Delegation, Deference, and Denials

Evolving Administrative Law and USPTO Procedure

Cameron D. Clawson and Ryan L. Frei

August 21, 2025

Klarquist

Why Admin Law Now? What IP Lawyers Can’t Ignore

- **PTAB procedures shifting fast** (safe harbors gone; new briefing rules).
- **Courts cutting deference** (e.g., *Loper Bright* → more APA/constitutional challenges).
- **Guidance memos driving outcomes** (timing, stipulations, estoppel).
- **Discretionary denials = strategic risk/opportunity**.

Today’s Roadmap

1. Administrative law doctrines shaping agency action.
2. What’s happening at the PTAB now.
3. The USPTO’s role: memos, guidance, Director review.
4. Strategic takeaways for petitioners, patent owners, and prosecutors.

Where the USPTO Fits in the Admin Law Framework

- **Department of Commerce**
  - PTO authority subject to Secretary's policy direction (35 U.S.C. § 2)
  - Secretary appointed by President, Senate confirmed
- **USPTO**
  - Fee-funded agency within Commerce
  - Director appointed by President, Senate confirmed
- **Patent Trial and Appeal Board**
  - ~200 APJs, led by Chief Judge Boalick
  - Decides institution and merits in IPRs

USPTO operates under the same administrative law principles as any federal agency.

Delegation: Congress's "Intelligible Principle"

- **Kagan (2019)**: Delegation valid if Congress provides an "intelligible principle." (*Gundy v. U.S.*)
- **Gorsuch (in dissent)**: The "intelligible principle misadventure"—Court may need to police delegations more strictly.
- **Uncertain future**: With today's Court, the doctrine's contours may shift—or collapse.

~~*Chevron* Deference~~

- *Loper Bright v. Raimondo* (2024)
  - Eliminated *Chevron* deference; courts now interpret statutes first, making major-questions threshold more critical

When questions become “Major”

- Congress does not “hide elephants in mouseholes.” Whitman, 531 U.S. 457 (2001)
- *West Virginia v. EPA* (2022)
  - Overturned 2015 Clean Power Plan; needed “**clear congressional authorization**”
- *Biden v. Nebraska* (2023)
  - Overturned student loan forgiveness program
- *V.O.S. Selections, Inc. v. Trump* (Fed. Cir., pending)
  - Challenge to “Liberation Day” tariffs

Takeaway: The doctrine is expanding rapidly, and courts may apply it to PTO actions.

What are the limits on Agency actions?

Process Constraints:

1. Procedural Due Process: fair notice, counsel, chance to be heard.
2. Rulemaking: must follow statutory procedures (notice & comment).
3. Adjudication: must decide fairly, not arbitrarily or capriciously.

Oversight Constraints:

1. Executive control: Director review (*Arthrex*).
2. Judicial Review: courts can overturn actions exceeding legal limits.

Two types of rulemaking

	Notice & Comment Rulemaking	Informal Rulemaking
Used for:	• Legislative rules • Binding on public • E.g., amendments to CFR	• Interpretive rules steer but don't impose new obligations. • Non-binding • E.g., guidance and memos
Process:	1. Draft circulated – Agencies must disclose basis for proposal (*Portland Cement*) 2. Published for comment (30–60 days) 3. Final rule	• No formal process

Why Guidance vs. Rules Matters

Practice takeaway: Always ask: "*Is this really a rule or guidance acting like one?*"

- **Rules** (notice & comment): binding, retroactivity limits, reliance concerns.
- **Guidance / memos**: should not bind public, but often shape PTAB outcomes (e.g., stipulations, estoppel, timing).
- **Ongoing tension**: Agencies push policy through memos → APA & due process challenges.

PTAB Memos in the Wild: Rules in Disguise?

- PTAB Directors often steer policy through memos and guidance, not formal rules.
- These memos can **shape outcomes** just like rules, raising APA questions.
- Rapid shifts (*NHK-Fintiv* → Vidal Memo → Rescission) test retroactivity & reliance principles.
- Sets the stage: are these “guidance” statements **permissible discretion** or **rules in disguise**?

IPR Discretionary Denial: Risks & Opportunities Amid Shifting Landscape

Klarquist

35 U.S.C. § 314(a) Discretionary Denial

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

- "[T]he PTO is permitted, but never compelled, to institute an IPR proceeding." *Harmonic Inc. v. Avid Tech., Inc*., (Fed. Cir. 2016)

