

Circumventing the PTAB

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Abstract

Congress intended Patent Trial and Appeal Board (PTAB) proceedings to supplant district court patent litigation by establishing a faster, cheaper process for patent challenges. Because patent challenges are often considered by the PTAB and district courts contemporaneously, however, inter partes reviews (IPRs) largely serve as adjuncts to litigation rather than substitutes. Recently, PTAB discretionary procedural denials of IPR institution under 35 U.S.C. § 314(a) have risen dramatically pursuant to guidance by the United States Patent and Trademark Office (USPTO) to deny institution in light of advanced stages of parallel district court litigation. This practice is spurred by gamesmanship as litigants and Judge Albright in the Western District of Texas strive to circumvent the PTAB. I will examine this practice, as well as the evolving relationship between PTAB trials and patent litigation in federal courts related to discretionary denials.

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Introduction

Between January and October of 2020, Judge Alan Albright in the Western District of Texas received 757 patent filings.¹ To put this figure in perspective, Judge Albright alone received 404 more filings than the Eastern District of Texas, and 280 more filings than the District of Delaware between January and October of 2020.² Petitioners are flocking to the Western District of Texas, and other rocket dockets, to circumvent the PTAB through plaintiff-friendly local rules and the guarantee of a 35 U.S.C. § 314(a) discretionary denial of IPR in a parallel PTAB proceeding.

IPRs are quick, inexpensive trial proceedings at the USPTO that review the patentability of one or more patent claims under 35 U.S.C. § 102 anticipation and § 103 obviousness grounds.³

IPRs are typically filed by district court defendants soon after a plaintiff files a patent

¹ Jamil Alibhai, *Violate My Patents? See you in Texas*, TEXAS LAWBOOK (Dec. 8, 2020) <https://www.munsch.com/Newsroom/Blogs/134602/Violate-My-Patents-See-you-in-Texas>.

² *See Id.*

³ Colleen Chien, et al., *Inter Partes Review and The Design of Post-Grant Patent Reviews*, 33 BERKELEY TECH. L.J. 817, 828 (2019).

infringement suit. PTAB institution of IPR is discretionary.⁴ If the PTAB grants institution, district courts typically pause the district court suit through a “stay” until the PTAB adjudicates.⁵ Since the PTAB’s inception in 2012, IPR institution has declined from a high of approximately 83% in 2013 to a low of 56% in 2020.⁶ Since 2017, the increasing denial rate is largely a result of procedural denials under 35 U.S.C. § 314(a).⁷ While the overall institution rate is stabilizing around 61%,⁸ the majority of denials remain under 35 U.S.C. § 314(a).⁹

The PTAB catalyzed the widespread use of 35 U.S.C. § 314(a) in *NHK Spring v. Intri-Plex Tech., Inc.*, by denying IPR institution in light of the late stage of the related district court action with trial set to begin approximately six months before the IPR would conclude.¹⁰ The PTAB reasoned that because the concurrent district court infringement suit was nearing its final stages, “instituting a trial under the facts and circumstances here would be an inefficient use of [PTAB] resources” and “would not be consistent with an objective of the AIA . . . to provide an effective and efficient alternative to district court litigation.”¹¹

⁴ 35 U.S.C. §§ 314(a), 325(d) (“The Director may not authorize an inter partes review to be instituted unless the Director determines that . . . there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”) (Section 325(d) provides that the Director may elect not to institute a proceeding if the challenge to the patent is based on the same or substantially the same prior art or arguments previously presented to the Office) *see also Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (“the PTO is permitted, but never compelled, to institute an IPR proceeding”).

⁵ *See* Saurabh Vishnubhakat, et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH L.J. 45, 49-50 (2016).

⁶ *See* Unified Patents, *PTAB Annual Report*, <https://portal.unifiedpatents.com/ptab/annual-report?year=2020>.

⁷ Unified Patents, *PTAB Discretionary Denials: In the First half of 2020, Denials Already Exceed All of 2019*, (July 27, 2020) (“Indeed, §314(a) now accounts for the majority of procedural denials (including denials under § 315 and those related to joinder).”).

⁸ *See* USPTO “Trial Statistics,” Patent Trial and Appeal Board (Feb. 2021) <https://www.uspto.gov/patents/ptab/statistics/aia-trial-statistics-archive>.

⁹ Unified Patents, *PTAB Discretionary Denials: In the First half of 2020, Denials Already Exceed All of 2019*, (July 27, 2020) (“In 2020, more than 74% of procedural denials have been under § 314(a) (75 out of 102).”).

¹⁰ *NHK Spring Co., Ltd. v. Intri-Plex Tech., Inc.*, IPR2018-00752, Paper 8 at 20 (P.T.A.B. Sept. 12, 2018) (precedential) (Filing within one year of the service of the Complaint in the district court action, petitioner, NHK, filed a petition for IPR on March 7, 2018, while the district court scheduled trial for March 25, 2019).

¹¹ *Id.*

The majority of 35 U.S.C. § 314(a) denials are granted in accordance with *Apple, Inc. v. Fintiv, Inc.*,¹² the progeny of *NHK*. Extending *NHK*, the PTAB in *Fintiv* denied IPR petition in light of the late stage of a related district court action and clarified that the PTAB seeks to balance policy considerations of “system efficiency, fairness, and patent quality” when considering IPR denial.¹³ The PTAB in *Fintiv* enumerated six factors when contemplating IPR denial and considers with substantial weight whether a district court has scheduled a trial before the PTAB can issue a final written decision (FWD).¹⁴ As a result, filings in rocket dockets have multiplied exponentially as petitioners, and Judge Albright in the Western District of Texas, hope to preclude IPR petition and “beat[] the PTAB to a decision”¹⁵ through obtaining a trial date before the PTAB can issue a FWD.

