms—including the

³²³ See Robert P. Merges, *The Hamiltonian Origins of the U.S. Patent System, and Why They Matter Today*, 104 IOWA L. REV. 2559, 2561 (2019); John F. Duffy, *The FCC and the Patent System: Progressive Ideals, Jacksonian Realism, and the Technology of Regulation*, 71 U. COLO. L. REV. 1071, 1079–80 (2000).

³²⁴ Michael J. Burstein, *Rules for Patents*, 52 WM. & MARY L. REV. 1747, 1762–63 (2011).

³²⁵ See *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 608–09 (1898) (noting that once the patent issued, it was beyond the control of the Patent Office and could not be revoked or cancelled by the Patent Office); Merges, *supra* note 323, at 2561 (noting that after patent issuance, the Patent Office "gets out of the way while private investment, transactions, and enforcement take over").

³²⁶ Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. REV. 51, 76–77 (2010).

³²⁷ *Id.* at 53–54 (citing Patent Act of Apr. 10, 1790, ch. 7, 1 Stat. 109 (repealed 1793)).

³²⁸ *Id.* at 53.

³²⁹ *Id.* at 54, 59.

³³⁰ *Id.* at 77.

³³¹ *Regents of the Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1333–35 (Fed. Cir. 2019).

³³² *Dickinson v. Zurko*, 527 U.S. 150, 155, 163, 165 (1999) (finding no reason review of the Patent Office should be different than that which "is applicable to other agencies").

Administrative Procedure Act—apply to the PTO.”³³³ A subsequent decision extended this principle, applying typical administrative deference to the Patent Office’s statutory interpretations.³³⁴ The AIA is the culmination of this shift in institutional arrangements, greatly expanding the Patent Office’s post-issuance role and increasing its authority and discretion.³³⁵ “[T]he AIA alters the fundamental power dynamic between” the Patent Office and the federal judiciary by “reject[ing] over two hundred years of court dominance in patent policy” in favor of a significant role for the Patent Office in developing patent law and policy.³³⁶

Significant segments of the patent community have struggled to accept the Patent Office’s expanded authority in the patent system.³³⁷ Because the PTAB eliminates patent rights, it was initially patent owner interests and those who favored broader and stronger patent rights that objected to the Patent Office’s enhanced power.³³⁸ They did not just object as a policy matter but instead brought repeated constitutional challenges, primarily under Article III and the Seventh Amendment but also by raising Fifth Amendment due process and takings claims.³³⁹ These challenges were legally weak, relying on antiquated precedent and ignoring general Article III and Seventh Amendment standards.³⁴⁰ They were repeatedly rejected by the courts, including when the Supreme Court upheld the constitutionality of IPRs in *Oil States*.³⁴¹ Given the lack of legal merit, the constitutional challenges to the PTAB are best seen as segments of the patent community struggling to adjust to the new institutional arrangement and mistaking the familiar judicial dominance of patent policy for a necessary, constitutionally mandated feature.³⁴²

There are significant parallels between the *Oil States* challenges and the opposition to discretionary denials. Both contend that the Patent Office lacks the power being exercised and must be stopped by the judiciary. Both are strident in their objections. Both have gained significant momentum within the patent system. Both are legally weak and consistently rejected by courts. The key difference is the identity of the objectors—patent owner interests for *Oil States*, patent challenger interests for discretionary denials.

³³³ Wasserman, *supra* note 44, at 1965–66.

³³⁴ *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142–43 (2016).

³³⁵ See *supra* Section I.A.

³³⁶ Wasserman, *supra* note 44, at 1964–65.

³³⁷ Greg Reilly, *The Constitutionality of Administrative Patent Cancellation*, 23 B.U. J. SCI. & TECH. L. 377, 379 (2017) [hereinafter Reilly, *Constitutionality*].

³³⁸ *Id.* at 389–90.

³³⁹ Greg Reilly, *The PTAB’s Problem*, 27 TEX. INTELL. PROP. L.J. 31, 32–33, 35–37 (2019) [hereinafter Reilly, *Problem*].

³⁴⁰ Reilly, *Constitutionality*, *supra* note 337, at 380–82.

³⁴¹ *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018); see Reilly, *Constitutionality*, *supra* note 337, at 389–93; Reilly, *Problem*, *supra* note 339, at 35–36.

³⁴² Reilly, *Constitutionality*, *supra* note 337, at 379.

Discretionary denials thus can be viewed as the reverse *Oil States*, as the segment of the patent community that tends to favor narrower and weaker patent rights comes to terms with the Patent Office's enhanced administrative power. That side of the patent debates did not initially have to reckon with the Patent Office's enhanced authority because the Patent Office exercised its power in a way that favored that side's interests.³⁴³ But the subsequent policy shift at the Patent Office that redesigned IPRs in ways that benefited patent owners revealed how the Patent Office's enhanced power was a two-way street that could be used in ways that aligned with the interests of either side of the patent policy debates.³⁴⁴ Just like patent owner interests previously rejected the legitimacy of the Patent Office's enhanced authority when it did not align with their preferences, patent challenger interests now reject the legitimacy of the Patent Office's power because it no longer aligns with their preferences.