2018-2021: The Rise of Discretionary Denial

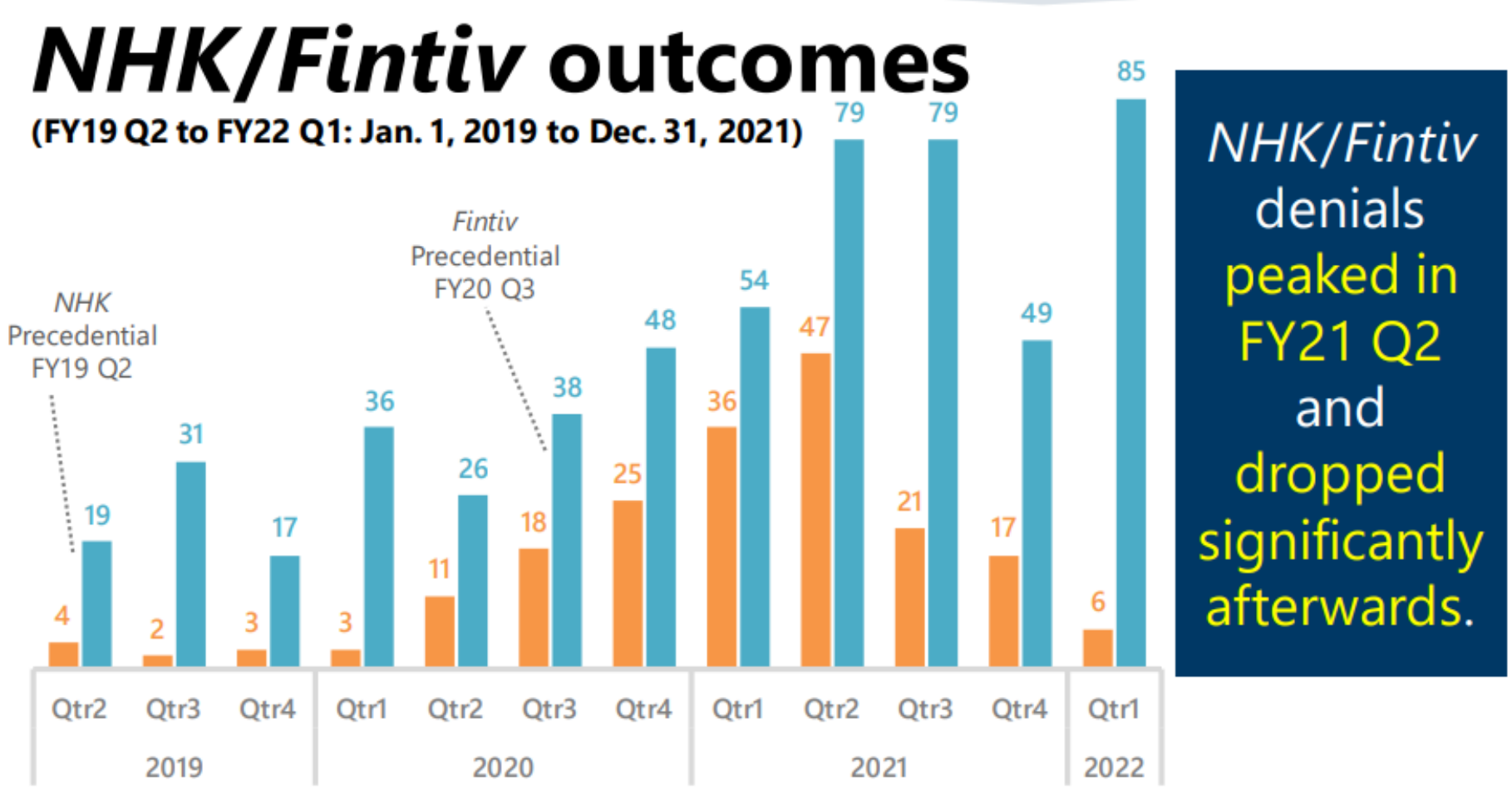
Discretionary denial based on parallel proceeding:

1. whether the court granted a stay or evidence exists that one may be granted;
2. proximity of the court's trial date to the Board's projected final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. overlap between issues raised in the petition and in the parallel proceeding;
5. whether petitioner/defendant in the parallel proceeding are the same party; and
6. other circumstances, including the merits.

Apple Inc. v. Fintiv, Inc., (PTAB Mar. 20, 2020) (Precedential)

(citing *NHK Spring Co. v. Intri-Plex Techs., Inc.*, (PTAB Sept. 12, 2018) (Precedential))

2018-2021: The Rise of Discretionary Denial



NHK/Fintiv denials peaked in FY21 Q2 and dropped significantly afterwards.

This graphic shows the outcomes of DIs that analyze *NHK/Fintiv*; specifically, the number of ***NHK/Fintiv* denials (orange)** versus the number of ***NHK/Fintiv* institutions (light blue)**.

uspto

Klarquist

2021-2025: Discretionary Denial Recedes

- "Petitioner has filed in the District Court "a stipulation that, if IPR is instituted, they will not pursue in the District Court Litigation **any ground raised or that could have been reasonably raised in an IPR**…. Petitioner's broad stipulation ensures that an inter partes review is a "true alternative" to the district court proceeding. Thus, we find that this factor weighs strongly in favor of not exercising discretion to deny institution."

