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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

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APPLE INC., CISCO SYSTEMS, INC.,  
GOOGLE LLC, INTEL CORPORATION,  
EDWARDS LIFESCIENCES  
CORPORATION, and EDWARDS  
LIFESCIENCES LLC,

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Plaintiffs,

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v.

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KATHERINE K. VIDAL, in her official  
capacity as Under Secretary of Commerce  
for Intellectual Property and Director,  
United States Patent and Trademark Office,

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Defendant.

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Case No. 20-cv-06128-EJD

**ORDER DENYING PLAINTIFFS'  
RENEWED MOTION FOR SUMMARY  
JUDGMENT; GRANTING  
DEFENDANT'S MOTION FOR  
SUMMARY JUDGMENT**

Re: ECF Nos. 153, 157

Plaintiffs Apple Inc., Cisco Systems, Inc., Google LLC, Intel Corp., Edwards Lifesciences Corp., and Edwards Lifesciences LLC (together “Plaintiffs”) brought this action against the Director of the United States Patent and Trademark Office (“PTO”) alleging three violations of the Administrative Procedure Act (“APA”), 5 U.S.C. § 701 *et seq.*, based on the Director’s adoption of a rule (the “*NHK-Fintiv* rule” or “*NHK-Fintiv* standard”) concerning the PTO’s consideration of petitions to institute *inter partes* review (“IPR”). *See* Am. Compl., ECF No. 54. Following the Court’s dismissal of the Amended Complaint for lack of jurisdiction as to all three APA claims, the Federal Circuit affirmed as to two claims and reversed and remanded as to the third. Now pending before the Court are cross-motions for summary judgment on the remaining claim, which challenges the *NHK-Fintiv* standard on the ground that it should have been—but was not—implemented through notice-and-comment rulemaking. *See* Pls.’ Renewed Mot. Summ. J. (“Pls.’ Case No.: 20-cv-06128-EJD  
ORDER RE PARTIES’ CROSS-MOTS. FOR SUMM. J.

1 MSJ”), ECF No. 153; Def.’s Mot. Summ. J. & Opp’n to Pl.’s MSJ (“Def.’s Opp’n/MSJ”), ECF  
2 No. 157.

3 Based on the parties’ written and oral arguments, the Court finds that the *NHK-Fintiv*  
4 standard was not a substantive rule requiring notice-and-comment rulemaking.

5 **I. BACKGROUND**

6 The Court has previously set forth the background for the IPR process, as well as the  
7 decisions that gave rise to the *NHK-Fintiv* standard, in its order granting the Director’s motion to  
8 dismiss the Amended Complaint. *See Order Granting Mot. Dismiss (“MTD Order”)*, ECF No.  
9 133. Accordingly, the Court here summarizes only the relevant facts for the remaining claim  
10 regarding the *NHK-Fintiv* standard’s procedural soundness under the APA.

11 **A. PTO Organization and Actions**

12 The powers and duties of the PTO are vested in an individual given the title “Under  
13 Secretary of Commerce for Intellectual Property and Director of the United States Patent and  
14 Trademark Office” (the “Director”). *See 35 U.S.C. § 3(a)(1)*. One of the PTO’s organizational  
15 offices is the Patent Trial and Appeal Board (“PTAB” or the “Board”). *See 35 U.S.C. § 6(a)*. The  
16 Board’s membership consists of “[t]he Director, the Deputy Director, the Commissioner for  
17 Patents, the Commissioner for Trademarks, and the administrative patent judges.” *Id.*

18 The Board’s duties include conducting IPRs, which are heard by at least three members of  
19 the Board. *See 35 U.S.C. § 6(c)*.

20 **1. Standard Operating Procedure 2 (“SOP-2”)**

21 By default, decisions issued by the Patent Trial and Appeal Board (“PTAB” or the  
22 “Board”) in IPR proceedings are “routine” decisions that do not carry any binding authority.  
23 Patent Trial and Appeal Board, Standard Operating Procedure 2 (Rev. 11) (“SOP-2”), at 2 (July  
24 2023), [https://www.uspto.gov/sites/default/files/documents/20230724\\_ptab\\_sop2\\_rev11\\_.pdf](https://www.uspto.gov/sites/default/files/documents/20230724_ptab_sop2_rev11_.pdf).<sup>1</sup>

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26 <sup>1</sup> Although the Court here cites to SOP-2, Revision 11, it notes that Revision 10 was the operative  
27 version of the document when the Director designated the *NHK* and *Fintiv* decisions as  
precedential. *See* Def.’s Opp’n/MSJ 3–4 n.2. Revision 11 made no substantive change to the  
28 aspects of the precedential designation process relevant to this case. *See id.*  
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1 However, the Director possesses the discretion to designate any decision or part of a decision as  
2 “precedential” or “informative.” SOP-2, at 6 n.5; *see also United States v. Arthrex, Inc.*, 141 S.  
3 Ct. 1970, 1980 (2021) (“The Director also promulgates regulations governing inter partes review .  
4 . . and designates past PTAB decisions as ‘precedential’ for future panels.”). “A precedential  
5 decision is binding Board authority in subsequent matters involving similar facts or issues.” SOP-  
6 2, at 7. By contrast, the Director may also designate certain decisions as “informative,” meaning  
7 that they “set forth Board norms that should be followed in most cases, absent justification,  
8 although an informative decision is not binding authority on the Board.” *Id.*

9 **2. The *NHK-Fintiv* Standard**

10 At issue in this case are two Board decisions that discretionarily denied instituting IPR  
11 petitions: *NHK Spring Co. v. Intri-Plex Technologies, Inc.*, IPR2018-00752, 2018 WL 4373643  
12 (P.T.A.B. Sept. 12, 2018) (designated precedential on May 7, 2019), and *Apple Inc. v. Fintiv, Inc.*,  
13 IPR2020-00019, 2020 WL 2126495 (P.T.A.B. Mar. 20, 2020) (designated precedential on May 5,  
14 2020). In both cases, the Board evaluated the argument that it should discretionarily deny IPR  
15 institution because a pending district court infringement action involving the same patents was set  
16 for trial earlier than the anticipated conclusion of IPR proceedings. *See NHK*, 2018 WL 4373643,  
17 at \*7 (denying IPR institution due to agreement with patent owner’s argument that “the district  
18 court proceeding will analyze the same issues and will be resolved before any trial on the Petition  
19 concludes”) (citation omitted); *Fintiv*, 2020 WL 2126495, at \*2 (“When the patent owner raises an  
20 argument for discretionary denial under *NHK* due to an earlier trial date, the Board’s decisions  
21 have balanced the following [six] factors.”) (footnote omitted).