Although the patent community may be experiencing growing pains as it adjusts to the AIA's shift of some patent policy power from the judiciary to the Patent Office, Congress has broad power to design the patent system (at least prospectively), including defining institutional arrangements within the patent system.³⁴⁵ The Patent Office's broad authority over IPRs is legitimate, regardless of the direction of its policy-making. The patent community would benefit from accepting this reality and focusing on the real questions about which policies best advance the patent system's objectives, rather than wasting resources challenging the AIA's empowerment of the Patent Office.

C. *Discretionary Denials Demonstrate Some of the Benefits of Greater Administrative Power in the Patent System*

Because the Patent Office's discretionary denial practice has become a focal point of the larger polarized debates over the proper scope and strength of patent rights, evaluations tend to be results-oriented, with those concerned about "bad" patents and overbroad patent rights opposing the practice because it prevents PTAB review and cancellation, and patent owner interests favoring the practice because it protects patents from invalidation. This results-oriented focus obscures what the discretionary denial practice demonstrates from a process-oriented perspective about institutional arrangements in the patent system.³⁴⁶ Putting aside short-term consequences for the polarized patent debates, the discretionary denial practice demonstrates some of the long-term benefits that the shift of greater power and discretion to the Patent Office promises for patent policy.

³⁴³ See *supra* Section I.B.

³⁴⁴ See *supra* Section I.B.

³⁴⁵ See Greg Reilly, *Power over the Patent Right*, 95 TUL. L. REV. 211, 213–17 (2021).

³⁴⁶ Burstein, *supra* note 324, at 1752 (distinguishing between the debate over "what the standards of patentability ought to be" and the question of "how the standards of patentability ought to be determined").

To be clear, the discretionary denial practice is not perfect from a process-oriented perspective, as explained further below. Nor is this section meant to be a comprehensive weighing of the costs and benefits of greater administrative power in the patent system. Based on Congress's historically limited role in designing the patent system—favoring broad pronouncements, not operative details—another institutional actor must be the principal driver of patent policy. For two decades, scholars advocated expanding administrative functions in the patent system and shifting power away from the judiciary and to the Patent Office.³⁴⁷ To these scholars, the traditional judicial dominance and constrained administrative role was “the root cause of the patent system’s systemic failures.”³⁴⁸ Scholars theorized a variety of benefits from shifting power from the judiciary to the Patent Office. The focus has been on the Patent Office’s comparative expertise, though Tejas Narechania recently explained how the narrow focus on expertise obscured other administrative law values the Patent Office can offer, like reasoned public deliberation, flexibility, and accountability.³⁴⁹ As the first major dispute over the Patent Office’s exercise of its enhanced power, the discretionary denial practice offers practical experience with greater administrative patent power, allowing evaluation of the benefits theorized by scholars and largely (though not entirely) serving as a proof of concept.

1. *Expertise*

The traditional justification for greater administrative power in the patent system is to introduce more expertise into the decision-making process.³⁵⁰ The focus is typically on technological expertise: since “the PTO is an expert body . . . the PTO can better deal with the technically complex subject matter.”³⁵¹ The discretionary denial practice may not seem to implicate the Patent Office’s expertise because it is largely unrelated to the technological merits of the validity question. In addition to technological expertise, however, patent policy questions depend on economic and empirical expertise to determine whether, and to what extent, a particular legal rule or set of rules spurs or deters innovation in a particular field.³⁵²

³⁴⁷ See, e.g., Stuart Minor Benjamin & Arti K. Rai, *Who’s Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 270 (2007) (“One important reform proposal upon which otherwise divergent groups broadly agree is fortification of administrative procedures . . .”); Jonathan S. Masur, *Regulating Patents*, 2010 SUP. CT. REV. 275, 279 (“The time has come to consider reorienting patent law’s institutional arrangements to bring them more into line with the rest of the administrative state.”).

³⁴⁸ Wasserman, *supra* note 44, at 1963.

³⁴⁹ Tejas N. Narechania, Essay, *Arthrex and the Politics of Patents*, 12 CALIF. L. REV. ONLINE 65, 67 (2022) [hereinafter Narechania, *Arthrex*]; see also Tejas N. Narechania, *Defective Patent Deference*, 95 WASH. L. REV. 869, 903–28 (2020) (describing administrative law values).

³⁵⁰ Wasserman, *supra* note 44, at 2007–08; Masur, *supra* note 347, at 307; Burstein, *supra* note 324, at 1785–88.

³⁵¹ *Dickinson v. Zurko*, 527 U.S. 150, 160–61 (1999); see also Masur, *supra* note 347, at 307–08.

³⁵² Burstein, *supra* note 324, at 1778; Masur, *supra* note 347, at 282–87.

Scholars recognize that administrative agencies are more expert than courts in evaluating economic questions and industry conditions because they can employ economists and policy-oriented thinkers, whereas courts are limited to the expertise of litigation-selected expert witnesses, a practice which has well-recognized flaws.³⁵³

The Patent Office traditionally was a comparatively poorly suited agency for making economic policy, as it had no policy or economic staff.³⁵⁴ The Patent Office has made strides in this regard, creating an Office of the Chief Economist that currently has a staff of seven engaged in economic research and statistical analysis.³⁵⁵ Even with its limitations compared to other agencies, the Patent Office is better suited compared to courts to make economic and empirical judgments.³⁵⁶ And as greater policy authority is given to the Patent Office, it has a capacity that courts lack to build up its economic, empirical, and policy expertise.³⁵⁷