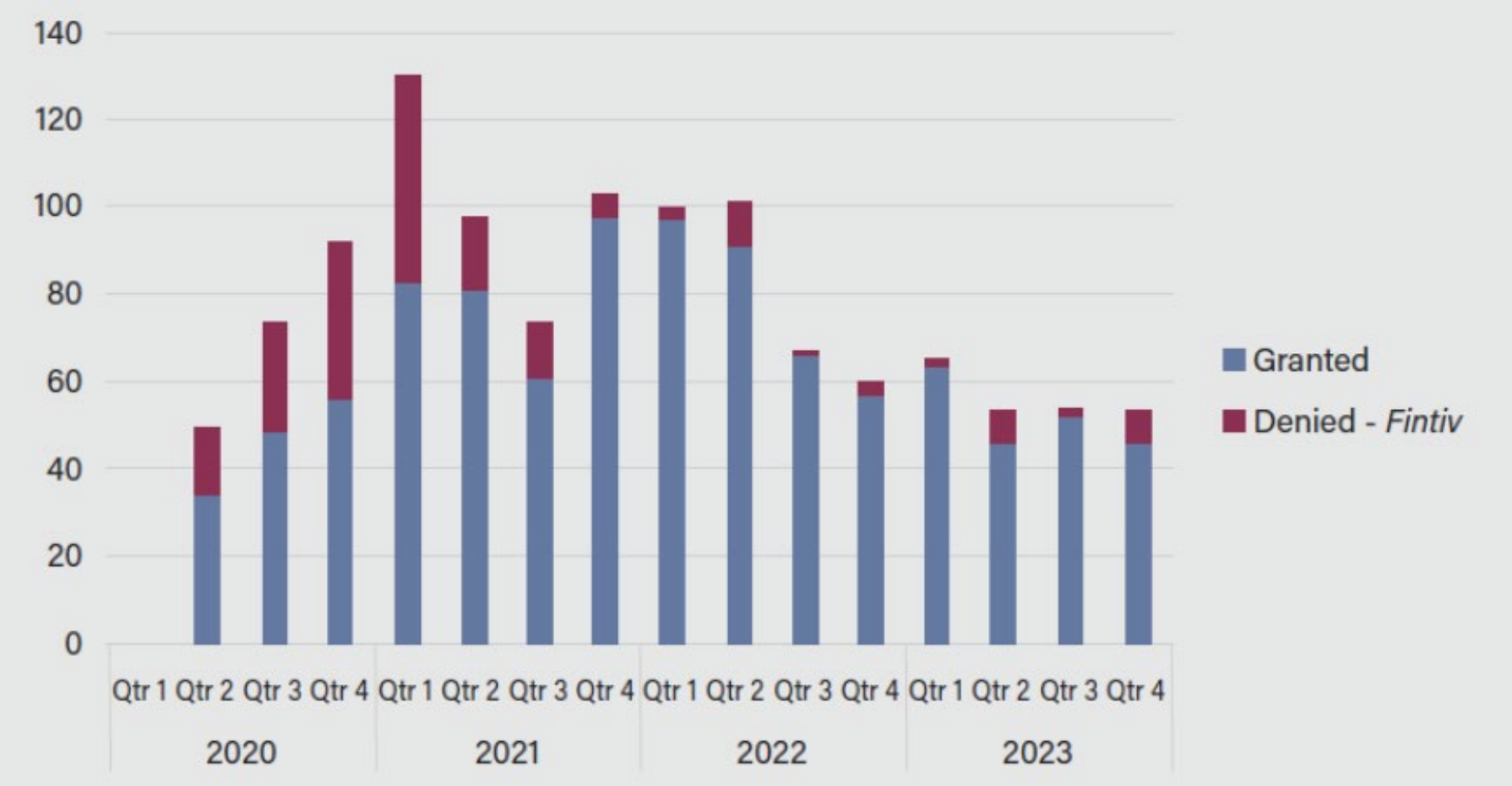
Sotera Wireless, Inc. v. Masimo Corp., (PTAB Dec. 1, 2020) (Precedential)

2021-2025: Discretionary Denial Recedes

- "Consistent with *Sotera Wireless, Inc.,* the PTAB **will not discretionarily deny institution** in view of parallel district court litigation where a petitioner presents a stipulation not to pursue in a parallel proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB."

  Dir. Vidal, *Interim Procedure For Discretionary Denials*, June 21, 2022

2021-2025: Discretionary Denial Recedes



https://www.sternekessler.com/news-insights/insights/staying-power-fintiv-effect-parallel-litigation-ptab-2023/

2025-?: Discretionary Denial Back With A Vengeance

USPTO rescinds memorandum addressing discretionary denia

February 28, 2025

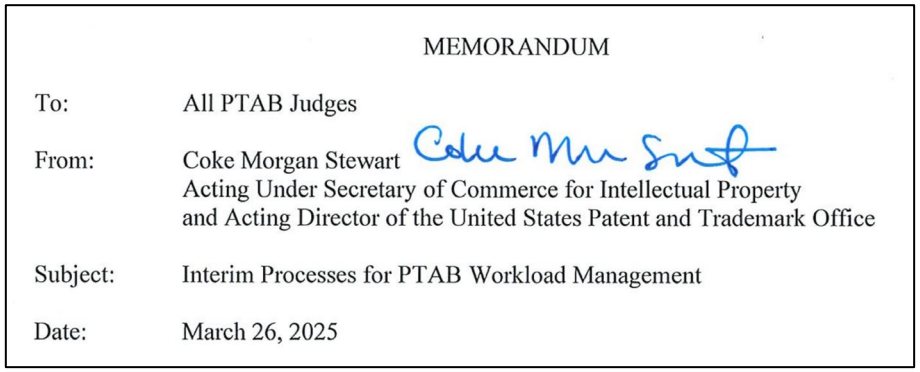
Today, the USPTO rescinded the June 21, 2022, or Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigat

Parties to post-grant proceedings should refer cedent for guidance, including Apple Inc. v. Fintiv, Inc., IPR2020-00019, Paper 11 (PTAB Ma less, Inc. v. Masimo Corp., IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (precedential as

To the extent any other PTAB or Director Review decisions rely on the Memorandum, the portions of those decisions relying on the Memorandum shall not be binding or persuasive on the PTAB.

https://www.uspto.gov/about-us/news-updates/uspto-rescinds-memorandum-addressing-discretionary-denial-procedures

2025-?: Discretionary Denial Back With A Vengeance



MEMORANDUM

To: All PTAB Judges

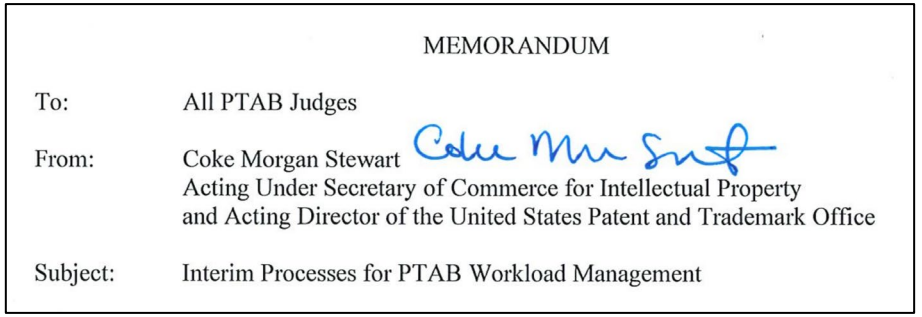
From: Coke Morgan Stewart
Acting Under Secretary of Commerce for Intellectual Property
and Acting Director of the United States Patent and Trademark Office

Subject: Interim Processes for PTAB Workload Management

Date: March 26, 2025

- Creates separate briefing procedure for discretionary denial as threshold to merits.
- Discretionary denial decision made by Director independently of merits panel.

2025-?: Discretionary Denial Back With A Vengeance



MEMORANDUM

To: All PTAB Judges

From: Coke Morgan Stewart
Acting Under Secretary of Commerce for Intellectual Property
and Acting Director of the United States Patent and Trademark Office

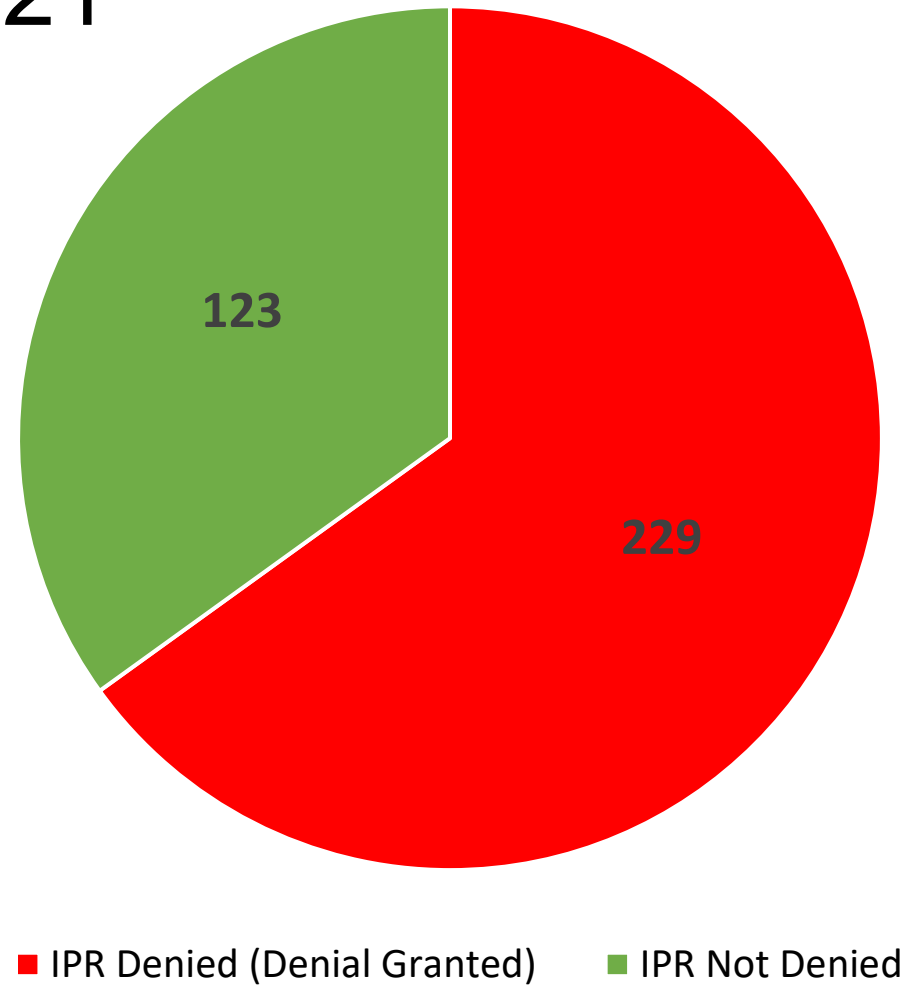
Subject: Interim Processes for PTAB Workload Management

- Directs parties to address "all relevant considerations" in briefs, including:
  - Whether the PTAB or another forum has already adjudicated the validity or patentability;
  - Changes in the law since issuance that may affect patentability;
  - Strength of the unpatentability challenge;
  - Extent of petitioner's reliance on expert testimony;
  - Settled expectations of parties, e.g., length of time claims have been in force;
  - Compelling economic, public health, or national security interests; and
  - Any other considerations bearing on Director's discretion.