22 The *Fintiv* decision, which expanded on *NHK*, noted that “an early trial date”—as with  
23 “other non-dispositive factors considered for [IPR] institution under 35 U.S.C. § 314(a)”—should  
24 be “weighed as part of a ‘balanced assessment of all relevant circumstances of the case, including  
25 the merits.’” *Fintiv*, 2020 WL 2126475, at \*2 (quoting Consolidated Trial Practice Guide  
26 November 2019 (“TPG”), available at <https://www.uspto.gov/TrialPracticeGuideConsolidated>).  
27 The *Fintiv* Board noted that prior Board decisions had evaluated patent owners’ arguments for  
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1 discretionary denials under *NHK* based on a “[p]arellel, co-pending proceeding” by evaluating (1)  
2 whether the court granted a stay or evidence exists that one may be granted if a proceeding is  
3 instituted; (2) proximity of the court’s trial date to the Board’s projected statutory deadline for a  
4 final written decision; (3) investment in the parallel proceeding by the court and the parties; (4)  
5 overlap between issues raised in the petition and in the parallel proceeding; (5) whether the  
6 petitioner and the defendant in the parallel proceeding are the same party; and (6) other  
7 circumstances that impact the Board’s exercise of discretion, including the merits. *Id.*

8 The Board then proceeded to discuss how prior opinions had treated each of these  
9 factors—all of which related to the impact of a parallel proceeding, *see id.* at \*2–6—before noting  
10 that other facts and circumstances separate from the parallel proceedings could impact the Board’s  
11 decision regarding institution. *See id.* at \*7 (“For example, factors unrelated to parallel  
12 proceedings that bear on discretion to deny institution include the filing of serial petitions, parallel  
13 petitions challenging the same patent, and considerations implicated by 35 U.S.C. § 325(d).” [nn.  
14 34–36]) (citing *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00064, Paper 10 (PTAB May  
15 1, 2019) (precedential); *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2018-00752, Paper 8  
16 (PTAB Sept. 12, 2018); *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357,  
17 Paper 19 (PTAB Sept. 6, 2017) (precedential as to § II.B.4.i); TPG 59–61; *Advanced Bionics, LLC*  
18 v. *MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 (PTAB Feb. 13, 2020)  
19 (discussing two-part framework for applying discretion to deny institution under 35 U.S.C. §  
20 325(d))). The *Fintiv* Board accordingly concluded by requesting that the parties submit  
21 supplemental briefing addressing the various factors discussed by the Board. *See id.* at \*7.

22 The Director designated *NHK* a precedential decision on May 7, 2019, and likewise  
23 designated *Fintiv* as precedential on May 5, 2020. As such, “[t]he decisions, designated as  
24 precedential, constitute instructions from the Director regarding how the Board is to exercise the  
25 Director’s institution discretion.” *Apple Inc. v. Vidal*, 63 F.4th 1, 8 (Fed. Cir. 2023).

26 **3. June 2022 Interim Procedure for Discretionary Denials**

27 On June 21, 2022, after requesting comments on IPR institution decisions and receiving  
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1 822 comments, the Director issued a memorandum (the “June 2022 Memo”) indicating that  
2 “several clarifications need[ed] to be made to the PTAB’s current application of *Fintiv*.” Mem.,  
3 Interim Proc. for Discretionary Denials in AIA Post-Grant Proceedings with Parallel Dist. Ct.  
4 Litig. (“June 2022 Mem.”), at 2 (June 21, 2022). The June 2022 Memo was issued under the  
5 Director’s “authority to issue binding agency guidance to govern the PTAB’s implementation of  
6 various statutory provisions.” *Id.* at 3.

7 The June 2022 Memo clarified three circumstances where the PTAB will *not* deny  
8 institution of an IPR under *Fintiv*: (1) when a petition presents “compelling evidence of  
9 unpatentability”; (2) when a request for denial is based on a parallel ITC proceeding instead of a  
10 district court proceeding; or (3) where a petitioner stipulates not to pursue in a parallel district  
11 court proceeding “the same grounds as in the [IPR] petition or any grounds that could have  
12 reasonably been raised in the petition.” June 2022 Mem. 9. Additionally, when the Board is  
13 assessing the second *Fintiv* factor (*i.e.*, comparing the district court’s trial date with the Board’s  
14 projected deadline for a final written IPR decision), the PTAB will consider the district’s median  
15 time-to-trial. *Id.* The June 2022 Memo lastly reiterated that “even if the PTAB does not deny  
16 institution under *Fintiv*, it retains the right to deny institution for other reasons under 35 U.S.C. §§  
17 314(a), 324(a), and 325(d).” *Id.*

#### 18 **4. Potential for Future Rulemaking**

19 The June 2022 Memo noted that the PTO was “planning to soon explore potential  
20 rulemaking on proposed approaches through an Advanced Notice of Proposed Rulemaking,” June  
21 2022 Mem. 2, and stated that the office “expect[ed] to replace this interim guidance with rules  
22 after it has completed formal rulemaking,” *id.* at 9. On April 21, 2023, the PTO published an  
23 Advance Notice of Proposed Rulemaking in the Federal Register. *See* Changes Under  
24 Consideration to Discretionary Institution Practices, Petition Word-Court Limits, and Settlement  
25 Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board  
26 (“Apr. 2023 ANPRM”), 88 Fed. Reg. 24,503 (Apr. 21, 2023). Among various potential changes,  
27 the PTO is “proposing rules to install *Apple v. Fintiv* and related guidance, with additional

1 proposed reforms,” where there is “a pending district court action in which a trial adjudicating the  
2 patentability of challenged claims has not already concluded at the time of an IPR institution  
3 decision.” 88 Fed. Reg. at 24,505. It is not clear whether the “additional proposed reforms”  
4 would substantially reduce the Board’s discretion in applying the *Fintiv* factors. *See id.*

5 **B. Procedural History**

6 On August 31, 2020, Apple and three other companies filed this action, challenging the  
7 *NHK-Fintiv* standard on three grounds under the APA. *See* Compl., ECF No. 1. Plaintiffs filed an  
8 amended complaint on November 9, 2020. *See* FAC. On November 10, 2021, this Court granted  
9 the government’s motion to dismiss, finding that Plaintiffs had standing to sue but that their  
10 challenges were not reviewable under 35 U.S.C. § 314(d). *See* MTD Order. The Federal Circuit  
11 affirmed in part, reversed in part with respect to the reviewability of one claim, and remanded the  
12 matter to this Court “for consideration of this one challenge on the merits,” referring to Plaintiffs’  
13 “challenge to the Director’s instructions as having improperly been issued without notice-and-  
14 comment rulemaking.” *Apple*, 63 F.4th at 18. The circuit court emphasized the distinction  
15 between holding a notice-and-comment rule making claim reviewable under the APA and making  
16 a decision on the merits as to whether such rule making was required. *See id.* at 15 (discussing  
17 Supreme Court decision, *Lincoln v. Vigil*, 508 U.S. 182 (1993), Court did not question APA  
18 claim’s reviewability, but rather “decided, on the merits, that § 553 did not require notice-and-  
19 comment rulemaking for the agency decision at issue”). Additionally, in affirming this Court’s  
20 finding that Plaintiffs had plausibly alleged an injury-in-fact for the purposes of standing, the  
21 Federal Circuit noted that Plaintiffs sufficiently alleged that the *NHK-Fintiv* standard would  
22 continue causing harm “harm in the form of denial of the benefits of IPRs linked to the concrete  
23 interest possessed by an infringement defendant.” *Id.* at 17.