To some extent, the discretionary denial practice shows how the greater economic and industrial expertise of the Patent Office benefits patent policy-making. The discretionary denial issue does not really depend on any legal issues of the type that would require judicial expertise. The AIA quite clearly gives the Patent Office broad authority and discretion over institution, particularly institutional denial, so there is not much to consider in terms of legal authority.³⁵⁸ Discretionary denials promote one objective of the AIA (avoiding duplication and harassment) at the cost of another (eliminating “bad” patents), and the reverse would be true if institution were mandated.³⁵⁹ Therefore, there is not much debate over legislative objectives that courts would be suited to determine. Rather, the core question for discretionary denials is a trade-off between the costs and benefits of eliminating “bad” patents versus avoiding duplicative proceedings.³⁶⁰ This question implicates technological expertise about the prevalence of issued patents failing the statutory criteria of patentability and economic and industrial expertise about the cost of wrongfully issued patents, litigation costs, and the effects on innovation from both “bad” patents and high litigation costs. Between the Patent Office and the judiciary, the Patent Office is better suited to answer these questions for the reasons explained.

³⁵³ Burstein, *supra* note 324, at 1787; Wasserman, *supra* note 44, at 2008–09.

³⁵⁴ Masur, *supra* note 347, at 300; Wasserman, *supra* note 44, at 2012.

³⁵⁵ *Office of the Chief Economist*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/about-us/organizational-offices/office-policy-and-international-affairs/office-chief-economist> (Oct. 12, 2021, 02:27 PM); *Economic Researchers*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/about-us/organizational-offices/office-policy-and-international-affairs/economic-researchers> (Feb. 10, 2021, 12:19 PM).

³⁵⁶ Masur, *supra* note 347, at 308–11.

³⁵⁷ *Id.* at 300–01.

³⁵⁸ *See supra* Part II.

³⁵⁹ *See supra* Section II.B.

³⁶⁰ *See supra* Section III.A.

Discretionary denials also implicate another form of administrative expertise—allocation of administrative resources. Patent Office resources, like those of all administrative agencies, are limited. Although the Patent Office has fewer budget constraints than other agencies because of its fee-setting powers,³⁶¹ it is further constrained by the statutory deadline to complete IPRs.³⁶² Allocation of limited agency resources is seen as a core task of agencies, like the Patent Office, that is beyond the expertise of courts.³⁶³ The discretionary denial practice implicates this form of agency expertise, as it involves determinations of which patents to prioritize for review, including patents challenged for the first time or not subject to advanced litigation. Notably, when the agency lacked discretion over institution of reexaminations, the Patent Office’s resources were poorly allocated because it was “forced to accept many requests . . . that raise[d] challenges that [were] cumulative to or substantially overlap[ped] with issues previously considered by the Office.”³⁶⁴

On the other hand, discretionary denials do not present the strongest example of the benefits of administrative expertise since they only tangentially implicate technological expertise, and the Patent Office is a comparatively weak example of administrative economic expertise. Moreover, because the Patent Office’s only function is to evaluate patentability (pre- and post-issuance), it does not have the experience and expertise on matters related to patent assertion, litigation, and licensing,³⁶⁵ which the *Fintiv* practice implicates. And the Patent Office’s expertise compared to courts on issues related to the economy, industrial conditions, and the best allocation of agency resources may provide advantages in establishing the general practice of discretionary denials but not necessarily for APJs deciding whether to deny any particular petition. On the whole, however, the discretionary denial practice does provide an example of how the Patent Office is *comparatively* better suited to answer some patent policy questions than the judiciary.

2. Reasoned Deliberation & Policy-Making

Less commonly than expertise, scholars call for greater administrative power in the patent system because the Patent Office is better able to engage in reasoned deliberation and policy-making than courts.³⁶⁶ In terms of process, the judiciary must wait for an issue to be raised by the parties and work its way through the litigation system to a binding decision by the

³⁶¹ Wasserman, *supra* note 44, at 2012.

³⁶² 35 U.S.C. § 316(a)(11) (requiring final determination of IPRs within one year of institution, extendable by an additional six months for good cause).

³⁶³ Mishchenko, *supra* note 36, at 138.

³⁶⁴ 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (describing the Patent Office’s position).

³⁶⁵ Burstein, *supra* note 324, at 1759.

³⁶⁶ *Id.* at 1785–90; Masur, *supra* note 347, at 311; Narechania, *Arthrex*, *supra* note 349, at 67.

Federal Circuit (or Supreme Court),³⁶⁷ which is often multiple years after the issue arises in the patent system. By contrast, the Patent Office, like any agency, can take action on its own initiative when an issue arises, allowing more responsive and timely interventions into the patent system.³⁶⁸ Moreover, the courts are limited to information and arguments made by the participating parties, whereas the Patent Office can seek out information from all patent stakeholders by conducting hearings, undertaking research studies, consulting with agencies, and inviting public input through notice-and-comment rulemaking.³⁶⁹ In terms of substance, judges are “disinclined to make express policy judgments” because their training and role focus on resolving individual disputes between parties based on the governing legal materials, not making general policy pronouncements by “expressly weighing costs and benefits and explaining their reasoning in terms of public policy.”³⁷⁰ By contrast, agencies, increasingly like the Patent Office, are more likely “to more fully embrace a policy-making role of making discretionary judgments based on a range of competing options”³⁷¹ because they are “expressly authorized to weigh costs and benefits—both quantitative and qualitative—and come to judgments about competing notions of what is likely to be good for society.”³⁷²

Discretionary denials provide a strong example of the substantive benefits of agency reasoned deliberation and policy-making. As noted, the discretionary denial issue does not implicate the type of complicated or unclear legal issues or materials that courts are adept at handling, but instead is a pure cost-benefit analysis balancing the competing interests of eliminating “bad” patents and avoiding duplicative proceedings and harassment to determine what is best for the patent system.³⁷³ As an administrative agency with a broader charge to advance the public interest, the Patent Office is comparatively better suited to engage in this balancing than the judiciary, which is better suited to resolve individual legal disputes.