Discretionary Denial Decisions: Anecdata

Klarquist

Discretionary Denial Outcome Statistics May 16 - August 21



**statistics from Docket Navigator*

Example Director Decision

Director_Discretionary_Decision@uspto.gov
571-272-7822

Paper 10
Date: July 31, 2025

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

SMARTSKY NETWORKS LLC,
Petitioner,

v.

GOGO BUSINESS AVIATION LLC,
Patent Owner.

IPR2025-00672
Patent 9,954,600 B2

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office*.

DECISION
Denying Institution of *Inter Partes* Review

Gogo Business Aviation LLC ("Patent Owner") filed a request for discretionary denial (Paper 6, "DD Req.") in the above-captioned case, and SmartSky Networks LLC ("Petitioner") filed an opposition (Paper 8, "DD Opp."). With authorization, Patent Owner filed a Reply (Paper 9).

After considering the parties' arguments and the record, and in view of all relevant considerations, discretionary denial of institution is appropriate in this proceeding. This determination is based on the totality of the evidence and arguments the parties have presented.

Some factors weigh against discretionary denial. For example, the projected final written decision due date for this proceeding is October 14, 2026. DD Opp. 4–5. The district court's scheduled trial date is March 8, 2027. *Id.* at 5. As such, a final written decision is likely to issue before the district court trial occurs, reducing the chances of duplication of efforts and inconsistent outcomes.

Other factors, however, favor discretionary denial. In particular, the challenged patent has been in force for seven years, creating strong settled expectations, and Petitioner does not provide any persuasive reasoning why an *inter partes* review is an appropriate use of Board resources under these circumstances. *Dabico Airport Sols. Inc. v. AXA Power ApS*, IPR2025-00408, Paper 21 at 2–3 (Director June 18, 2025). In the absence of any such information, the Office is disinclined to disturb the strong settled expectations of Patent Owner.

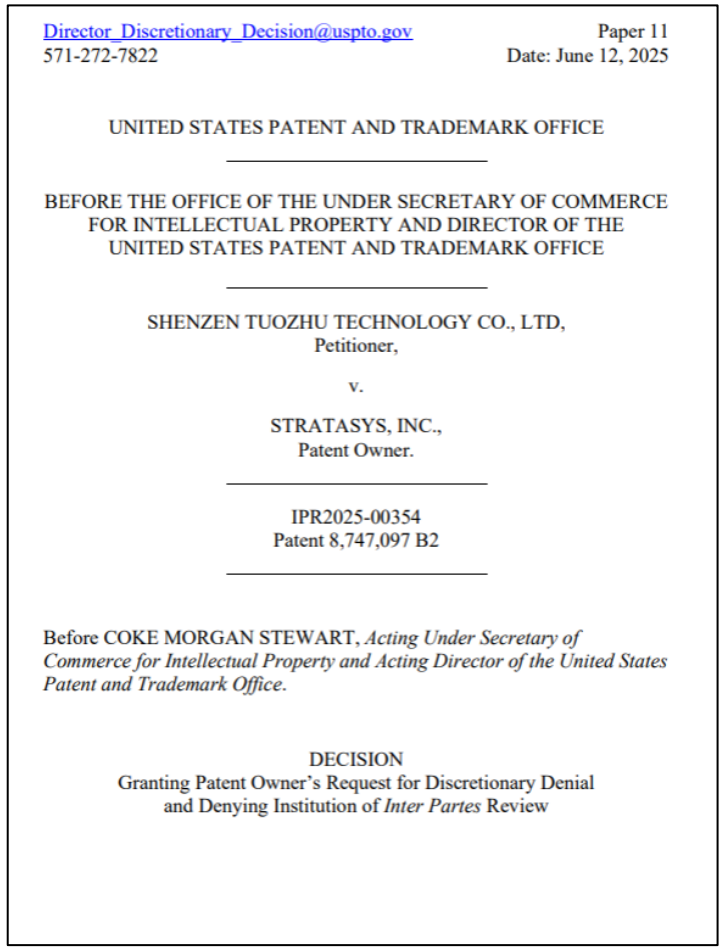
Although certain arguments are highlighted above, the determination to exercise discretion to deny institution is based on a holistic assessment of all of the evidence and arguments presented. Accordingly, the Petition is denied under 35 U.S.C. § 314(a).

In consideration of the foregoing, it is:

ORDERED that Patent Owner's request for discretionary denial is *granted*; and

FURTHER ORDERED that the Petition is *denied*, and no trial is instituted.