While the PTAB in *NHK* and *Fintiv* clearly prioritized policy considerations embodied in the AIA, these precedential decisions effectively contravene the structure and purpose of the AIA and have increased abuse of the patent system. The AIA provides parties accused of infringement a one-year window to petition for IPR for all patent claims asserted in a pending infringement suit.¹⁶ However, in fast-moving districts where a district court can schedule a trial before the PTAB can issue a FWD, the PTAB will almost inevitably deny petition in light of *Fintiv*’s second factor: consideration of “the proximity of the court’s trial date to the projected statutory deadline for the PTAB’s [FWD].”¹⁷ *Fintiv* effectively forecloses the district court defendant’s access to IPR through the PTAB while contravening the AIA’s purpose of

¹² *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (Precedential).

¹³ *Id.* at 6.

¹⁴ See *infra* note 44.

¹⁵ Law360, *West Texas Judge Says He Can Move Faster Than PTAB* (Nov. 27, 2019)

<https://www.law360.com/articles/1224105/west-texas-judge-says-he-can-move-faster-than-ptab>.

¹⁶ 35 U.S.C. § 315(b).

¹⁷ *Fintiv*, Paper 11 at 9.

“provid[ing] an effective and efficient alternative to district court litigation.”¹⁸ Utilizing the *Fintiv* loophole, non-practicing entities (NPEs), which file over 85% of the patent suits filed in the Western District of Texas, extort large settlements from defendants by threatening to drag defendants through expensive district court litigation with no hope of IPR.

This Paper proceeds in three parts. Part I outlines the background and procedural mechanics of the IPR, stays of district court litigation, and PTAB discretionary denials under 35 U.S.C. § 314(a). Part II argues that the discretionary denial policies adopted by the USPTO contravene the AIA’s text, structure, and Congress’ intent in creating IPR. Further, Part II addresses how litigants and Judge Albright in the Western District of Texas are strategically avoiding the PTAB. Part III considers changes to the patent system to negate gamesmanship relating to discretionary denials and forum shopping.

I. Procedural Interplay Between the PTAB and District Courts

A. Inter Partes Review

Congress created IPRs through the AIA to provide quick and cost-effective alternatives to litigation.¹⁹ IPRs can be initiated after the nine-month window of eligibility for post-grant review and challenge the validity of patent claims based only on patents and printed publications.²⁰ Institution of IPR is discretionary.²¹ IPRs utilize a strict schedule and evidentiary guidelines.²²

¹⁸ *NHK*, Paper 8 at 20.

¹⁹ H.R. Rep. No. 112-98, pt. 1, at 48 (2011), as reprinted in 2011 U.S.C.C.A.N. 67, 78 (the AIA “is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs”).

²⁰ Chien, *supra* note 3.

²¹ *Supra* note 4.

²² Chien, *supra* note 3, at 822.

IPRs must be filed within one year of a third party being served with an infringement complaint by a patentee.²³

IPRs involve motions, depositions, evidentiary disputes, and a trial phase before a panel of at least three Administrative Patent Judges (APJs).²⁴ APJs are experienced patent attorneys with technical backgrounds.²⁵ Consistent with the standard applied in federal courts, since 2018 claims are now construed under the *Phillips*²⁶ standard by taking into account the claim language itself, the specification, the prosecution history of the patent, and relevant extrinsic evidence.²⁷ IPR petitions are limited to patentability challenges regarding only 35 U.S.C. § 102 anticipation and § 103 obviousness grounds.²⁸

IPR proceedings are significantly less expensive than district court litigation. IPRs cost approximately \$275,000 per side and \$305,000 through appeal.²⁹ District court litigation for cases with “relatively low stakes (\$1—\$10 million at risk)” typically costs nearly \$1,000,000 through the end of discovery and \$2,000,000 through final deposition.³⁰ As the stakes increase, so do the costs. For example, if more than \$25,000,000 is at risk, taking the case through discovery typically costs \$3,000,000 and includes a median cost of \$5,000,000 to reach final disposition.³¹

While Congress created PTAB proceedings to supplant district court litigation, PTAB proceedings, particularly IPRs, have arguably become adjuncts to district court litigation. Some

²³ *Id.* at 842.

²⁴ *Id.*

²⁵ 35 U.S.C. § 6(a) (the AIA requires that APJs “shall be persons of competent legal knowledge and scientific ability”).

²⁶ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc).

²⁷ Chien, *supra* note 3, at 823.

²⁸ *Id.* at 828.

²⁹ Anne S. Layne-Farrar, *The Cost of Doubling Up: An Economic Assessment of Duplication in PTAB Proceedings and Patent Infringement Litigation*, 10 LANDSLIDE SEC. OF INTELL. PROP. L. 1 (May 2018).

³⁰ *Id.*

³¹ *Id.*

patent litigators comment that “rather than an absolute alternative to civil litigation, the AIA’s new proceedings increase the likelihood of duplicative concurrent inter partes administrative and judicial adjudication of a patent’s validity.”³²

B. Stays of Concurrent District Court Patent Litigation

Typically, petitioners petition the PTAB for IPR following notice of a district court infringement suit.³³ Mandated by statute, with few exceptions, the PTAB must decide whether to institute review within three months after receiving the patent owner’s response to the petition.³⁴ The PTAB must issue its FWD within one year of instituting review.³⁵ Once the petition is filed with the PTAB, the parallel district court determines whether to grant a stay. While the AIA enumerates several factors for district courts to consider when granting a motion to stay in light of covered business method patents,³⁶ the AIA does not list factors regarding when a stay should be granted for IPR. However, district courts generally consider whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party, whether a stay will simplify the issues at trial, and the stage of the district court case.³⁷

³² Sarah E. Craven, PhD. & Michael J. Flibbert, *Limits on Concurrent Administrative and District Court Patent Challenges under the AIA’s New Post-Grant Proceedings*, IP LITIGATOR (Sept. 2013).

³³ See Saurabh Vishnubhakat, et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH L.J. 45, 49-50 (2016).

³⁴ See 35 U.S.C. § 314(b).

³⁵ See 35 U.S.C. § 316(a)(11).