24 Following remand, the parties proposed a briefing schedule for their anticipated cross-  
25 motions for summary judgment. *See* ECF No 145. Pursuant to the Court’s scheduling order,  
26 Plaintiffs filed their motion for summary judgment on August 17, 2023, *see* Pls.’ MSJ; the  
27 Director filed her opposition and cross-motion for summary judgment on September 14, 2023, *see*  
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1 Def.’s Opp’n/MSJ; Plaintiffs filed their reply in support of their summary judgment motion and  
2 opposition to the Director’s motion, *see* Pls.’ Reply/Opp’n, ECF No. 158; and the Director filed  
3 her reply brief, *see* Def.’s Reply, ECF No. 159. The Court heard oral argument on the two  
4 summary judgment motions on December 7, 2023. *See* ECF No. 160.

5 **II. LEGAL STANDARDS**

6 **A. Governing Law**

7 Federal Circuit law governs the analysis of any issue that is unique to patent law or that  
8 presents a substantial question of patent law; any other issue is governed by Ninth Circuit law.  
9 *See Alarm.com Inc. v. Hirshfeld*, 26 F.4<sup>th</sup> 1348, 1354 (Fed. Cir. 2022) (“[A]n issue that presents a  
10 substantial question of patent law . . . is governed by our own law, rather than regional circuit  
11 law.”) (citing *Odyssey Logistics & Tech. Corp. v. Iancu*, 959 F.3d 1104, 1108 (Fed. Cir. 2020));  
12 *Odyssey Logistics*, 959 F.3d at 1108 (“We review procedural rules following ‘the rule of the  
13 regional circuit, unless the issue is unique to patent law and therefore exclusively assigned to the  
14 Federal Circuit.’”); *see also, e.g.*, *Injen Tech. Co., Ltd. v. Advanced Engine Mgmt., Inc.*, 270 F.  
15 Supp. 2d 1189, 1192 (S.D. Cal. 2003) (In cases concerning the patent laws, the district court  
16 applies the law of the Federal Circuit to patent issues and the law of the circuit in which it sits  
17 (‘the regional circuit’) to nonpatent issues. . . . Thus, as a general rule, procedural issues are  
18 governed by the law of the regional circuit.”) (internal citations omitted).

19 “APA claims against the PTO ‘raise a substantial question of patent law,’” and substantive  
20 legal issues raised in such actions are therefore governed by Federal Circuit law. *Odyssey*  
21 *Logistics*, 959 F.3d at 1108 (internal alterations omitted) (quoting *Exela Pharma Scis., LLC v.*  
22 *Lee*, 781 F.3d 1349, 1352 (Fed. Cir. 2015)); *see also, e.g.*, *Helfgott & Karas, P.C. v. Dickinson*,  
23 209 F.3d 1328, 1334 (Fed. Cir. 2000) (noting that although “[t]he APA is clearly not a patent  
24 law,” Federal Circuit law governed in APA action brought against PTO because plaintiff’s APA  
25 claims involved alleged loss of patent-related rights).

26 **B. Summary Judgment**

27 In a district court action challenging an administrative agency’s decision under the APA,  
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1 “[s]ummary judgment . . . serves as the mechanism for deciding, as a matter of law, whether the  
2 agency action is . . . consistent with the APA standard of review.” *Gill v. Dep’t of Just.*, 246 F.  
3 Supp. 3d 1264, 1268 (N.D. Cal. 2017) (citation omitted), *aff’d*, 913 F.3d 1179 (9th Cir. 2019).<sup>2</sup>  
4 That is, although the parties and the Court characterize the pending motions as seeking summary  
5 judgment, the motions are not brought pursuant to Federal Rule of Civil Procedure 56, and the  
6 question before the Court is not whether the movant has shown that there is no genuine dispute as  
7 to any material fact. *See id.* at 1267–68; *see also*, e.g., *Klamath Siskiyou Wildlands Ctr. v.*  
8 *Gerritsma*, 962 F. Supp. 2d 1230, 1233 (D. Or. 2013) (“‘Summary judgment’ is simply a  
9 convenient label to trigger this court’s review of the agency action.”), *aff’d*, 638 F. App’x 648 (9th  
10 Cir. 2016). “In other words, the district court acts like an appellate court, and the entire case is a  
11 question of law.” *Gill*, 246 F. Supp. 3d at 1268 (internal quotation marks omitted).

12 **C. APA Review**

13 Under the APA, a “reviewing court shall . . . hold unlawful and set aside agency action”  
14 taken “without observance of procedure required by law.” 5 U.S.C. § 706(2)(D). Agency actions  
15 can be divided into two broad categories: rule making and adjudication. *See, e.g., Yesler Terrace*  
16 *Cmtys. Council v. Cisneros*, 37 F.3d 442, 448 (9th Cir. 1994) (citing 5 U.S.C. §§ 551(4)–(7)). The  
17 parties agree that only rule making is relevant here. *See* Pls.’ MSJ 14 n.12 (stating *NHK-Fintiv*  
18 standard is not adjudication under the APA); *see generally* Def.’s Opp’n/MSJ (no argument that  
19 adjudication framework applies to *NHK-Fintiv* standard).

20 The APA defines “rule” as:

21 the whole or a part of an agency statement of general or particular  
22 applicability and future effect designed to implement, interpret, or  
23 prescribe law or policy or describing the organization, procedure, or  
24 practice requirements of an agency and includes the approval or  
25 prescription for the future of rates, wages, corporate or financial  
26 structures or reorganizations thereof, prices, facilities, appliances,  
27 services or allowances therefor or of valuations, costs, or accounting,  
28 or practices bearing on any of the foregoing,

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<sup>2</sup> The procedural mechanism of summary judgment in challenging an agency action under the APA does not raise a substantial question of patent law, and is accordingly discussed with reference to Ninth Circuit law.

1 5 U.S.C. § 551(4), and “rule making” as the “agency process for formulating, amending, or  
2 repealing a rule,” *id.* § 551(5). In general, when an agency engages in rule making, the APA  
3 requires that the agency conduct a notice-and-comment process involving the agency’s publication  
4 of notice of the proposed rulemaking, the opportunity for interested persons to comment on the  
5 proposal, and the agency’s response to significant comments. *See* 5 U.S.C. §§ 553(b)–(d).  
6 However, the APA expressly excludes three categories of rulemaking from the notice-and-  
7 comment requirement: (1) interpretative rules; (2) general statements of policy; and (3) rules of  
8 agency organization, procedure, or practice. *Id.* § 553(b)(4)(A).<sup>3</sup> Courts have formulated this  
9 distinction to hold that “[t]he notice-and-comment requirements apply . . . only to so-called  
10 ‘legislative’ or ‘substantive’ rules.” *Lincoln v. Vigil*, 508 U.S. 182, 195 (1993) (citations omitted);  
11 *see also Chrysler Corp. v. Brown*, 441 U.S. 281, 301 (1979) (“The central distinction among  
12 agency regulations found in the APA is that between ‘substantive rules’ on the one hand and  
13 ‘interpretative rules, general statements of policy, or rules of agency organization, procedure, or  
14 practice’ on the other.”) (quoting 5 U.S.C. §§ 553(b), (d)).