Factor: Timing of District Court Trial vs. Final Written Decision



Director_Discretionary_Decision@uspto.gov
571-272-7822

Paper 11
Date: June 12, 2025

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

SHENZEN TUOZHU TECHNOLOGY CO., LTD,
Petitioner,

v.

STRATASYS, INC.,
Patent Owner.

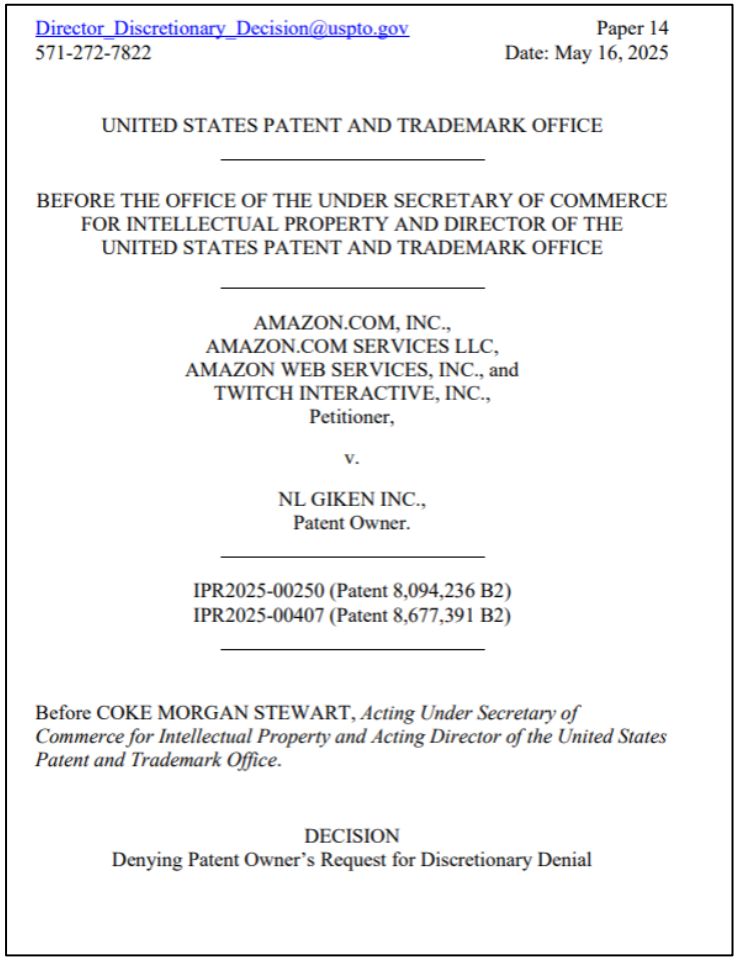
IPR2025-00354
Patent 8,747,097 B2

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office.*

DECISION
Granting Patent Owner's Request for Discretionary Denial and Denying Institution of *Inter Partes* Review

In particular, the projected final written decision due date in the Board proceeding is July 14, 2026. DD Req. 8. The district court's scheduled trial date is June 1, 2026, and the time-to-trial statistics suggest trial will begin in July 2026. DD Opp. 8; DD Req. 8. Under the circumstances of this case, it will be inefficient to maintain two parallel proceedings when the district court scheduled trial date and the projected final written decision due date are in close proximity. Exercising discretion to deny the petition in this case reduces the inefficiencies and burdens on the parties to maintain two parallel proceedings.

Factor: Timing of District Court Trial vs. Final Written Decision



Director_Discretionary_Decision@uspto.gov
571-272-7822

Paper 14
Date: May 16, 2025

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

AMAZON.COM, INC.,
AMAZON.COM SERVICES LLC,
AMAZON WEB SERVICES, INC., and
TWITCH INTERACTIVE, INC.,
Petitioner,

v.

NL GIKEN INC.,
Patent Owner.

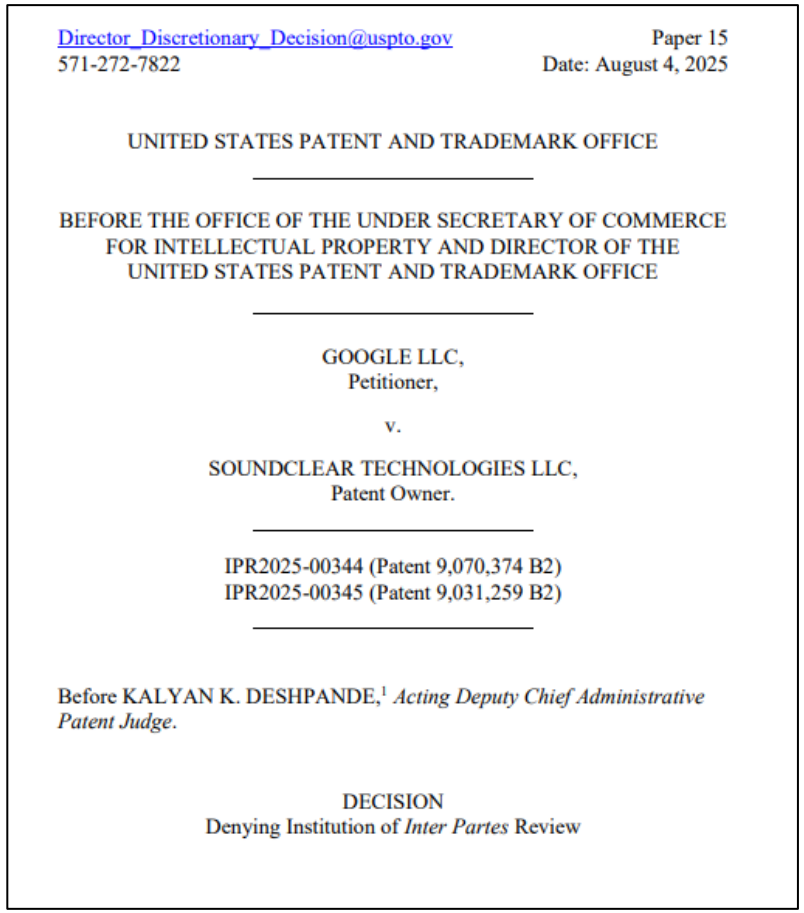
IPR2025-00250 (Patent 8,094,236 B2)
IPR2025-00407 (Patent 8,677,391 B2)