³⁶ AIA § 18(b)(1), Pub. L. No. 112-29, 125 Stat. 284, 331 (2011) (The AIA sets forth four factors to determine whether a stay is appropriate [for CBMs]: 1) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial; 2) whether discovery is complete and whether a trial date has been set; 3) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and the court.).

³⁷ See, e.g., *Peloton Interactive, Inc. v. Flywheel Sports, Inc.*, 2019 WL 3826051 at 1 (E.D. Tex. Aug. 14, 2019); *Zoom, LLC v. Apple Inc.*, 391 F. Supp. 3d. 946, 956 (N.D. Cal. 2019).

Since AIA-contested proceedings were introduced in 2012, the grant rate for a motion to stay has increased to 74% of all filed motions through January 21, 2021.³⁸ Initially, district court judges were skeptical of the efficacy of PTAB proceedings and stay rates were low.³⁹ However, several factors likely contribute to the uptick in granted stays, including overwhelmed district courts, confidence in PTAB courts and their strict timelines,⁴⁰ the USPTO’s shift to the *Phillips*⁴¹ standard in PTAB proceedings, and the Supreme Court’s “all or nothing” ruling in *SAS Inst., Inc., v. Iancu* holding that an AIA petitioner is “entitled to a final written decision addressing all of the claims it has challenged.”⁴²

C. PTAB Discretionary Denials Under 35 U.S.C. § 314(a)

In 2020, PTAB discretionary denials increased by 60% almost exclusively due to the exorbitant rise of denials under *Fintiv* through 35 U.S.C. § 314(a).⁴³ § 314(a) is the statutory vehicle the PTAB utilizes to issue discretionary denials under *Fintiv*. As the table below shows, § 314(a) was used in 73%, or 167, of all procedural denials in 2020. The vast majority of *Fintiv* denials are predicated on the PTAB’s consideration of a district court’s scheduling order which

³⁸ *Id.*

³⁹ Graham Phero & Lauren Watt, *Success of Motions to Stay Rising, But Why?*, 2019 PTAB YEAR IN REVIEW: ANALYSIS & TRENDS (Feb. 2020), <https://www.sterneckessler.com/news-insights/publications/success-motions-stay-rising-why>.

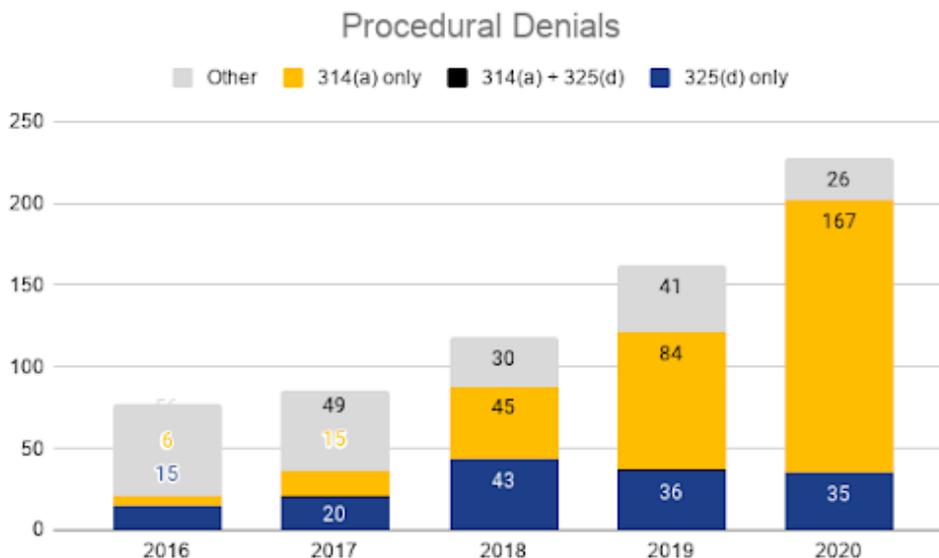
⁴⁰ See Brian Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 2017 STAN. TECH. L. REV. at 26-27 (“Judges in the District of Delaware and Northern District of California grant motions to stay, at least in part, over 70% of the time.”).

⁴¹ *Phillips*, 415 F. 3d 1303.

⁴² *SAS inst., Inc., v. Iancu*, 138 S. Ct. 1348, 1359 (2018).

⁴³ Unified Patents, 314(a) Discretionary Denials (Mar. 24, 2021 4:28 PM) https://portal.unifiedpatents.com/ptab/caselist?discretionary_denial_statutes=314A&sort=filing_date&up_institution_date=2020-01-01--2020-12-31&up_status=Not%20Instituted&up_substatus=Procedural.

sets the trial date before the PTAB can issue a FWD.⁴⁴ Increased NPE filings in the Western District of Texas largely drives the ongoing surge in discretionary denials.⁴⁵



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The PTAB’s precedential decision in *NHK*, which found that the advanced state of a district court proceeding was a factor weighing in favor of not instituting under 35 U.S.C. 314(a),⁴⁷ opened the door for consistently denying institution in light of parallel proceedings. Clarifying and extending *NHK*, the PTAB’s precedential *Fintiv* decision summarized the case-specific factors the PTAB considers in its analysis of whether to discretionarily deny institution in light of a parallel proceeding.⁴⁸ The PTAB considers:

⁴⁴ See *Google LLC v. Uniloc 2017, LLC*, No. IPR2020-00115, 2020 WL 1523248 (Mar. 27, 2020); *Intel Corp. v. VLSI Tech. LLC*, No. IPR2020-00106, 2020 WL 2201828 (P.T.A.B. May 5, 2020); *Cisco Systems, Inc. v. Ramot at Tel Aviv University Ltd.* No. IPR2020-00122, 2020 WL 2511246 (P.T.A.B. May 15, 2020).

⁴⁵ See Josh Landau, *Discretionary Denials at the PTAB Continue to Rise, Benefit NPEs*, PATENT PROGRESS (Apr. 22, 2021) <https://www.patentprogress.org/2021/04/22/discretionary-denials-at-the-ptab-continue-to-rise-benefit-npes/>.