The Patent Office’s experience with discretionary denials demonstrates some of the process benefits of agency reasoned deliberation and policy-making, though less so than the substantive benefits. As it developed its discretionary denial practice, the Patent Office’s broad set of powers allowed it to be responsive to the concerns in the patent system underlying discretionary denials and quickly implement the practice as these concerns emerged, first with serial petitions and then with overlapping litigation.³⁷⁴ The Patent Office did not have to wait until parties identified the issue, raised

³⁶⁷ Masur, *supra* note 347, at 311.

³⁶⁸ *Id.*

³⁶⁹ Wasserman, *supra* note 44, at 2009; Burstein, *supra* note 324, at 1785–86.

³⁷⁰ Burstein, *supra* note 324, at 1786–89; *see also* Wasserman, *supra* note 44, at 2011–12.

³⁷¹ Wasserman, *supra* note 44, at 2011–12.

³⁷² Burstein, *supra* note 324, at 1788.

³⁷³ *See supra* Subsection III.C.1.

³⁷⁴ *See supra* Subsection I.C.1.

it, and litigated through lower tribunals, like the judiciary would. Moreover, the Patent Office did not just focus on the individual dispute before it but instead could consider and articulate prospective criteria, arising first in *General Plastic* and then in *Fintiv*, that addressed the Patent Office's whole portfolio of IPRs and the trade-offs between them.³⁷⁵ By subsequently issuing a request for comments that generated over 800 responses, the Patent Office was able to solicit substantial information and input from the full spectrum of patent system stakeholders.³⁷⁶

The discretionary denial practice is not a perfect case study in reasoned deliberation and policy-making because it is not the result of notice-and-comment rulemaking.³⁷⁷ The Patent Office's initial implementation of discretionary denials through adjudication can be justified by the benefits of being timely and responsive to emerging problems with IPRs. Consistent with the benefits of reasoned deliberation, the Patent Office solicited information through a request for comments only months after adopting the controversial *Fintiv* practice.³⁷⁸ However, it did not subsequently engage in formal rulemaking to incorporate or respond to the public comments it solicited.³⁷⁹ This failure may be justified as a matter of accountability,³⁸⁰ since there was not a President-appointed and Senate-confirmed Director for one and a half years,³⁸¹ but the failure still undermined the administrative benefits of reasoned deliberation and policy-making.

3. *Flexibility (and Stability/Uncertainty)*

Scholars also sometimes recognize that greater administrative authority in the patent system offers flexibility to adjust governing standards based on changing conditions and policy needs.³⁸² Flexibility is particularly important in the patent system because, by definition, patent law deals with changing technology that may pose novel or different problems.³⁸³ To incentivize innovation, patent law also must adjust to changing economic and industrial conditions.³⁸⁴ In light of such changes, flexibility is needed to calibrate patent law's "careful balance" between providing exclusive rights to incentivize innovation and leaving room for sufficient competition and follow-on innovation.³⁸⁵

³⁷⁵ See *supra* notes 120–22 and accompanying text.

³⁷⁶ Kass, *Activists Balk*, *supra* note 156.

³⁷⁷ See Burstein, *supra* note 324, at 1785–86 (emphasizing rulemaking as a key component of the reasoned deliberation benefits of administrative authority).

³⁷⁸ See *supra* note 131 and accompanying text.

³⁷⁹ See *supra* note 132 and accompanying text.

³⁸⁰ See *infra* Subsection III.C.4.

³⁸¹ See *supra* note 132 and accompanying text.

³⁸² Narechania, *Arthrex*, *supra* note 349, at 66.

³⁸³ Burstein, *supra* note 324, at 1781.

³⁸⁴ *Id.*

³⁸⁵ *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

The Patent Office, like other administrative agencies, offers the patent system the necessary flexibility. It can identify, evaluate, and address—at a macro level, not just on a case-by-case basis—changing technological, economic, and industrial conditions.³⁸⁶ It can act immediately as conditions emerge, without waiting for an issue to arise in individual litigation and work its way through the system.³⁸⁷ It has a variety of tools to use depending on how quickly it needs to act—informal guidance to examiners and APJs, promulgation of standards through adjudication and precedential opinions, and formal notice-and-comment rulemaking.³⁸⁸ And it can make a variety of interventions, from minor tweaks and adjustments to major shifts in policy. Although courts can provide flexibility through the common law process, changes come very slowly because of adherence to precedent, the requirement that issues be raised by the parties, and the need for issues and cases to percolate through the judicial system.³⁸⁹ And the changes courts make tend to be at the extremes—either the minor tweaks of the common law process or the major shocks when the Supreme Court intervenes and upsets precedent.³⁹⁰ Nor can Congress provide the necessary flexibility. Legislation must pass a variety of “vetogates” that make action unlikely and slow,³⁹¹ especially in patent law where there are powerful interests on both sides, which tends to lead to legislative stalemates.³⁹²