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office.*

DECISION
Denying Patent Owner's Request for Discretionary Denial

In particular, the projected final written decision due date in IPR2025-00250 is June 30, 2026. DD Opp. 3–4.[2] The district court's scheduled trial date is June 22, 2026, but the time-to-trial statistics suggest trial would not begin until December 2026. *Id.* at 3; DD Req. 3; Ex. 1012, 13; Ex. 1013. As such, it is likely that a final written decision in this proceeding will issue before the district court trial occurs.

Factor: Settled Expectations



Director_Discretionary_Decision@uspto.gov
571-272-7822

Paper 15
Date: August 4, 2025

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE

GOOGLE LLC,
Petitioner,

v.

SOUNDCLEAR TECHNOLOGIES LLC,
Patent Owner.

IPR2025-00344 (Patent 9,070,374 B2)
IPR2025-00345 (Patent 9,031,259 B2)

Before KALYAN K. DESHPANDE,[1] *Acting Deputy Chief Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review

Some considerations counsel against discretionary denial. For example, the parallel district court proceeding involving Patent Owner and Petitioner has been stayed.

However, other considerations favor discretionary denial. For example, both challenged patents have been in force for approximately ten years, creating strong settled expectations for Patent Owner, and Petitioner does not provide persuasive reasoning why an *inter partes* review is an appropriate use of Board resources. *Dabico Airport Sols. Inc. v. AXA Power ApS*, IPR2025-00408, Paper 21 at 2–3 (Director June 18, 2025).

Factor: Settled Expectations

KAHOOT! AS,
Petitioner,

v.

INTERSTELLAR INC.,
Patent Owner.

IPR2025-00696
Patent 10,339,825 B2

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office*.

Other factors favor discretionary denial. In particular, the challenged patent has been in force for over six years, creating strong settled expectations, and Petitioner does not provide persuasive reasoning why an *inter partes* review is an appropriate use of Board resources under these circumstances. *Dabico Airport Sols. Inc. v. AXA Power ApS*, IPR2025-00408, Paper 21 at 2–3 (Director June 18, 2025). Petitioner's argument that Patent Owner does not have settled expectations because Patent Owner did not previously assert the challenged patent against Petitioner does not defeat Patent Owner's settled expectations. DD Opp. 5–8. Accordingly, in the absence of sufficient explanation, Patent Owner's strong settled expectations tip the balance in favor of discretionary denial.

BERKSHIRE HATHAWAY ENERGY COMPANY,
INTERSTATE POWER & LIGHT COMPANY,
MIDAMERICAN ENERGY COMPANY,
PACIFICORP,
WEC ENERGY GROUP, INC., and
WISCONSIN POWER & LIGHT COMPANY,
Petitioners,

v.

BIRCHTECH CORP.,
Patent Owner.

IPR2025-00274 (Patent 10,343,114 B2)
IPR2025-00278 (Patent 10,343,114 B2)
IPR2025-00280 (Patent 10,596,517 B2)
IPR2025-00281 (Patent 10,596,517 B2)

filing the Petitions (*id.* at 46–47). Lastly, the challenged patents issued in 2019 and 2020, such that Patent Owner has not developed strong settled expectations that favor discretionary denial. On balance, these circumstances do not warrant discretionary denial.

Factor: Settled Expectations

Director_Discretionary_Decision@uspto.gov
571-272-7822

Paper 10
Date: July 17, 2025

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE

SHENZEN TUOZHU TECHNOLOGY CO., LTD,
Petitioner,

v.

STRATASYS, INC.,
Patent Owner.

IPR2025-00438 (Patent 10,569,466 B2)
IPR2025-00531 (Patent 9,168,698 B2)
IPR2025-00532 (Patent 10,556,381 B2)
IPR2025-00585 (Patent 11,167,464 B2)
IPR2025-00611 (Patent 11,886,774 B2)

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office*.