⁴⁶ Unified Patents, *PTAB Discretionary Denials Up 60%+ in 2020: Fueled Entirely by 314(a) Denials* (Jan. 5, 2021) <https://www.unifiedpatents.com/insights/2020-ptab-discretionary-denials-report#:~:text=In%202020%2C%20the%20PTAB%20logged,the%20new%20parallel%20petition%20requirements.>

⁴⁷ *NHK*, Paper 8 at 7.

⁴⁸ *Fintiv*, Paper 11 at 2-3.

(1) whether the [parallel district] 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 [PTAB’s] projected statutory deadline for a final written decision; (3) investment in the parallel proceeding by the court and the parties; (4) overlap between the 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 [PTAB’s] exercise of discretion, including the merits.⁴⁹

While the PTAB explained that the above factors “relate to whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of an earlier trial date in a parallel proceeding[,]”⁵⁰ gaming of the patent system has contravened the intent that AIA proceedings be quick and inexpensive alternatives to district court litigation.

II. Circumvention of the PTAB

The discretionary denial policies adopted by the USPTO through *Fintiv* contravene the text and purpose of the AIA. Further, while passing the AIA, Congress did not contemplate a plaintiff’s ability to insulate patents against IPR review based solely on where the petitioner files suit. *Fintiv*’s IPR preclusion loophole has increased abuse within the patent system while establishing the Western District of Texas as a magnet for patent litigation and NPEs.

⁴⁹ *Id.*

⁵⁰ *Id.* at 3.

The text of the AIA expressly provides one year for a defendant to seek PTAB review after suit has been filed in a district court.⁵¹ Congress intended to give defendants this one-year buffer period. When passing the AIA, Congress extended the AIA filing deadline from six months to one year in recognition of providing defendants “a reasonable opportunity”⁵² to sort out which claims are relevant and prepare a proper petition. However, under *Fintiv*, defendants that diligently file within the one-year time frame established by the AIA are effectively precluded from IPR institution if they find themselves being dragged into specific district courts.

Fintiv denies a defendant access to validity review based on factors that are completely “outside [the defendant’s] control.”⁵³ While *Fintiv* plausibly upholds the AIA’s intention of reducing litigation across multiple forums and increasing litigation speed, *Fintiv* effectively precludes defendants from access to the PTAB based solely on a plaintiff filing in a nimble district. In 2020, *Fintiv* was applied to deny an IPR that was sought “less than five months after the service of the complaint and less than two months after receiving the Patent Owner’s infringement contentions.”⁵⁴ The dissenting APJ noted:

The Petitioner here did exactly what Congress envisioned in providing for inter partes reviews in the America Invents Act: upon being sued for infringement, and having received notice of the claims it was alleged to infringe, [Petitioner] diligently filed a Petition with the [PTAB], seeking review of the patentability of those claims in the alternative tribunal created by the AIA.⁵⁵

⁵¹ 35 U.S.C. § 315(b).

⁵² 157 Cong. Rec. S5429 (Sep. 8, 2011) (statement of Sen. Kyl).

⁵³ *Cisco Sys., Inc. v. Ramot at Tel Aviv U. Ltd.*, IPR2020-00122, 2020 WL 2511246 at 7 (May 15, 2020) (Crumbley, J., dissenting).

⁵⁴ *Id.*

⁵⁵ *Id.* at 10.

The PTAB acknowledges that *Fintiv* effectively precludes a defendant’s access to IPR if a patent owner files in a fast-moving district. In *Supercell Oy v. GREE, Inc.*, a defendant argued that reliance on “the trial date in a parallel proceeding is unfair because, when sued in fast-moving jurisdictions, the PTAB’s statutory due date for the [FWD] will almost always occur after trial in the parallel proceeding even if a petitioner filed its [IPR] petition on the same day [petitioner] is served in the district court.”⁵⁶ The PTAB replied that “we are constrained to follow [the Director’s *Fintiv*] guidance, regardless of Petitioner’s argument regarding the practicalities of lawsuits in fast-moving jurisdictions.”⁵⁷ Further, in response to complaints that *Fintiv* makes attaining post-grant relief “impossible,” and allows “patent owners to game the system through forum shopping and defeat the statutory scheme chosen by Congress,”⁵⁸ the PTAB responded that “we are constrained to follow *Fintiv*.”⁵⁹ Effectively, the PTAB’s hands are tied, even when facing obvious gamesmanship of the patent system and contravention of the text and purpose of the AIA.

A. Congress and the AIA

A cornerstone purpose of the AIA is to encourage defendants accused of patent infringement to assert their patentability challenges through IPR before APJs.⁶⁰ Ironically, however, *Fintiv* precludes IPR availability in the circumstances where Congress created IPR to operate. *Fintiv*’s exploitation contradicts Congress’s purpose in creating IPR as an alternative to litigation while

⁵⁶ *Supercell Oy v. GREE, Inc.*, IPR2020-00513, 2020 WL 3455515, at 4 (Jun. 24, 2020).

⁵⁷ *Id.*

⁵⁸ *Supercell Oy v. GREE, Inc.*, IPR2020-00215, 2020 WL 3092613, at 5 (Jun. 10, 2020).

⁵⁹ *Id.* at 7.

⁶⁰ Chien, *supra* note 3, at 820.

weakening the integrity of the patent system, increasing litigation costs, and defeating the role of IPRs as an efficient mechanism to “weed out” invalid patents.

Congress included a statute of limitations to petition for IPR to reduce litigation costs and lessen the duplicative efforts between district courts and the PTAB.⁶¹ Congress permits IPR if the petition is filed “1 year after the date on which the petitioner . . . is served with a complaint alleging infringement of the patent.”⁶² As mentioned *supra*,⁶³ Congress originally planned to give petitioners six months to file, but extended the deadline to one year to provide petitioners a “reasonable opportunity”⁶⁴ to craft a petition and determine which claims are relevant. *Fintiv* effectively obviates the yearlong, congressionally provided timeframe for petitioners to file IPR.

