



Agreement Not to Raise Duplicative Arguments in District Court Key to Avoiding Discretionary Denial of IPR Petition

Dec 21, 2020

Reading Time : 4 min

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In *Sotera Wireless, Inc. v. Masimo Corp.*, the patent owner urged the board to exercise its discretion under 35 U.S.C. § 314(a) and deny institution because the petition rested on the same invalidity challenges that the petitioner had raised in a parallel district court case, which had been pending for over a year. According to the patent owner, denying institution would maximize efficiency by avoiding duplicative efforts and potentially conflicting decisions in the two proceedings. The patent owner also claimed that the petitioner had been dilatory, as it filed the petition two weeks before the statutory deadline—even though it had finalized its invalidity contentions in the court case two months earlier.

In response, the petitioner argued that the district court litigation was nowhere near a final adjudication. The petitioner had filed a motion to stay, which prompted the court to vacate all *Markman* deadlines. And trial was still a year away. As for its purported delay, the petitioner asserted that it was attacking a large number of patent claims and therefore reasonably needed the time it took to prepare the petition, and that its efforts were stalled by the COVID-19 pandemic and resulting office closures.

In addition, the petitioner highlighted a stipulation that it filed with the district court, in which it agreed that it would “not pursue in this case the specific grounds” asserted in the petition or any other ground that “could have been reasonably raised in an IPR (i.e., any ground that could be raised under §§ 102 or 103 on the basis of prior art patents or printed publications).” The petitioner contended that the stipulation negated any risk of duplicative efforts or conflicting decisions.

Before assessing the parties' positions, the board noted that it "takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review." The board then walked through the six "*Fintiv* factors," namely:

1. Whether the district court granted or may grant a stay if the board institutes the proceeding.
2. Whether the trial date is earlier than the board's projected statutory deadline for issuing a final written decision.
3. The investment of the parties and the court in the district court proceeding.
4. Any overlap between the issues raised in the IPR petition and the district court proceeding.
5. Whether the petitioner is also the defendant in the district court proceeding.
6. Other circumstances that may impact the board's decision, including the strength of the arguments in the petition.

The board found the first, second and sixth factors neutral. The board explained that factor 1 was neutral because the district court had not yet ruled on the petitioner's motion to stay. And factor 2 was neutral because the court's trial date was roughly the same time as the board's deadline for issuing a final decision (i.e., if it instituted review). As for factor 6, the board observed that although the petitioner had demonstrated a reasonable likelihood of success on its invalidity challenges, "the record could change during trial."

On factor 3, the board found that it weighed against a discretionary denial because of "the relatively limited investment in the parallel proceeding to date and the fact that the timing of the petition was reasonable." The board noted that although the parties had made progress in the district court case, "much other work remains," including additional fact discovery, *Markman* proceedings, preparation of expert reports, and substantive motion practice. The board further explained that the timing of the petition was reasonable given the large number of claims that the petitioner was challenging, as well as the logistical difficulties presented by the pandemic.

Turning to factor 4, the board found that it weighed "strongly" against a discretionary denial. At first blush, this factor appeared to favor a denial. In both the petition and the district court case, the petitioner was relying on the same prior art references and making largely similar invalidity arguments based on the same claim constructions. The petitioner, though, had filed the aforementioned stipulation with the district court and thereby agreed not to pursue any

invalidity ground “raised or that could have been reasonably raised in the IPR.” In the board’s view, this stipulation mitigated any concerns about duplicative efforts or conflicting decisions.

The board next found that factor 5 supported denying institution since the parties in the two proceedings were the same. But this was not enough to tip the scale. The board thus declined to exercise its discretion under § 314(a), holding that a denial would promote neither efficiency nor the “integrity of the system.” The board stated that it reached this conclusion based on its “holistic view” and consideration of all six *Fintiv* factors. However, the board’s decision leaves little doubt that the petitioner’s stipulation played a critical role in the board’s analysis.

Practice Tip: Patent owners routinely seek discretionary denials under § 314(a) where invalidity already is at issue in parallel district court litigation. As demonstrated by *Sotera Wireless*, a petitioner may be able to increase its chances for avoiding a discretionary denial by stipulating not to advance arguments in the district court that it raises or could raise in the IPR.

Sotera Wireless, Inc. v. Masimo Corp., IPR2020-01019, Paper 12 (PTAB December 1, 2020) (designated precedential December 17, 2020).

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