15 A rule is “substantive,” and therefore subject to the APA’s notice-and-comment  
16 requirements, if it “effect[s] a change in existing law or policy or . . . affect[s] individual rights and  
17 obligations.” *Paralyzed Veterans of Am. v. West*, 138 F.3d 1434, 1436 (Fed. Cir. 1998) (citation  
18 omitted); *see also Yesler Terrace*, 37 F.3d at 449 (“Substantive rules . . . create rights, impose  
19 obligations, or effect a change in existing law pursuant to authority delegated by Congress.”)  
20 (citation omitted). A “general statement of policy,” which is not subject to notice-and-comment  
21 rule making, is a statement “issued by an agency to advise the public prospectively of the manner  
22 in which the agency proposes to exercise a discretionary power.” *Lincoln*, 508 U.S. at 197  
23 (quoting *Chrysler*, 441 U.S. at 302 n.31).

24 **III. DISCUSSION**

25 As noted above, the only remaining claim before the Court is Plaintiffs’ challenge to the

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27 <sup>3</sup> The only exception at issue here is for “general statements of policy.” *See generally* Def.’s  
Opp’n/MSJ.

1 *NHK-Fintiv* standard as having improperly been issued in violation of the APA due to the lack of  
2 notice-and-comment rule making. It is undisputed that the *NHK-Fintiv* standard did not undergo  
3 the regular notice-and-comment rule making. The contested issue is thus whether the Director  
4 was in fact required to invoke the rule making process to implement the *NHK-Fintiv* standard.  
5 Plaintiffs argue that notice-and-comment rule making was required because the adoption of the  
6 *NHK-Fintiv* standard was a substantive rule that the Board is bound to follow and that affects  
7 private interests. *See* Pls.’ MSJ 14–20. The Director argues that notice-and-comment was not  
8 required because the *NHK-Fintiv* standard is a general statement of policy that does not affect the  
9 rights of private interests and does not replace the Board’s discretion. *See* Def.’s Opp’n/MSJ 9–  
10 18.

11 In considering these arguments, the Court first distills the specific agency action at issue  
12 before turning to the question of whether that action was the implementation of a substantive rule  
13 or the issuance of a general statement of policy.

14 **A. The Nature of the Challenged Action**

15 Plaintiffs’ challenge to the *NHK-Fintiv* standard is based on the Director’s designation of  
16 the *NHK* and *Fintiv* decisions as “precedential” under SOP-2. *See* Pls.’ MSJ 7–8; Am. Compl. ¶¶  
17 49–53, 92–95. Plaintiffs have not challenged SOP-2 itself, or more generally the Director’s  
18 authority to designate a decision as precedential. *See generally* Am. Compl.; *see also* Dec. 7,  
19 2023 Hr’g Tr. (“Tr.”) 40:11–13.<sup>4</sup> Rather, Plaintiffs argue that the specific designations of *NHK*  
20 and *Fintiv* have had the effect of creating a substantive rule, which should have been—but was

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22 <sup>4</sup> The Court notes that the Director’s authority to designate a decision as precedential is well  
23 established. *See, e.g., Facebook, Inc. v. Windy City Innovations, LLC*, 973 F.3d 1321, 1353 (Fed.  
24 Cir. 2020) (discussing process under SOP 2 for designating PTAB decision as precedential and  
noting that *Chevron* deference is not afforded to such decisions). It is also worth noting that other  
25 agencies have similar mechanisms through which they may designate a decision as precedential.  
*See, e.g., ITServe Alliance, Inc. v. U.S. Dep’t of Homeland Sec.*, 71 F.4th 1028, 1032 (D.C. Cir.  
26 2023) (Department of Homeland Security designated precedential decision by United States  
27 Citizenship and Immigration Services regarding visa eligibility); *Splane v. West*, 216 F.3d 1058,  
1065 (Fed. Cir. 2000) (“Written legal opinions [of the General Counsel] designated as precedent  
28 opinions [] shall be considered by Department of Veterans Affairs to be subject to the provisions  
of 5 U.S.C. 552(a)(1).”) (quoting 38 C.F.R. § 14.507(b)).

1 not—subject to notice-and-comment rule making. Accordingly, it is necessary to understand what  
2 is required by *NHK* and *Fintiv* before evaluating whether that requirement is properly categorized  
3 as a substantive rule or a general statement of policy.

4 **1. When Does the *NHK-Fintiv* Standard Apply?**

5 As a threshold matter, the *NHK-Fintiv* standard applies to the circumstance where the  
6 Board is considering a petition to institute IPR, and the patent owner, in opposing the petition,  
7 argues that the Board should apply its discretion under 35 U.S.C. § 314(a) to deny institution due  
8 to the advanced state of a parallel district court litigation. *See NHK*, 2018 WL 4373643, at \*7  
9 (finding, after patent owner argued that IPR would be inefficient where parallel district court  
10 proceeding addressing same issues was set for trial five months before IPR would conclude, that  
11 “advanced state of the district court proceeding is an additional factor that weighs in favor of  
12 denying” IPR); *Fintiv*, 2020 WL 2126495, at \*1–2 (aggregating factors that Boards considered  
13 where patent owners argued for denial of IPR due to earlier trial date in parallel district court  
14 proceeding); *see also Apple Inc. v. Fintiv, Inc.* (“*Fintiv II*”), IPR2020-00019, 2020 WL 2486683, at  
15 \*3 (P.T.A.B. May 13, 2020) (not precedential) (“The recent Precedential Order in this case sets  
16 forth factors that balance considerations of system efficiency, fairness, and patent quality when a  
17 patent owner raises an argument for discretionary denial due to the advanced state of a parallel  
18 proceeding.”) (citing *Fintiv*, 2020 WL 2126495, at \*2).

19 **2. What Must a Board Do When the *NHK-Fintiv* Standard Applies?**

20 To answer this question, the Court reviews the actual language of *Fintiv*, which expounded  
21 on the holding in *NHK* that an early trial date in a parallel proceeding could be a basis for denial of  
22 IPR institution. Broadly, the existence of an early trial date in a parallel district court proceeding  
23 is a “non-dispositive factor[] considered for institution under 35 U.S.C. § 314(a)” that “should be  
24 weighed as part of a ‘balanced assessment of all relevant circumstances of the case, including the  
25 merits.’” *Fintiv*, 2020 WL 2126495, at \*2 (quoting TPG 58). *Fintiv* identified six “factors related  
26 to a parallel, co-pending proceeding,” *id.*, that Board decisions had balanced following *NHK*, and  
27 noted that the “factors relate to whether efficiency, fairness, and the merits support the exercise of  
28

1 authority to deny institution in view of an earlier trial date in the parallel proceeding,” *id.* at \*3. In  
2 discussing the six identified factors, *Fintiv* noted potential facts that prior Boards had found to  
3 weigh for or against—and weakly or strongly—the Board’s “exercising the authority to deny  
4 institution under *NHK*.” *Id.* For example, as to the first factor (“whether a stay exists or is likely  
5 to be granted if [an IPR] proceeding is instituted”), a litigation stay “has strongly weighed against  
6 exercising authority to deny institution,” but a district’s court’s prior denial of a motion for a stay,  
7 and lack of indication that the court would reconsider such a motion, “has sometimes weighed in  
8 favor of exercising authority to deny institution under *NHK*.” *Id.*

9 In addition to the six identified factors “related to a parallel, co-pending proceeding”—  
10 including the sixth factor of “other circumstances that impact the Board’s exercise of discretion,  
11 including the merits”—*Fintiv* noted that there may exist facts and circumstances “unrelated to  
12 parallel proceedings that bear on discretion to deny institution,” including factors such as “the  
13 filing of serial petitions, parallel petitions challenging the same patent, and considerations  
14 implicated by 35 U.S.C. § 325(d).” *Id.* at \*6–7 (footnotes and citations omitted). The precedential  
15 *Fintiv* decision ends with a request for supplemental briefing from the parties related to the various  
16 enumerated factors and about “whether these or other facts and circumstances exist in their  
17 proceeding and the impact of those facts and circumstances on efficiency and integrity of the  
18 patent system.” *Id.* at \*7.