Congress knew how to grant the PTAB discretion to deny petition in accordance with the factors listed in *Fintiv*. Congress refrained from doing so. Congress enumerated specific circumstances granting the PTAB discretion to deny IPR in light of parallel proceedings. For example, the AIA bars IPR institution if the petitioner filed a prior challenge against the validity of a patent claim.⁶⁵ Additionally, the AIA provided the PTAB discretion to terminate IPR if multiple proceedings involving the same patent are ensuing contemporaneously before the PTAB.⁶⁶ The AIA does not include conditions for discretionary denial in consideration of overlap with parallel litigation. Thus, the Director overstepped the boundaries outlined by Congress by deeming *NHK* and *Fintiv* precedential.

⁶¹ See Rules of Practice for Trials Before the Patent Trial and Appeal Board, 77 Fed. Reg. 48,663 (Aug. 14, 2012) (by requiring that IPR “be filed within one year of the date of service of a complaint . . . it is anticipated that the current high level of duplication between litigation and reexamination will be reduced.”).

⁶² 35 U.S.C. § 315(b).

⁶³ *Supra* note 52.

⁶⁴ *Id.*

⁶⁵ 35 U.S.C. § 315(a)(1).

⁶⁶ 35 U.S.C. § 325(d).

B. Competition Among District Courts for Patent Cases

District courts compete for patent litigants.⁶⁷ This competition is akin to forum shopping, a “national legal pastime,”⁶⁸ especially among patent cases. Because substantive law across district courts is largely uniform, competition is driven by “procedural and administrative differentiation among courts[.]”⁶⁹ This differentiation usually takes the form of plaintiff-friendly local patent rules.⁷⁰ For example, local rules can serve plaintiff preferences by offering certainty through “predictable judge assignment procedures, favorable case management norms, and preferential motions practices.”⁷¹ Districts and judges appear to be motivated by several factors, including the bolstering of a court’s prestige and power through increased filings, the opportunity to specialize, the economic impact on the district,⁷² and the intellectual challenge presented by patent cases.⁷³

⁶⁷ J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. PA. L. REV. 631, 634 (2015).

⁶⁸ *Id.* at 650, quoting J. Skelly Wright, *The Federal Courts and the Nature and Quality of State Law*, 13 WAYNE L. REV. 317, 333 (1967).

⁶⁹ *Id.* at 634.

⁷⁰ *Id.*

⁷¹ *Id.* at 635.

⁷² *Id.* at 636-37 (“The cities and towns in the Eastern District profited from the increase in patent litigation.”).

⁷³ Interview with Judge Albright, *The Texas Lawbook* (Nov. 15, 2019) (“There is nothing I enjoy more than working on patent cases. . . . the issues before me are always intellectually challenging.”).

2020 Monthly Patent Filings											
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	JAN - OCT TOTAL
EDTX	14	24	40	53	47	40	21	34	33	47	353
NDTX	6	3	7	12	10	4	14	3	1	13	73
SDTX	8	1	5	7	6	6	9	4	4	3	53
WDTX	66	58	71	86	65	120	75	60	76	80	757
TEXAS	94	86	123	158	128	170	119	101	114	143	1236
DELAWARE	44	48	48	71	50	53	42	35	46	40	477
CA CENTRAL	21	24	25	41	21	26	23	25	37	16	259
CA EASTERN	1	1	0	0	0	1	4	2	0	1	10
CA NORTHERN	16	14	12	26	22	25	22	28	20	21	206
CA SOUTHERN	3	1	3	3	2	2	7	5	1	3	30
CALIFORNIA	41	40	40	70	45	54	56	60	37	41	484

Source: Androvett Legal Media and Federal Court Records

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In a *Fintiv* world, plaintiffs seeking to avoid the PTAB are attracted to “rocket dockets” which expedite trial proceedings and can schedule a trial date before the PTAB can issue a FWD.⁷⁵ This can easily be seen through patent filings. For example, as seen above, between January and October of 2020 the Western District of Texas, which has very plaintiff-friendly local patent rules, received 757 patent filings, while the Eastern District of California received 10.⁷⁶

C. Judge Albright in the Western District of Texas

Judge Albright, a prior career patent attorney, in the Western District of Texas currently sees the most patent cases in the country, having received 1,146 patent case filings since he took the bench in 2018 and 21.1% of all U.S. new filings in 2020.⁷⁷ By comparison, only one patent case

⁷⁴ Jamil Alibhai, *Violate My Patents? See you in Texas*, TEXAS LAWBOOK (Dec. 8, 2020)

<https://www.munsch.com/Newsroom/Blogs/134602/Violate-My-Patents-See-you-in-Texas>.

⁷⁵ See Soni Sukduang, *Fintiv and the increased need to be expeditious*, IAM (Jan. 6, 2021) <https://www.iam-media.com/fintiv-and-the-increased-need-be-expeditious>.

⁷⁶ *Id.*

⁷⁷ *Id.* at 27.

was filed in the Western District of Texas in 2017.⁷⁸ Because he is the only sitting judge in the Waco Division of the Western District of Texas, the district’s local rules guarantee petitioners who file in Waco an audience before him.⁷⁹ *Fintiv* provided an opportunity to circumvent the PTAB through the locally named “Albright Doctrine: [the assurance] that [his] court can moot an IPR by moving quickly to trial so that a jury can adjudicate validity rather than the PTAB.”⁸⁰ The “Albright Doctrine” is guaranteed by Judge Albright’s local rules which include expeditious trial scheduling and his stated apprehension to stay cases pending IPR.⁸¹

