



## USPTO Director: Invalidity Judgment by District Court Does Not Foreclose Inter Partes Review

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In a *sua sponte* review, USPTO Director Kathy Vidal continued her refinement of the PTAB's "discretionary denial" practice. Specifically, the Director vacated the Board's decision to deny institution in *Volvo Penta of the Americas, LLC v. Brunswick Corp.* (IPR2022-01424). In doing so, the Director clarified the PTAB's statutory authority to institute an IPR and affirmed that the discretionary denial factors set out in *Apple Inc. v. Fintiv, Inc.* also apply when an invalidated patent is still on appeal.

In *Volvo Penta*, an *inter partes* review petition was filed while the same patent was asserted in a co-pending district court lawsuit. After the petition was filed, the district court held that the sole asserted patent claim was invalid under 35 U.S.C. § 101 and dismissed the case.

While the district court's decision was on appeal, the Board issued a decision denying IPR institution. The Board gave two reasons for its denial. First, the Board concluded that it did not have statutory authority to institute an IPR on a patent claim held invalid by a district court. In support of its reasoning, the Board pointed to the Federal Circuit's 2020 decision in *Uniloc 2017 LLC v. Hulu, LLC*, which explained that the Board's authority to institute under 35 U.S.C. § 311(b) "is confined to the review of **existing** patent claims." According to the Board, the invalidity judgment means that the invalidated claim was no longer an "existing" patent claim subject to IPR. The Board further relied on Federal Circuit case law holding that the pendency of an appeal does not affect the binding nature of the district court's judgment.

Second, the Board side-stepped applying the *Fintiv* discretionary denial factors, reasoning that they are relevant only when there is a co-pending district court litigation. Because

judgment had already been entered in the district court litigation, it was no longer co-pending, and the factors—including the time to trial and the likelihood of a stay—no longer applied. Accordingly, the Board did not consider the *Fintiv* factors. Instead, the Board determined that instituting an IPR would increase the risk of wasting resources and reaching inconsistent decisions, and denied institution.

Director Vidal vacated the Board’s decision, finding both of the Board’s reasons flawed. According to the Director, the Board applied irrelevant collateral estoppel rules that have no bearing on the PTAB’s statutory authority to institute under § 311(b). The invalidated claim remains in force until any appeals are resolved, and so the Board retains the authority to institute under § 311(b) despite the district court judgment. As the Director explained, this is fully consistent with the Patent Office’s other policies, including that it does not issue a certificate of cancellation in reissues, IPRs, or *ex parte* reexaminations until after all appeals have been exhausted.

Similarly, the Director held that because the district court’s invalidity decision was “non-final,” the patent was still subject to judicial review and the *Fintiv* factors still applied. Thus, the case was remanded to the Board with instructions to evaluate the case under *Fintiv*, and to consider whether to terminate any instituted proceedings if the invalidity determination is upheld on appeal.

**Practice Tip:** Patent Owners and Petitioners should be aware that a district court’s early-case invalidation of an asserted patent claim does not necessarily bar institution of an IPR so long as the appeal is still pending. Under these circumstances, the parties should consider thoroughly addressing the *Fintiv* factors before the PTAB.

*Volvo Penta of the Americas, LLC v. Brunswick Corp.*, IPR2022-01424, Paper 12 (P.T.A.B. Feb. 16, 2023).

## Categories

District Court

Patent Trial & Appeal Board

Inter Partes Review

35 U.S.C. § 101

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