The discretionary denial practice provides a useful example of the flexibility of administrative decision-making. Congress envisioned a one-and-done approach to IPRs, believing that the first petition on a patent would bring the strongest challenges and that the various AIA provisions would prevent repeated challenges that created duplication, burden, and potential harassment.³⁹³ However, in practice, the Patent Office confronted significant numbers of serial and parallel challenges to the same patents.³⁹⁴ Moreover, Congress envisioned that IPRs would substitute for validity litigation, but this did not occur because some courts did not stay litigation pending IPRs and some popular courts set fast case schedules to

³⁸⁶ See *supra* Subsection III.C.2.

³⁸⁷ See *supra* notes 367–68 and accompanying text.

³⁸⁸ See Masur, *supra* note 347, at 315–21 (noting the different administrative tools available to the Patent Office).

³⁸⁹ Burstein, *supra* note 324, at 1793.

³⁹⁰ See *id.* at 1792 (describing “gradual accretion of precedent” from the common law process); Jonathan S. Masur & Adam K. Mortara, *Patents, Property, and Prospectivity*, 71 STAN. L. REV. 963, 966 (2019) (describing recent Supreme Court cases that have “reshaped patent law”).

³⁹¹ See Burstein, *supra* note 324, at 1784. See generally William N. Eskridge Jr., *Vetogates and American Public Law*, 31 J.L. ECON. & ORG. 756 (2015) (describing the points in the legislative process where stakeholders can veto proposed legislation).

³⁹² See Burstein, *supra* note 324, at 1784 (describing legislative stalemates in patent law resulting from Congress’s inability to satisfy competing interests).

³⁹³ See *supra* Section II.B.

³⁹⁴ Vishnubhakat, *Inconsistency*, *supra* note 36, at 62 (“[T]he USPTO’s expertise has not been a panacea for serial challenges against patent owners, and a significant share of PTAB litigation has duplicated the work of other tribunals.”).

purposefully compete with the PTAB.³⁹⁵ The result was duplicative proceedings and potentially inconsistent outcomes.³⁹⁶ The flexibility of administrative decision-making allowed the Patent Office to immediately address these problems as they emerged and conditions changed from what Congress anticipated, first addressing serial petitions following *General Plastic* in 2017, then addressing partially meritorious petitions after the *SAS* decision changed circumstances, and then adopting the *Fintiv* practice in 2020 as the Western District of Texas’s increasing popularity exacerbated the litigation overlap problem.³⁹⁷ The Patent Office had the flexibility to address these immediately through adjudication and its precedential opinion panel, while still seeking a long-term solution with broad public input through its request for comments.³⁹⁸

Administrative flexibility also has allowed the Patent Office to adjust the discretionary denial practice as information emerged and conditions changed, unlike a court bound to follow binding precedent. Director Vidal used her administrative authority to issue binding agency guidance to make several modifications to the discretionary denial practice and also indicated that the Patent Office would use its rulemaking power to make additional modifications.³⁹⁹ Given concerns that the PTAB had skewed too far in favor of avoiding duplication at the cost of eliminating “bad” patents, Director Vidal prohibited *Fintiv* denials when the petition presented a compelling case of invalidity.⁴⁰⁰ She also corrected erroneous PTAB implementation of the discretionary denial practice by clarifying that *Fintiv* denials are warranted only where there is pending district court litigation and not solely ITC proceedings.⁴⁰¹ Responding to changing practices on the ground, Director Vidal instructed that *Fintiv* denials are inappropriate when the challenger eliminates duplication concerns by stipulating not to raise in litigation any arguments or prior art that were raised or reasonably could have been raised in the petition.⁴⁰² And with greater information about the unreliability of stated trial dates, Director Vidal instructed PTAB panels not to give undue weight to the stated trial date and look instead to median time-to-trial statistics for the district.⁴⁰³ Thus, both in adopting the discretionary denial practice and modifying it, the Patent Office has shown that it can use its broad array of tools—adjudication, guidance, and potentially future rulemaking—to flexibly respond to new information, changed circumstances, and

³⁹⁵ See *supra* text accompanying notes 287–91.

³⁹⁶ See *supra* text accompanying notes 298–302.

³⁹⁷ USPTO Request, *supra* note 111, at 66504–05.

³⁹⁸ See *supra* Subsection I.C.1.

³⁹⁹ Discretionary Denial Guidance, *supra* note 133, at 2–3.

⁴⁰⁰ *Id.* at 3–5.

⁴⁰¹ *Id.* at 5–7.

⁴⁰² *Id.* at 7–8.

⁴⁰³ *Id.* at 8–9.

unexpected consequences, rather than being stuck by binding precedent or limited to the slow accretions of the common law process.