Immediately after joining the bench, Judge Albright unorthodoxly toured the country to “drum[] up business.”⁸² An invitation for a dinner with Judge Albright described the dinner as an opportunity to hear the Judge “spread the word far and wide about how his Waco court would be a great place to try IP cases.”⁸³ Through the conjunction of plaintiff-friendly Texas juries which highly value property rights,⁸⁴ the prevalence of high-tech companies near Waco and Austin,⁸⁵ local rules favoring quick trial scheduling before the PTAB can issue a FWD, *TC Heartland* limiting venue selection in other patent-litigation heavy districts,⁸⁶ due to Judge Albright’s

⁷⁸ *Id.*

⁷⁹ Jonas Anderson & Paul R. Gugliuzza, *Federal Judge Seeks Patent Cases*, 71 DUKE L.J., at 5-6 (forthcoming), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3668514. (“because Judge Albright is the only judge assigned by the court’s internal rules to [the Waco] Division, he gets every single case. So, by filing in Waco—which actually entails nothing more than selecting “Waco” from a drop-down menu on the court’s electronic filing website—plaintiffs . . . get Judge Albright.”).

⁸⁰ Erick Robinson, *The Strengthening of the “Albright Doctrine” re IPRs at the PTAB*, THE WACO PATENT BLOG, (May 16, 2020), <https://www.wacopatentblog.com/waco-patent-blog/the-strengthening-of-the-albright-doctrine-re-iprs-at-the-ptab>.

⁸¹ Josh Landau, *Meet the Western District of Texas—NPEs Certainly Have*, PATENT PROGRESS (May 27, 2020) <https://www.patentprogress.org/2020/05/27/meet-the-western-district-of-texas-npes-certainly-have/>.

⁸² Tommy Witherspoon, *Waco becoming hotbed for intellectual property cases with new federal judge*, WACO TRIBUNE-HERALD, at A1 (Jan. 18, 2020).

⁸³ E-mail template from Molly Keelan, Director at Ocean Tomo, LLC (Aug. 27, 2019) (on file with author).

⁸⁴ See Yan Leychikis, *Of Fire Ant and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 YALE J.L. & TECH. 193, 210-15 (2007).

⁸⁵ Prominent technology companies near Austin, Texas, include Google, Facebook, IBM, Oracle, and Dell.

⁸⁶ See *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017) (holding a domestic corporation “resides” only in its state of incorporation for venue purposes in patent infringement cases).

expertise in patent law and reluctance to transfer cases out of the Western District,⁸⁷ as well as a guaranteed audience before him, the Western District of Texas created a perfect storm to attract patent litigation. Following the upcoming addition of another magistrate to accommodate Judge Albright's docket⁸⁸ and the district's recent \$2.18 billion verdict awarded in *VLSI Technology v. Intel*,⁸⁹ the patent business will undoubtedly remain bristle.

Judge Albright's headlock on the patent system raises numerous questions— should anything be done to stop Judge Albright's greenlighting of blatant gamesmanship? What could be done to stop him? What harm are Judge Albright's practices causing the patent system? Of course, these answers depend on who you ask. Before *TC Heartland*,⁹⁰ NPEs flocked to the infamously NPE-friendly Eastern District of Texas. NPEs have a new home in the Western District of Texas.

D. The Revival of NPEs

Over 85% of patent suits filed in the Waco Division of the Western District of Texas are filed by NPEs.⁹¹ NPEs—colloquially known as patent trolls—acquire patent rights for the sole purpose of filing infringement suits to extort settlement fees from defendants. The volume of NPE litigation had declined since the inception of the PTAB because defendants could avoid settlement by inexpensively disposing of NPE litigation through IPRs.⁹² However, the

⁸⁷ Anderson & Gugliuzza, *supra* note 79, at 42.

⁸⁸ Scott Graham, *How the Western District of Texas Became a Patent Hotspot*, (Mar. 18, 2021), <https://www.law.com/texaslawyer/2021/03/18/how-the-western-district-of-texas-became-a-patent-hot-spot/>.

⁸⁹ *VLSI Technology LLC v. Intel Corporation*, 6:21-cv-00057-ADA, jury verdict dated March 2, 2021.

⁹⁰ *See TC Heartland*, 137 S.Ct. at 1514 (effectively precluding many defendants under the first prong of the venue statute by holding that a “corporation ‘resides’ only in its State of incorporation for purposes of the patent venue statute.”).

⁹¹ Josh Landau, *Trouble in Plaintiff's Paradise?*, PATENT PROGRESS (Oct. 20, 2020), <http://www.patentprogress.org/2020/10/30/trouble-in-plaintiffs-paradise/>.

⁹² Timothy Au, *US Patent Litigation on Decline While PTAB Breaks Records and NPE Settlement Amounts Fall*, LEXOLOGY (Jan. 2, 2018), <https://www.lexology.com/library/detail.aspx?g=c4daf713-b1a5-4716-984d-b6344083bad6>.

conjunction of Judge Albright’s admitted reluctance to stay cases⁹³ and circumvention of the PTAB through fast-track case scheduling equips NPEs with the ability to drag defendants through costly litigation. This threat is real and daunting. While large defendants like Apple and Intel have complained⁹⁴ about their preclusion from IPR access and the uptick of NPE activity, the PTAB cannot institute IPR because *Fintiv* effectively ties the hands of APJs.⁹⁵ Thus, NPEs have found a profitable and ideal home in Judge Albright’s courtroom.

E. Possible Circumvention of Discretionary Denial Under *Fintiv*

Two recent IPR petitioners successfully circumvented *Fintiv* by achieving institution in light of a district court trial scheduled before the PTAB could plausibly issue a FWD. The petitioner in *Sand Revolution II, LLC v. Continental Intermodal Group — Trucking LLC* found a chink in *Fintiv*’s armor. The conjunction of the parallel district court consistently shifting trial dates, which weighed in favor of not denying institution,⁹⁶ and Sand’s stipulation relating to *Fintiv*’s fourth factor that “if the IPR is instituted, [Sand] will not pursue the same grounds in the district court litigation”⁹⁷ sufficiently weighed in favor of instituting IPR review, even in light of *Fintiv*.