19 Accordingly, *Fintiv* “articulates [a] set of nonexclusive factors that the PTAB considers . . .  
20 in determining whether to institute an [IPR] proceeding where there is parallel district court  
21 litigation.” June 2022 Mem. 1–2. That is, *Fintiv* summarized various factors that the PTAB had  
22 considered in evaluating patent owners’ arguments that institution should be denied due to the  
23 status of a parallel district court proceeding, and the Director, by designating the decision  
24 precedential, required that future Board decisions also consider those identified factors when faced  
25 with similar arguments.

26 **B. Classification of the *NHK-Fintiv* Standard**

27 The dispositive question, then, is whether the Director’s requirement that Boards consider  
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1 the factors enumerated in *Fintiv* constitutes a “substantive rule” that is invalid absent notice-and-  
2 comment rule making, or a “general statement of policy” for which the APA does not require such  
3 rule making processes. Whether a particular agency action is a “substantive rule” or a “general  
4 statement of policy” is a significant question in administrative law. *See, e.g., Nat'l Min. Ass'n v.*  
5 *McCarthy*, 758 F.3d 243, 251 (D.C. Cir. 2014) (describing framework for classification of agency  
6 action as “quite difficult and confused,” and noting that “among the many complexities that  
7 trouble administrative law, few rank with that of sorting valid from invalid uses of so-called  
8 ‘nonlegislative rules’”) (quoting John F. Manning, Nonlegislative Rules, 72 GEO. WASH. L. REV.  
9 893, 893 (2004)). The Court will look primarily to Federal Circuit law in evaluating the  
10 classification of the *NHK-Fintiv* standard, as the inquiry here involves the Director’s authority and  
11 duties under 35 U.S.C. §§ 314 and 316 and thus “can be said to raise a substantial question under  
12 the patent laws.” *Helfgott*, 209 F.3d at 1333–34; *see also Odyssey Logistics*, 959 F.3d at 1108.  
13 However, as indicated below, there is a large degree of overlap between the circuits—including  
14 the Federal Circuit and the Ninth Circuit—regarding the classification of agency actions as  
15 substantive versus non-substantive rules.

### 16                   **1.       Analytical Framework**

17                   At base, the Federal Circuit and Ninth Circuit agree that substantive rules “alter the  
18 landscape of individual rights and obligations.” *Stupp Corp. v. United States*, 5 F.4th 1341, 1352  
19 (Fed. Cir. 2021); *see also Paralyzed Veterans of Am.*, 138 F.3d at 1436 (“[C]ase law has defined  
20 ‘substantive rules’ as those that effect a change in existing law or policy or which affect individual  
21 rights and obligations.”) (citation omitted); *Yesler Terrace*, 37 F.3d at 449 (Ninth Circuit decision  
22 stating that substantive rules “create rights, impose obligations, or effect a change in existing law  
23 pursuant to authority delegated by Congress”) (citation omitted). By contrast, a “general  
24 statement of policy” is a statement “issued by an agency to advise the public prospectively of the  
25 manner in which the agency proposes to exercise a discretionary power.” *Lincoln*, 508 U.S. at 197  
26 (citation omitted); *see also Stupp*, 5 F.4th at 1351 (same under Federal Circuit law); *Serrato v.*  
27 *Clark*, 486 F.3d 560, 569 (9th Cir. 2007) (same).

1        The Federal Circuit frequently cites to D.C. Circuit cases when discussing the distinction  
2        between substantive and non-substantive rules. *See, e.g., Disabled Am. Veterans v. Sec'y of*  
3        *Veterans Affairs*, 859 F.3d 1072, 1077 (Fed. Cir. 2017) (“The most important factor [in  
4        distinguishing substantive rules from general statements of policy] concerns the actual legal effect  
5        (or lack thereof) of the agency action in question on regulated entities.”) (quoting *Nat'l Min.  
6        Ass'n*, 758 F.3d at 252); *id.* (generally describing substantive rulemaking under the APA) (citing  
7        *Molycorp, Inc. v. EPA*, 197 F.3d 543, 545 (D.C. Cir. 1999)); *Splane v. West*, 216 F.3d 1058, 1063  
8        (Fed. Cir. 2000) (“The D.C. Circuit has recognized that ‘an agency’s characterization of its own  
9        action, while not decisive, is a factor [to] consider’ [in deciding whether a rule is substantive].”)  
10        (quoting *Am. Hosp. Ass'n v. Bowen*, 834 F.2d 1037, 1047 (D.C. Cir. 1987)). As the D.C. Circuit  
11        has noted, its case law “guide[s] the determination of whether an action constitutes a [substantive]  
12        rule or a general statement of policy” through two lines of inquiry: the first “considers the effects  
13        of an agency’s action, inquiring whether the agency has ‘(1) imposed any rights and obligations,  
14        or (2) genuinely left the agency and its decisionmakers free to exercise discretion’”; and the  
15        second “looks to the agency’s expressed intentions,” and particularly as to “whether the action has  
16        binding effects on private parties or on the agency.” *Clarian Health W., LLC v. Hargan*, 878 F.3d  
17        346, 357 (D.C. Cir. 2017) (citations omitted).

18        Similarly, under Ninth Circuit law, a general statement of policy (1) must “operate only  
19        prospectively,” and (2) “must not establish a binding norm or be finally determinative of the issues  
20        or rights . . . but must instead leave [agency] officials free to consider the individual facts in the  
21        various cases that arise.” *Mada-Luna v. Fitzpatrick*, 813 F.2d 1006, 1014 (9th Cir. 1987) (internal  
22        quotation marks and citations omitted); *see also Gill v. U.S. Dep’t of Just.*, 913 F.3d 1179, 1186  
23        (9th Cir. 2019) (“The critical factor to determine whether a directive announcing a new policy  
24        constitutes a legislative rule or a general statement of policy is ‘the extent to which the challenged  
25        directive leaves the agency, or its implementing official, free to exercise discretion to follow, or  
26        not to follow, the announced policy in an individual case.’”) (alterations omitted) (quoting *Colwell*  
27        *v. Dep’t of Health & Human Servs.*, 558 F.3d 1112, 1124 (9th Cir. 2009)).