The flexibility benefits of administrative patent power come with potential costs—uncertainty and instability. Clarity and stability in patent rights are seen as necessary to “provide incentives for investment and a basis for efficient market exchange.”⁴⁰⁴ Optimal patent policy would strike a balance between flexible legal standards that can adjust to changing circumstances and clear legal rules that provide stability in patent rights.⁴⁰⁵ The discretionary denial practice arguably demonstrates the concerns with instability and uncertainty. Challengers portray the practice as a major shift that destabilized IPRs,⁴⁰⁶ though the merits of this contention are questionable. More reasonably, the discretionary denial practice introduces uncertainty as challengers might correctly evaluate likely invalidity but have petitions denied based on procedural considerations outside of their control or ability to predict.⁴⁰⁷

As an initial matter, some commentators argue that patent law has overvalued stability and clarity at the expense of other interests,⁴⁰⁸ so the Patent Office’s greater flexibility could be seen as leading to a more optimal balance between flexibility and stability. In any event, the discretionary denial practice shows that the flexibility offered by administrative power does not necessarily come at the cost of stability. For all the outcry, the discretionary denial practice is a minor tweak to IPRs that denies some petitions without altering IPRs in any way for other petitions. In this way, the practice preserves the significant aspects of IPRs: the institution merits standard, the burden of proof, the grounds for challenging, the evidence that can be considered, the adversarial proceedings, etc. The number of petitions affected is small, with less than 10% of petitions subject to *Fintiv* denials and less than 20% to any type of procedural denial.⁴⁰⁹ And the petitions likely to be affected are at least somewhat predictable—they are those that are serial or parallel challenges or with pending litigation in a district unlikely to stay and with a fast case schedule.

Discretionary denials also show how the flexibility of greater administrative power can sometimes enhance stability by staving off more significant changes. Before the discretionary denial practice and other changes introduced by Director Iancu, IPRs were under threat by the perception (whether right or wrong) from significant and vocal segments in the patent community that IPRs were unfairly skewed against patent owners, with repeated court and legislative challenges to their very existence or to

⁴⁰⁴ Burstein, *supra* note 324, at 1780.

⁴⁰⁵ *Id.* at 1781.

⁴⁰⁶ See, e.g., Mylan Cert Petition, *supra* note 3, at 2–3.

⁴⁰⁷ See *supra* text accompanying notes 303–05.

⁴⁰⁸ See, e.g., Narechania, *Arthrex*, *supra* note 349, at 71.

⁴⁰⁹ See *supra* note 144 and accompanying text.

core features of IPRs.⁴¹⁰ By addressing some of the more serious policy concerns raised by opponents—harassment, inefficiency, panel stacking, and differing outcomes—the discretionary denial practice and other Iancu reforms were perceived by patent owners as making IPRs more balanced and fair.⁴¹¹ The Patent Office’s flexibility thus relieved the pressure for more significant legislative or judicial interventions that would have had a greater destabilizing impact on the patent system. A similar phenomenon may be occurring with Director Vidal’s tweaks to the discretionary denial practice, which may reduce pressure to completely abolish it.⁴¹²

4. *Accountability (and Capture)*

Traditionally, the least weight in patent debates has been given to a fourth primary value of administrative agencies—accountability.⁴¹³ However, the Supreme Court in *United States v. Arthrex, Inc.* recently emphasized the importance of accountability to the legitimacy of PTAB review and cancellation of patents.⁴¹⁴ Contrary to common assumptions, patentability decisions do not “flow from inexorable scientific rules” and decisions about patent policy do not “rest on neutral principles of economic welfare.”⁴¹⁵ Rather, they are inherently political decisions because they require “some settlement of competing patent ideologies.”⁴¹⁶ Because patent policy requires weighing the social costs and benefits of competing interests, “they are best delegated to an institutional actor, such as an agency, over which the political branches can exercise authority.”⁴¹⁷ The Patent Office, as an executive agency headed by a political appointee appointed by the President with the advice and consent of the Senate, offers greater political accountability than courts.⁴¹⁸ Because the Patent Office is answerable to the President, and the President is answerable to the people, the Patent Office’s exercise of power remains answerable to the people in ways that provide democratic legitimacy.⁴¹⁹

The discretionary denial practice offers a useful example of the political accountability of enhanced Patent Office power. The practice was adopted via the Patent Office’s precedential opinion panel, which is controlled by

⁴¹⁰ See Reilly, *Problem*, *supra* note 339, at 35–40.

⁴¹¹ Davis, *Iancu Leaves*, *supra* note 95.

⁴¹² See Ryan Davis, *Vidal’s New Guidance May Make Fintiv Denials Even Rarer*, LAW360 (June 22, 2022, 9:56 PM), <https://www.law360.com/articles/1505073> (“[T]he procedures outlined in the memo seem likely to be embraced by companies challenging patents.”).

⁴¹³ See Narechania, *Arthrex*, *supra* note 349, at 71 (“The Court’s recent shift, then, is welcome for its focus on the structure of patent’s political institutions, with a particular eye to concerns such as accountability and transparency.”).

⁴¹⁴ 141 S. Ct. 1970, 1988 (2021).

⁴¹⁵ Narechania, *Arthrex*, *supra* note 349, at 71.

⁴¹⁶ *Id.* at 66–67.

⁴¹⁷ Masur, *supra* note 347, at 312.