Subsequently, in *SK Hynix Inc., v. Netlist, Inc.*, the PTAB instituted IPR review despite a trial date set in the Western District of Texas before the PTAB could plausibly issue a FWD.⁹⁸ Mitigating factor four of *Fintiv*—overlap with issues raised in parallel proceeding—SK Hynix followed the petitioner in *Sand*’s lead by limiting possible arguments in future litigation. The PTAB noted:

⁹³ Landau, *supra* note 81.

⁹⁴ Complaint of Petitioner, *Apple v. Iancu*, No. 5:20-cv-6128 (N.D. Cal. Aug. 31, 2020).

⁹⁵ *Supra* note 57.

⁹⁶ *Sand Revolution II, LLC v. Cont’l Intermodal Grp. — Trucking LLC*, IPR2019-01393, Paper 24, 9-10 (P.T.A.B. June 16, 2020) (informative).

⁹⁷ *Id.* at 11-12.

⁹⁸ *SK Hynix Inc. v. Netlist, Inc.*, IPR2020-01421 Paper 10 (P.T.A.B. Mar. 16, 2021).

If this IPR is instituted, Petitioners will not assert in the Texas cases any grounds that they could have been estopped from asserting by operation of 35 U.S.C. § 315(e)(2) had a FWD in this IPR previously issued. Thus, there is no overlap between the issues to be tried in the Texas cases and those raised in this IPR, if instituted.⁹⁹

While the early trial date set by Judge Albright weighed in favor of denying review in the PTAB's *Fintiv* analysis,¹⁰⁰ the PTAB declined to deny IPR under 35 U.S.C. § 314(a), noting:

The *Fintiv* factors weigh on both sides, however, much work remains to be completed in the parallel proceeding, Petitioner was diligent in filing its Petition, and Petitioner, by its broad stipulation, mitigated concerns about the duplication of effort and potential for inconsistent results. These factors strongly favor institution and outweigh other factors favoring denial.¹⁰¹

District courts often change trial dates after scheduling them.¹⁰² Trial date changes are especially common in increasingly busy courts, like the Western District of Texas.¹⁰³ In light of

⁹⁹ *Id.* at 10, referencing *Sand Revolution II, LLC v. Cont'l Intermodal Grp. — Trucking LLC*, IPR2019-01393, Paper 24, 12 (P.T.A.B. June 16, 2020) (informative).

¹⁰⁰ *Id.* at 8.

¹⁰¹ *Id.* at 13.

¹⁰² See *Intel Corp. v. VLSI Technology LLC*, No. IPR2020-00106, 2020 WL 2201828 (P.T.A.B. May 5, 2020); *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, 2020 WL 2486683, Paper 15 at 3-4, 7 (P.T.A.B. May 13, 2020); *Uniloc 2017, LLC v. Google LLC*, No. 18-cv-00504, 2020 WL 3064460, at 6 (E.D. Tex. June 8, 2020).

¹⁰³ *SK Hynix* Paper 10, at 8 (noting that Judge Albright's docket had 79 active cases at time of IPR petition and thus it was "highly unlikely the [Western District of Texas would] be able to schedule so many cases for jury trials before the currently-scheduled trial date").

Sand and *SK Hynix*, IPR petitioners attempting to subvert *Fintiv* should argue that the shifting trial date weighs against *Fintiv*'s second factor and stipulate that they will not raise the same arguments during subsequent district court litigation if IPR is instituted.

III. Calls for Change

The most tenable path forward requires the incoming USPTO Director to overturn *Fintiv*. The Director can select the APJs on any PTAB panel to ensure the Director's policy positions are enforced by the panels.¹⁰⁴ Overturning *Fintiv* through the PTAB would not structurally disrupt district courts nor the PTAB and would not require congressional intervention. While the identity and views of the incoming Director remain unknown, the lobbying efforts of large defendants like Dell and Apple against *Fintiv* are not likely to fall on deaf ears. If the incoming Director strives to keep *Fintiv* intact, Congress is likely the only alternative to overturn *Fintiv*.

On October 20, 2020, the USPTO published a "Request for Comments on Discretion to Institute Trials Before the [PTAB]" in the Federal Register.¹⁰⁵ Among several issues, the USPTO is seeking comments regarding its practices and policies in respect to discretionary IPR institution. The USPTO clarified that the "case-specific analysis the [USPTO] has developed attempt[s] to balance Congress's intent for AIA proceedings to be 'quick and cost-effective alternatives to litigation,' on the one hand, with 'the importance of quiet title to patent owners to ensure continued investment resources,' on the other hand."¹⁰⁶

¹⁰⁴ Transcript of Oral Argument at 1, *Yissum Research Development Co. v. Sony Corp.* (Fed. Cir. 2015) <http://www.717madisonplace.com/wp-content/uploads/2017/08/2015-1342-excerpt-7.mp3>.

¹⁰⁵ Request for Comments on Discretion to Institute Trials Before the PTAB, 37 C.F.R. § 42 (Oct. 20, 2020) <https://www.federalregister.gov/documents/2020/10/20/2020-22946/request-for-comments-on-discretion-to-institute-trials-before-the-patent-trial-and-appeal-board>.

¹⁰⁶ *Id.* at 7, citing H.R. Rep. No. 112-98, pt. 1, at 48 (2011).

Several ideas from stakeholders have been proposed to uphold the integrity of the AIA and prevent gamesmanship. Some parties suggest adopting “a bright-line rule that precludes institution of an AIA trial against challenged claims if the patent owner opposes institution and any of the challenged claims are or have been asserted against the petitioner . . . in a district court or ITC action that is unlikely to be stayed.”¹⁰⁷ Alternatively, others suggest the adoption of “a bright-line rule to eliminate any consideration of the state of any district court or ITC actions involving the challenged patent, so long as the petition complies with statutory timing requirements and meets the particular institution threshold of showing that at least one claims of the patent is unpatentable.”¹⁰⁸ The contrasting proposed solutions highlight the divide regarding when the PTAB should exercise its discretion to institute an AIA trial.