## 2. Application of Analytical Framework

In light of the Court’s above discussion of the relevant framework, the Court will evaluate whether the *NHK-Fintiv* standard (1) affects individual rights and obligations; (2) operates prospectively; (3) leaves the PTAB free to exercise discretion and consider the individual facts before it in a given case; and (4) has binding effects, establishes a binding norm, or is otherwise determinative of any issues or rights.

**a. Affects Individual Rights and Obligations**

Plaintiffs argue that the *NHK-Fintiv* standard affects private interests by increasing the risk of IPR denial and thereby “restricting the ability of infringement defendants to access IPR and its benefits.” Pls.’ MSJ 18–19. Plaintiffs urge that the Court look to *W.C. v. Bowen*, 807 F.2d 1502 (9th Cir. 1987), *amended on denial of reh’g*, 819 F.2d 137 (9th Cir. 1987), where the circuit held that a Social Security Administration program requiring mandatory screening and review of decisions allowing disability benefits, if those decisions were made by specified administrative law, constituted a substantive rule. *See* Pls.’ MSJ 19–20. Plaintiffs argue that the *NHK-Fintiv* standard likewise changes existing policy because it established non-statutory factors that a petitioner “must satisfy to access the benefits of IPR,” and was designed to alter the Board’s decisionmaking and thereby displaced Board discretion. *See id.* The Director counters that the *Fintiv* factors do not affect any legally protected individual rights or obligations, as IPR petitioners have no right to IPR review, and the institution decision makes no determination regarding the validity of the underlying patent at issue. *See* Def.’s Opp’n/MSJ 10. The Director additionally notes that the Federal Circuit’s finding in its remand decision in this case—that Plaintiffs alleged sufficient harm to establish standing—“does not automatically convert to a holding that Plaintiffs’ rights are altered by the *Fintiv* factors.” *Id.* at 12.

The Court agrees with the Director that the *NHK-Fintiv* standard—*i.e.*, the application of the *Fintiv* factors—does not “alter the landscape of individual rights and obligations,” *Stupp*, 5 F.4th at 1352, or “create rights, impose obligations, or effect a change in existing law pursuant to authority delegated by Congress,” *Yesler Terrace*, 37 F.3d at 449. Congress has provided that the

1 Director “may *not* authorize an [IPR] to be instituted unless . . . there is a reasonable likelihood” of  
2 success with respect to at least one challenged claim. 35 U.S.C. § 314(a) (“Threshold.”)  
3 (emphasis added). However, there is no set of circumstances under which the Director is required  
4 to authorize IPR institution. *See generally* 35 U.S.C. §§ 311, *et seq.*; *see also*, e.g., *SAS Inst., Inc.*  
5 v. *Iancu*, 138 S. Ct. 1348, 1355 (2018) (“The Director, we see, is given . . . the choice ‘whether’ to  
6 institute an inter partes review.”). The *NHK-Fintiv* standard, which requires that the Board  
7 consider certain non-exclusive factors in determining whether to institute IPR is therefore  
8 distinguishable from the program reviewed in *W.C. v. Bowen*, which affected individuals’  
9 “existing rights” to social security benefits by altering decisions toward benefit denials. *See* 807  
10 F.2d at 1505. Where there is no existing right to the action sought by a petitioner, *i.e.*, where a  
11 grant of the requested relief is entirely discretionary, the fact that an agency action “diminishes the  
12 likelihood,” that the agency will grant relief does not require a finding that preclude the action  
13 from “constitut[ing] a general statement of policy,” even if the agency action “will cause a  
14 ‘substantial impact’ to the rights of a specific class.” *Mada-Luna*, 813 F.2d at 1016.<sup>5</sup>

15 To the extent Plaintiffs argue that the *NHK-Fintiv* standard imposes on the right to bring a  
16 petition for IPR within one year of being served with an infringement complaint, *see* Pls.’ MSJ  
17 21–22, the Federal Circuit has affirmed this Court’s dismissal of Plaintiffs’ claim that the *NHK-*  
18 *Fintiv* standard is contrary to the one-year window set by statute. *See Apple*, 63 F.4th at \*11–13.  
19 Further, there is no statutory language suggesting that Plaintiffs should expect the same likelihood  
20 of institution regardless of the time of filing within the one-year window; rather the window

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<sup>5</sup> The Federal Circuit, in holding that Plaintiffs had alleged facts sufficient to confer standing,  
23 noted that Plaintiffs plausibly alleged that the *NHK-Fintiv* standard caused harm by denying IPR  
24 benefits linked to an infringement defendant’s legally protected interests in the infringement suit.  
*See Apple*, 63 F.4th at 17. Plaintiffs argue that this finding should lead to the conclusion that the  
25 *NHK-Fintiv* standard is a substantive rule because it alters legal rights, *see* Pls.’ MSJ 18, but that  
26 argument would collapse the threshold analysis of standing with that of the merits of the APA  
27 claim, which is the very distinction between threshold and merits analysis that the Federal Circuit  
28 concluded applied to this case. *See Apple*, 63 F.4th at 15 (“The government in *Lincoln* explained  
this distinction . . . [and] [w]e conclude that the distinction applies here.”). The Court is not here  
required to take Plaintiffs’ allegations as true, and makes its finding regarding the merits question  
based on the analogous case law discussed in this section.

1 functions to create a time bar in the event the petitioner has been served with a complaint alleging  
2 infringement of the patent. *See* 35 U.S.C. § 315(b). Lastly, nothing in the *NHK-Fintiv* standard  
3 requires any action on the part of a petitioner or patent owner; rather, the Director’s designation of  
4 the *NHK* and *Fintiv* decisions as precedential has required action only of the PTAB, as discussed  
5 in greater detail below. *See infra*, at Part III(B)(2)(c). Accordingly, the Court finds that the *NHK-*  
6 *Fintiv* factors do not alter, create, or impose any individual rights or obligations.

7 **b. Operates Prospectively**

8 As Plaintiffs note, the general definition of a “rule” is an “agency statement of general or  
9 particular applicability and future effect designed to implement, interpret, or prescribe law or  
10 policy.” Pls.’ MSJ 16 (quoting 5 U.S.C. § 551(4)). Such rules must be adopted through notice-  
11 and-comment rule making, except for enumerated exceptions including “general statements of  
12 policy.” *Id.* (quoting 5 U.S.C. § 553(b)). For an agency action to be a general statement of policy,  
13 one requirement is that the action must operate “only prospectively.” *Mada-Luna*, 813 F.2d at  
14 1014; *see also Lincoln*, 508 U.S. at 197 (noting that general statements of policy are “statements  
15 issued by an agency to advise the public prospectively of the manner in which the agency proposes  
16 to exercise a discretionary power”) (quoting *Chrysler*, 441 U.S. at 302 n.31).

17 Here, the parties do not dispute that the Director’s designation of the *NHK* and *Fintiv*  
18 decisions as precedential had only a prospective effect. *See generally* Pls.’ MSJ; Def.’s  
19 Opp’n/MSJ; *see also* SOP-2, at 7 (stating that precedential decisions constitute authority for  
20 “subsequent matters involving similar facts or issues”) (emphasis added). Accordingly, the *NHK-*  
21 *Fintiv* standard meets this necessary, though not sufficient, criterion for a general statement of  
22 policy.