⁴¹⁸ *Id.*

⁴¹⁹ *Arthrex*, 141 S. Ct. at 1988.

and directly answerable to the Patent Office Director, a political appointee.⁴²⁰ Responsibility for the discretionary denial practice has been attributed to Director Iancu, whether viewed positively⁴²¹ or negatively.⁴²² Some commentators even connected Director Iancu's discretionary denial practice to the larger Trump administration.⁴²³ Of course, no voter's choice in the 2020 presidential election was likely swayed by the discretionary denial practice. However, political accountability comes in other forms, such as congressional oversight of the Patent Office.⁴²⁴ Discretionary denial opponents explicitly urged congressional leaders to use their oversight powers to investigate and curtail the practice.⁴²⁵ Several members of Congress engaged in informal oversight, sending a letter to the Patent Office urging it to abandon the discretionary denial practice.⁴²⁶ Members of Congress also introduced legislation to curtail the discretionary denial practice.⁴²⁷ Finally, discretionary denials were a prominent issue in the nomination and confirmation process for Director Iancu's replacement as PTO Director.⁴²⁸ In response to questioning at her Senate confirmation hearing, Director Vidal promised to "look more closely at the NHK-Fintiv rule."⁴²⁹ And she did exactly that upon confirmation by using her guidance powers to modify aspects of the practice, suggesting that these oversight efforts achieved democratic accountability.⁴³⁰

Beyond accountability to political actors, scholars sometimes recognize that administrative patent power can respond to public opinion among patent stakeholders.⁴³¹ Stakeholder buy-in is beneficial for any administrative

⁴²⁰ See *supra* note 105 and accompanying text.

⁴²¹ Davis, *Iancu Leaves*, *supra* note 95 (identifying discretionary denials as one of Iancu's reforms that balanced the PTAB).

⁴²² Joe Mullin, *Tell Trump's Patent Office Director: Don't Make Permanent Rule Changes Now*, ELEC. FRONTIER FOUND. (Nov. 12, 2020), <https://www.eff.org/deeplinks/2020/11/tell-trumps-patent-office-director-dont-make-permanent-rule-changes-now> (attributing discretionary denials to Iancu).

⁴²³ *Id.* (referring to Iancu as "President Trump's Director").

⁴²⁴ WALTER J. OLESZEK, CONG. RSCH. SERV., R41079, CONGRESSIONAL OVERSIGHT: AN OVERVIEW 1–6 (2010) (describing the role of congressional oversight in holding administrative agencies democratically accountable).

⁴²⁵ *Companies Urge Congress to Investigate Policies Shielding Invalid Patents*, ENGINE (Oct. 14, 2020), <https://www.engine.is/news/companies-urge-congress-to-investigate-policies-shielding-invalid-patents>; see *supra* note 153 and accompanying text.

⁴²⁶ Letter from Sen. Patrick Leahy et al. to Andrew Hirshfeld, Acting Dir., U.S. Pat. & Trademark Off. (Sept. 16, 2021), available at <https://www.law.berkeley.edu/wp-content/uploads/2021/11/Letter-to-PTO-Re-Discretionary-Denials-and-Drug-Pricing-Signed.pdf>.

⁴²⁷ Patent Trial and Appeal Board Reform Act of 2022, S. 4417, 117th Cong. (2022); see also Kass, *Sen. Leahy Aims*, *supra* note 15.

⁴²⁸ Handler, *supra* note 154 (noting that multiple senators asked PTO Director nominee Vidal about discretionary denials during her confirmation hearing, with Senator Thom Tillis of North Carolina declining to endorse her nomination before seeing her written responses to discretionary denial questions).

⁴²⁹ *Id.*

⁴³⁰ See *supra* notes 133–41 and accompanying text.

⁴³¹ See Narechania, *Arthrex*, *supra* note 349, at 71 (noting that administrative decision making is informed by public relations and interest group relations).

agency trying to regulate a field and resolve competing interests. It is particularly important in the patent system for two reasons. First, the purpose of the patent system is to provide incentives to stakeholders for innovation and disclosure, and the effectiveness of those incentives will depend, at least to some extent, on stakeholders' perception of the legitimacy, effectiveness, and value of patent protection and the patent system.⁴³² The Patent Office's ability to respond to public opinion helps it maintain buy-in and perceived legitimacy from stakeholders. Second, "patent policy debates tend to be based on ideologies and theories rather than on data and evidence,"⁴³³ with the patent system generally polarized between one camp that favors stronger and broader patent rights and another that favors narrower and weaker patent rights.⁴³⁴ Both sides include well-funded interest groups with significant political influence.⁴³⁵ If patent policy skews too far one way or the other, these influential and well-funded interests can make credible threats through court challenges or legislative lobbying. This creates uncertainty surrounding patent policy, undermines public legitimacy of the patent system, and (as noted in the previous subsection) can result in more significant shocks to the patent system that undermine reliance interests.⁴³⁶

The Patent Office's responsiveness to public opinion, combined with its flexible set of administrative tools, allows it to address public concerns and maintain stakeholder buy-in. The discretionary denial practice provides a useful practical example. As explained, Director Iancu's IPR reforms, including discretionary denials, addressed the most significant concerns raised by PTAB opponents and relieved the pressure to abolish or gut IPRs.⁴³⁷ But these reforms were perceived by others in the patent community as skewing too far away from the original objectives of the AIA, creating pressure to abolish discretionary denials altogether. Director Vidal's modifications to the discretionary denial practice responded to the most significant objections raised against discretionary denials, potentially relieving the pressure to abolish the practice. Thus, by being responsive to public opinion, the Patent Office may have been able to find the appropriate balance in its design of IPRs that preserves the perceived legitimacy of IPRs from all sides of the polarized patent debates.