The PTAB’s position remains unclear. The PTAB proposed the adoption of a bright-line rule that would disregard other proceedings when contemplating institution, or alternatively, altogether decline to institute if the patent is or has been subject to other proceedings, unless the courts had indicated that it will stay the action.¹⁰⁹ Further, the PTAB suggested the adoption of a case-specific analysis to determine whether to institute petition on a patent that is or has been subject to proceedings in another court.¹¹⁰ While the PTAB should be commended for inviting comments and proposing solutions, whether the adoption of any of the suggested solutions will uphold the intent of the AIA by remedying the issue of gamesmanship spurred by speedy parallel trials is unclear. Each solution presents further issues. As proposed, a predictable bright-line, all-or-nothing approach would functionally preclude parties from filing patent suits in district courts, or not provide parties sufficient access to post-grant proceedings. Neither option is tenable.

¹⁰⁷ Request for Comments on Discretion to Institute Trials Before the PTAB Page 17.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* at 19.

¹¹⁰ *Id.*

While the adoption of a nuanced, case-specific analysis in deciding whether to grant petition appears ideal, no proposed considerations exist outside of the *Fintiv* factors.

A. Procedural Adjustments

Currently, Judge Albright in the Western District of Texas has the patent system in a headlock. Litigants are guaranteed an audience before him, and his aggressive case scheduling effectively precludes IPR petition.¹¹¹ However, two proposed legal reforms could stymie these practices: “randomization of judicial assignment” and “venue rules tailored to particular divisions within a district, not just the district as a whole.”¹¹²

Section 137 of the Judicial Code does not mandate random case assignments,¹¹³ though many districts require random assignments through their local rules.¹¹⁴ The Judicial Code could be amended to trump local rules by mandating random judge assignment within a district. This change could be tailored to only mandate randomization in patent cases to address current forum shopping issues.¹¹⁵ Judge randomization germane to a specific practice area within a district is not new. Disputes over license agreements for public performance of a copyrighted work contain a congressionally mandated randomization provision under 28 U.S.C. § 137(b).¹¹⁶ Intra-district judge randomization “would eliminate the ability for litigants to know *ex ante* who their judge

¹¹¹ See *supra* Part II, section C.

¹¹² Anderson & Gugliuzza, *supra* note 79, at 56.

¹¹³ 28 U.S.C. § 137 (“The business of a court having more than one judge shall be divided among the judges as provided by the rules and orders of the court.”).

¹¹⁴ D. Minn. Order for Assignment of Cases (Jan. 10, 2020) (“An electronic Case Assignment System will be maintained by the Clerk’s Office for the purpose of assigning a judge, on a random basis, to each new case opened in the District.”) <https://www.mnd.uscourts.gov/sites/mnd/files/Order-for-Assignment-of-Cases.pdf>; N.D. Okla. Case Assignment and Numbering (“The Clerk’s Office uses an automated case assignment system to randomly assign cases to judges.”) <https://www.oknd.uscourts.gov/case-assignment-and-numbering>.

¹¹⁵ Anderson & Gugliuzza, *supra* note 79, at 57.

¹¹⁶ 28 U.S.C. § 137(b)(1)(B) (“ . . . any application for the determination of a license fee for the public performance of music in accordance with the applicable consent decree shall be . . . randomly assigned to a judge of that district court . . .”).

will be by eliminating the possibility that cases filed in a particular division will all be assigned to a single judge.”¹¹⁷ Because plaintiffs likely would not want to roll the dice by possibly appearing before another of the sixteen judges in the Western District of Texas, random case assignments would effectively stymie the flood of litigants filing in the district.

Another proposed change includes revising the patent statute “to require a connection not just with the district, but with the *division* in which the case is filed.”¹¹⁸ This change would only apply to districts that are divided into divisions, like the Western District of Texas and Eastern District of Texas. Because *TC Heartland* ruled that defendants in patent infringement cases “reside”¹¹⁹ only in their state of incorporation, suits filed against defendants not incorporated in Texas would need to be filed in the division in which the infringement occurred. In other words, the defendants will need to have committed at least one act of infringement “*in the division in which the case is filed.*”¹²⁰ A required connection to the division in which a case is filed would prevent most plaintiffs from filing in the Waco Division of the Western District of Texas, and thus guaranteeing an audience before Judge Albright, when the alleged infringement occurs in other areas in the Western District of Texas—like Austin, Texas—which is the current practice.

¹¹⁷ Anderson & Gugliuzza, *supra* note 79, at 58.

¹¹⁸ *Id.*

¹¹⁹ *See TC Heartland*, 137 S.Ct. at 1514.

¹²⁰ Anderson & Gugliuzza, *supra* note 79, at 59.

Conclusion

Congress created IPR to provide an effective and efficient alternative to district court litigation. This goal has been frustrated. Through the misplaced, short-sighted emphasis on efficiency between judicial bodies espoused in *NHK* and *Fintiv*, the PTAB opened the door to gamesmanship of the patent system. Litigants are flocking to Judge Albright in the Western District of Texas, and other rocket dockets, to circumvent the PTAB by receiving a trial scheduling order before the PTAB can plausibly issue a FWD. Even when a defendant petitions for IPR within the one-year time frame proscribed by the AIA, the PTAB must deny IPR institution under 35 U.S.C. § 314(a) in light of *Fintiv*. This scheme frustrates the text, structure, and purpose of the AIA as intended by Congress while handing NPEs a tried-and-true blueprint to profitably manipulate the patent system.

The overturning of *Fintiv* through the incoming USPTO Director is the most likely and least disruptive solution to *Fintiv*. Alternatively, if the incoming Director keeps *Fintiv* alive, Congress has the opportunity to fix the effective circumvention of the PTAB. A procedural adjustment forcing the randomization of judge selection within districts would effectively stymie much of the gamesmanship we clearly see in the Western District of Texas.