23 **c. Exercise of Discretion**

24 This next avenue of analysis—whether the *NHK-Fintiv* standard leaves agency officials  
25 “free to exercise discretion”—is perhaps the thorniest one presented by this case. *Clarian Health*  
26 *W.*, 878 F.3d at 357; *see also Mada-Luna*, 813 F.2d at 1014 (noting that general statement of  
27 policy must “leave [agency] officials free to consider the individual facts in the various cases that

1 arise”). Plaintiffs argue that the *NHK-Fintiv* standard leaves the Board with no discretion with  
2 respect to both (1) considering the *Fintiv* factors and (2) denying institution “where those factors  
3 on balance weigh against institution,” regardless of any case specific facts. *See* Pls.’ MSJ 17–18.  
4 The Director agrees that the *NHK-Fintiv* standard requires the Board to consider the enumerated  
5 factors, and argues that (1) the Director’s complete statutory discretion to deny institution of IPR  
6 means that she may instruct the Board on her policy priorities, and (2) the *Fintiv* factors do not  
7 require any particular outcome in a given case, but merely guide the Board’s attention to certain  
8 facts to consider in conducting a holistic analysis. *See* Def.’s Opp’n/MSJ 13–18. The parties’  
9 arguments as to whether the *NHK-Fintiv* standard replaces the Board’s discretion with respect to  
10 the outcome of a petition to institute IPR overlap with the analysis of whether the standard is  
11 binding or determinative, and the Court will therefore address those arguments in the following  
12 section. *See infra*, at Part III(B)(2)(d). Here, the Court examines whether the *NHK-Fintiv*  
13 standard’s undisputed requirement that the Board to consider the *Fintiv* factors (when presented  
14 with arguments about a parallel district court proceeding) is a substantive rule.

15 At the outset, to the extent the Director argues that her own complete discretion to deny  
16 institution of IPR means that she may set forth instructions that would require the Board to make  
17 specific institution decisions in specific circumstances as a general statement of policy, the Court  
18 rejects the argument as contrary to the requirement that agency decisionmakers remain free to  
19 exercise their discretion. *See Lincoln*, 508 U.S. at 197 (general statements of policy concern “the  
20 manner in which the agency proposes to exercise a discretionary power”); *Clarian Health W.*, 878  
21 F.3d at 357 (general statement of policy “genuinely left the agency *and its decisionmakers* free to  
22 exercise discretion”) (emphasis added) (citation omitted).

23 The Court finds instructive the Ninth Circuit’s reasoning in *Mada-Luna*. There, the Court  
24 considered whether two versions of operating instructions issued by the Immigration and  
25 Naturalization Service (“INS”) were substantive rules or general statements of policy regarding  
26 the grant of deferred action status. *See* 813 F.2d at 1017. Both versions of the operating  
27 instructions required the agency decisionmakers to consider several enumerated, non-exclusive  
28

1 factors when determining whether to recommend a case for deferred action, such as the age of the  
2 applicant. *See id.* at 1008–09 nn. 1–2. The Ninth Circuit found each version of the operating  
3 instruction to be a general statement of policy even though the instructions required the district  
4 director to consider the specified factors, reasoning that the instructions “expressly authorize[d]”  
5 and left the director free to consider any other individual facts in each case. *See id.* at 1017.

6 Similarly, here, the *NHK-Fintiv* standard enumerates a set of non-exclusive factors for  
7 agency decisionmakers to consider when determining whether to institute an IPR. *See Fintiv*,  
8 2020 WL 2126495, at \*2 (noting that *Fintiv* factors relating to early trial date arguments are  
9 similar to “other non-dispositive factors considered for institution,” all of which “should be  
10 weighed as part of a ‘balanced assessment of all relevant circumstances of the case’”) (quoting  
11 TPG 58); *see also* June 2022 Mem. 1–2 (“[*Fintiv*] articulates the following . . . nonexclusive  
12 factors.”). Further, *Fintiv* not only includes a factor for “other circumstances”—a broad category  
13 that makes explicit that the Board should consider “all the relevant circumstances in the case,” the  
14 decision also expressly notes that “factors unrelated to parallel proceedings [may] bear on  
15 discretion to deny institution,” such as “the filing of serial petitions, parallel petitions challenging  
16 the same patent, and considerations implicated by 35 U.S.C. § 325(d).” *Fintiv*, 2020 WL  
17 2126495, at \*6–7 (footnotes and citations omitted). Accordingly, the “language and structure of  
18 the directive” not only permit but in fact require that the Board exercise its discretion in  
19 consideration of the particular facts presented in each case. *See Mada-Luna*, 813 F.2d at 1015  
20 (citation omitted).

21 **d. Binding or Determinative Effect**

22 The Court lastly considers whether the *NHK-Fintiv* standard establishes a binding norm or  
23 has a determinative effect. Plaintiffs argue that the standard is binding because the Board “must  
24 grant or deny IPR petitions in accordance with the rule.” Pls.’ MSJ 10; *see id.* at 18 (“The Board  
25 must apply the rule’s factors and deny institution in accordance with the *NHK-Fintiv* rule where  
26 those factors on balance weigh against institution; the Board has no freedom to consider the  
27 individual facts in the various cases that arise and grant an IPR petition where the balancing of the  
28

rule’s factors dictates otherwise.”) (internal quotation marks omitted) (citing *Mada-Luna*, 813 F.2d at 1014). Plaintiffs additionally argue that the *NHK-Fintiv* rule “overall has proven dispositive, as evidenced by its repeated use to deny IPR petitions.” *Id.* at 18 (citing Am. Compl. ¶¶ 54–61); *see id.* at 9 (“[F]ollowing adoption of the rule, the percentage of cases raising parallel litigation as a ground for denying institution nearly doubled. . . [and in] the first half of [2021,] the Board denied institution in 38% of cases in which *NHK-Fintiv* was considered.”) (citations omitted). The Director first counters a rule that is binding only within the agency is not a substantive rule. *See* Def.’s Opp’n/MSJ 13–14 (citing *Splane*, 216 F.3d at 1064). The Director further argues that the *Fintiv* factors in any event “do not compel a specific outcome on institution,” *id.* at 12, and therefore do not establish a ‘binding norm’ because “merely guide the Board’s decision-making process . . . without dictating any particular outcome,” *id.* at 14.

With respect to the Director’s first argument—that a rule that is binding within an agency may not be substantive rule—the Court finds the Director’s reliance on *Splane* to be misplaced. In *Splane*, the Federal Circuit rejected the argument that a rule’s binding effect within the agency meant that the rule “necessarily ha[d] the ‘force and effect of law,’” such that it could not be anything but a substantive rule. *See* 216 F.3d at 1064 (emphasis added); *see id.* (“Petitioners assert that any agency rule that is binding on an agency tribunal has the ‘force and effect of law,’ and must therefore be deemed legislative in nature. We disagree.”). Any rule—substantive or not—may be “binding on agency officials insofar as any directive by an agency head must be followed by agency employees.” *Id.* (citation omitted). However, the Federal Circuit did not hold, as the Director appears to argue, that a rule that binds only the agency may never be a substantive rule. *See id.* Further, the Federal Circuit has since noted that one of the factors relevant to whether an agency action constitutes substantive rule making is “whether the action has binding effect on private parties *or on the agency.*” *Disabled Veterans of Am.*, 859 F.3d at 1077 (emphasis added) (quoting *Molycorp*, 197 F.3d at 545).