⁴³² See Masur & Mortara, *supra* note 390, at 972–75 (noting the importance of stakeholder perceptions of patent law to innovation incentives).

⁴³³ LISA LARRIMORE OUELLETTE & HEIDI WILLIAMS, HAMILTON PROJECT, REFORMING THE PATENT SYSTEM 6 (2020), https://www.brookings.edu/wp-content/uploads/2020/06/Ouellette_Williams_LO_6.16_FINAL.pdf.

⁴³⁴ Ouellette, *supra* note 4, at 28–30, 32.

⁴³⁵ See Masur, *supra* note 347, at 314–15 (noting powerful and well-financed groups on both sides of patent debates).

⁴³⁶ See Masur & Mortara, *supra* note 390, at 965–66, 972–75 (explaining how patent law changes create uncertainty and undermine the legitimacy of innovation incentives).

⁴³⁷ See *supra* Subsection III.C.3.

Industry capture is a well-recognized downside of the democratic accountability and responsiveness to public opinion hailed in this section as benefits of the Patent Office's enhanced power.⁴³⁸ If the Patent Office makes adjustments because of industry group concerns or political pressure applied by well-connected players, it may just be advancing the interests of these groups, not the public at large.⁴³⁹ Although some scholars have raised concern in the past about Patent Office capture,⁴⁴⁰ others have noted that this risk is no greater than in any other field and, comparatively, the capture concerns weigh less in favor of the judiciary in patent law than other areas because the major judicial driver of patent policy, the Federal Circuit, is a specialized court also subject to capture concerns.⁴⁴¹ Moreover, the risk of administrative capture may be less in patent law. Typically, capture involves the well-financed and connected players in the regulated industry obtaining their policy preferences at the expense of the public at large.⁴⁴² But in patent law, as noted, there are well-funded and influential interest groups on both sides of the polarized patent debates, suggesting that each side will serve as a check to prevent the Patent Office from being unduly captured by the other side.⁴⁴³ Capture risks may have been greater in the past, when the Patent Office only issued patents and interacted with patent owners.⁴⁴⁴ But now, the Patent Office serves both patent owners (through examination) and patent challengers (through IPRs), making it more likely that these competing interests will prevent undue favoritism.⁴⁴⁵

The discretionary denial experience seems to demonstrate how the competing industry groups cancel out capture concerns and lead to moderation in Patent Office policy. As explained, the initial success of IPRs created pressure from patent owner interests to adjust policies to reduce the risk of invalidation, resulting in the discretionary denial practice and other Iancu reforms.⁴⁴⁶ But the perception that these reforms overcorrected led to pressure from challenger interests, leading Director Vidal to modify the discretionary denial practice.⁴⁴⁷ Thus, the discretionary denial experience suggests that the Patent Office's accountability to political actors and public opinion can lead to a balanced approach to patent policy that serves the interests of the public as a whole, not just those of some powerful actors.

⁴³⁸ Masur, *supra* note 347, at 312.

⁴³⁹ See Wasserman, *supra* note 44, at 2013.

⁴⁴⁰ *Id.* at 2013–14 (noting past concerns with Patent Office capture).

⁴⁴¹ Masur, *supra* note 347, at 312–15.

⁴⁴² See Wasserman, *supra* note 44, at 2013.

⁴⁴³ *Id.* at 2016 n.251.

⁴⁴⁴ See *id.* at 2013.

⁴⁴⁵ *Id.* at 2015.

⁴⁴⁶ See *supra* Section I.B, Subsection I.C.1.

⁴⁴⁷ See *supra* Subsection I.C.2.

CONCLUSION

The Patent Office's practice of discretionary denials of some IPR petitions on procedural grounds, such as duplicative challenges to the same patent or overlap with pending litigation, has been one of the most debated and divisive issues in the patent system in recent years. From one perspective, this fierce reaction is surprising. Discretionary denials' impact is limited, affecting a small percentage of petitions but otherwise making no change to the features that make IPRs so effective at eliminating wrongfully issued patents. The normative case for discretionary denials is a close, nuanced, and unclear trade-off between the competing objectives of expert review and cancellation of "bad" patents on the one hand and avoiding duplicative proceedings that risk inefficiency and harassment of patent owners on the other. And, despite vigorous challenges by sophisticated actors, the discretionary denial practice is quite clearly a lawful exercise of the significant authority and discretion over IPR institution, particularly denial of institution, that the AIA confers on the Patent Office.

From another perspective, however, the controversy over discretionary denials is not surprising. Administrative power remains novel in the patent system, with the federal judiciary long dominant in policy-making. As the Patent Office has exercised its enhanced power, those opposed to its policy choices have questioned not just the normative wisdom of these choices but also the authority of this unfamiliar source of patent policy-making. When the Patent Office's policy choices favored patent challengers, patent owner interests vigorously contested the Patent Office's right to exist and were ultimately unsuccessful in *Oil States*. As the Patent Office has adjusted IPRs to address concerns raised by patent owners, it is now patent challengers who are struggling to come to terms with administrative power exercised contrary to their interests. Yet, the discretionary denial practice serves as a useful case study confirming the benefits that administrative power can bring to the patent system: expertise, reasoned deliberation and policy-making, flexibility, and accountability.