The Director’s next argument—that the *Fintiv* factors are not outcome-determinative—is more persuasive. The language of *Fintiv* repeatedly notes that various facts may weigh in favor of

1 or against instituting IPR. For example, in considering the first *Fintiv* factor of whether a stay  
2 exists or is likely to be granted if an IPR proceeding is instituted, the Board noted that a district  
3 court's stay of litigation "has strongly weighed against exercising the authority to deny  
4 institution," while a court's lack of indication that it would consider a motion to stay if a PTAB  
5 proceeding were instituted "has sometimes weighed in favor of exercising authority to deny  
6 institution." *Fintiv*, 2020 WL 2126495, at \*3. *Fintiv* itself does not reach a decision on instituting  
7 an IPR, but rather only requests briefing consistent with the decision, *see id.* at \*7; and the actual  
8 decision based on the supplemental briefing has not been designated precedential, *see Fintiv II*,  
9 2020 WL 2486683. Nothing in *Fintiv* would prevent a Board from considering all of the  
10 enumerated factors and any others the Board deemed appropriate, finding that the factors related  
11 to a parallel proceeding all weighed in favor of denial, but that the merits of the petition were so  
12 strong that institution was the preferred disposition. *See Fintiv*, 2020 WL 2126495, at \*6–7; *see also*  
13 June 2022 Mem. 9 ("[T]he PTAB will *not* deny institution of an IPR . . . when a petition  
14 presents compelling evidence of unpatentability.") (emphasis added). For example, in  
15 *Commscope Techs. LLC v. Dali Wireless, Inc.*, the Director vacated and remanded the Board's  
16 decision instituting IPR without assessing the *Fintiv* factors, holding that on remand:

17 The Board should first assess *Fintiv* factors 1–5; if that analysis  
18 supports discretionary denial, the Board should engage the  
19 compelling merits question. If the Board reaches the compelling  
20 merits analysis and finds compelling merits, it shall provide reasoning  
21 to explain its determination. By issuing this Order, I express no  
opinion on whether the Board need reach the compelling merits  
analysis, nor whether the record as it existed before institution meets  
the compelling merits standard; I leave these case-specific issues to  
the sound discretion of the Board.

22 IPR2022-01242, 2023 WL 2237986, at \*3 (P.T.A.B. Feb. 27, 2023) (precedential). Accordingly,  
23 the Court finds that the *NHK-Fintiv* standard does not "so fill[] out the statutory scheme that upon  
24 application one need only determine whether a given case is within the rule's criterion." *Sacora v.*  
25 *Thomas*, 628 F.3d 1059, 1069 (9th Cir. 2010) (citation omitted).

26 Plaintiffs' main argument to the contrary relies on what the perceived effects of the *NHK-*  
27 *Fintiv* standard, *i.e.*, an increase in denials of institution where there lies a parallel district court

1 proceeding. *See* Pls.’ MSJ 9, 17–18. Plaintiffs cite to non-precedential decisions in which the  
2 Board determined that it could not refuse to consider the *Fintiv* factors for policy reasons. *See id.*  
3 (citing, e.g., *Apple Inc. v. Maxell, Ltd.*, No. IPR2020-00203, 2020 WL 3662522, at \*7 (P.T.A.B.  
4 July 6, 2020); *Supercell Oy v. GREE, Inc.*, No. IPR2020-00513, 2020 WL 3455515, at \*7  
5 (P.T.A.B. June 24, 2020)). However, as discussed above, *see supra*, at Part III(B)(2)(c), a  
6 requirement to consider a certain subset of factors as part of a holistic analysis is not a substantive  
7 rule, and the decisions cited by Plaintiffs do not suggest that there existed other facts or  
8 circumstances that would weigh in favor of instituting IPR that the Board was somehow prevented  
9 from evaluating. *See generally* *Apple*, 2020 WL 3662522; *Supercell Oy*, 2020 WL 3455515.

10 The Court is sympathetic to Plaintiffs’ frustration that the Board has placed a greater  
11 emphasis on efficiency between the combined PTAB and district court systems. However,  
12 although Plaintiffs are doubtless unhappy with the outcomes of their petitions for IPR when those  
13 petitions are denied, including where the Board considered the *Fintiv* factors, Plaintiffs’ claims  
14 based on the allegedly unfair or absurd results have been dismissed, *see Apple*, 63 F.4th at \*11–13,  
15 and the outcome-based argument does not persuade the Court because the express language of  
16 *Fintiv*, as well as the June 2022 Memo and other guidance from the Director, make clear that the  
17 Board undertakes a holistic analysis when determining whether to exercise its discretion in  
18 denying or instituting IPR. The Director’s guidance to the Board regarding her policy priorities of  
19 “system efficiency, fairness, and patent quality,” *Fintiv*, 2020 WL 2126495, at \*2, does not mean  
20 that the *NHK-Fintiv* standard creates a “binding norm” or is otherwise outcome determinative.<sup>6</sup>  
21 The Court also notes that these policies are entirely consistent with the rationale behind the  
22 creation of the IPR process, which, along with other processes, was a corrective measure that  
23 relieved the pressure on district courts from an increasing volume of infringement litigation based  
24 on “bad patents.” *See SAS Inst.*, 138 S. Ct. at 1353; 35 U.S.C. § 282(b)(2)–(3).

25 Accordingly, based on the Court’s foregoing evaluation of the *NHK-Fintiv* standard, it

26  
27 <sup>6</sup> In fact, counsel for the Director indicated at the hearing on these motions that *Fintiv* denials have  
dropped significantly. *See* Tr. 37:7–12.

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1 finds the *NHK-Fintiv* standard is a general statement of policy that guides the Board to consider  
2 certain enumerated factors related to parallel district court litigation with an eye toward overall  
3 system efficiency, but expressly leaves the Board with genuine discretion to evaluate all facts and  
4 circumstances relevant to the institution or denial of IPR. Because the *NHK-Fintiv* standard is a  
5 general statement of policy, rather than a substantive or legislative rule, the Director was not  
6 required to conduct notice-and-comment rule making prior to designating the *NHK* and *Fintiv*  
7 decisions as precedential, and the lack of such rule making does not render the *NHK-Fintiv*  
8 standard unlawful under the APA, 5 U.S.C. § 706(2)(D).

9 **IV. CONCLUSION**

10 For the foregoing reasons, the Court hereby ORDERS that Plaintiffs' motion for summary  
11 judgment is DENIED, and the Director's motion for summary judgment is GRANTED. This  
12 order disposes of Plaintiffs' sole remaining claim in this action, and the Court will enter judgment  
13 against Plaintiffs and in favor of the Director.

14  
15 **IT IS SO ORDERED.**

16 Dated: March 31, 2024



17  
18 EDWARD J. DAVILA  
United States District Judge