DECISION
Referring the Petitions to the Board

IPR2025-00531, however, presents different circumstances. The patent challenged in that case has been in force for approximately 10 years, creating strong settled expectations for Patent Owner. Petitioner, however, presents evidence that the challenged patents have never been "commercialized, asserted, marked, licensed, or otherwise applied" in Petitioner's "particular technology space." DD Opp. 3–5 (quoting *Intel Corp. v. Proxense LLC*, IPR2025-00327, Paper 12 at 2–3 (Director June 26, 2025)). This evidence weighs against Patent Owner's claim of strong settled expectations. *Id.*

Factor: Examiner Error

Director_Discretionary_Decision@uspto.gov
571-272-7822

Paper 9
Date: June 12, 2025

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

MICROSOFT CORPORATION.,
Petitioner,

v.

PARTEC CLUSTER COMPETENCE CENTER GMBH,
Patent Owner.

IPR2025-00318
Patent 11,537,442 B2

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office*.

DECISION
Denying Patent Owner's Request for Discretionary Denial

Petitioner provides persuasive evidence that the Office erred in a manner material to the patentability of the challenged claims by overlooking the teachings of Budenske and Kambalta, and the combined teachings of Budenske and Lippert, or Budenske and Kambalta with Lippert. DD Opp. 11–12, 22–24; *see* Pet. 2–3, 14–23. Accordingly, discretionary denial under § 325(d) is inappropriate. Although the scheduled district court trial is set to precede the expected final written decision due date by a month (DD Opp. 14), discretionary denial of institution is not warranted because of Petitioner's showing of material error during patent examination. Ordinarily, a scheduled district court trial date that precedes the date projected for a Board final written decision weighs in favor of exercising discretion to deny the Petition. Here, however, the Petitioner appears to show a material error by the Office and it is an appropriate use of Office resources to review the potential error.

Factor: Examiner Error

SKULLCANDY, INC.,
Petitioner,

v.

EARIN AB,
Patent Owner.

IPR2025-00690
Patent 9,402,120 B2

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office*.

In particular, the challenged patent issued nine years ago, creating strong settled expectations. While ordinarily that counsels for discretionary denial, Petitioner persuasively explains that the patent examiner materially erred during prosecution of the challenged patent. DD Opp. 8–9. The patent examiner identified a "wherein" clause listing various structural features of an earbud housing as the reason for allowance of the challenged claims. Ex. 1009, 6; *see also* Ex. 1001, 12:54–64 (claim 1, with the "wherein" limitation listing the various structural features). The challenged claims (claims 20 and 21), however, do not recite those features. Ex. 1001, 14:50–15:15 (claim 20, missing the "wherein" clause). Petitioner appears to show a material error by the Office, and it is an appropriate use of Board resources to review the potential error.

Factor: *Sotera* Stipulation Practice

Director_Discretionary_Decision@uspto.gov
571-272-7822

Paper 13
Date: August 14, 2025

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

DATADOME S.A. and DATADOME SOLUTIONS, INC.,
Petitioner,

v.

ARKOSE LABS HOLDINGS, INC.,
Patent Owner.

IPR2025-00693 (Patent 7,373,510 B2)
IPR2025-00694 (Patent 9,148,427 B2)

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office*.

DECISION
Denying Institution of *Inter Partes* Review

Furthermore, the parties are engaged in a parallel proceeding in district court. Although there is no scheduled trial date, which counsels against discretionary denial, Petitioner has not offered a stipulation to address concerns of duplicative efforts and potentially conflicting decisions, which weighs in favor of discretionary denial. On balance, the considerations that favor discretionary denial outweigh those that counsel against it.

Factor: *Sotera* Stipulation Practice

Director_PTABDecision_Review@uspto.gov
571.272.7822

Paper 19
Date: March 28, 2025

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

MOTOROLA SOLUTIONS, INC.,
Petitioner,

v.

STELLAR, LLC,
Patent Owner.

IPR2024-01205 (Patent 7,593,034 B2)
IPR2024-01206 (Patent 9,485,471 B2)
IPR2024-01207 (Patent 8,692,882 B2)
IPR2024-01208 (Patent 9,912,914 B2)[1]

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office.*

ORDER
Granting Director Review, Vacating the Decision Granting Institution, and Denying Institution of *Inter Partes* Review

As to the overlap of issues before the Board and in the parallel proceeding, the Board noted Patent Owner's argument that Petitioner's invalidity expert report "repeats all of the assertions in th[e] Petition," and found that Petitioner's stipulation would potentially reduce the issues for trial in the parallel proceeding. Decision 11–12. But Petitioner's stipulation does not ensure that these IPR proceedings would be a "true alternative" to the district court proceeding. *See* Request 8 (quoting *Sotera*, Paper 12 at 19). Petitioner's invalidity arguments in the district court are more expansive and include combinations of the prior art asserted in these proceedings with unpublished system prior art, which Petitioner's stipulation is not likely to moot. *See* Exs. 2004, 2012. Accordingly, although Petitioner's *Sotera* stipulation may mitigate some concern of duplication between the parallel proceeding and this proceeding, the stipulation does not outweigh the substantial investment in the district court proceeding or *Fintiv* factors 1, 2, and 5, which the Board found weighed in favor of denial.[5] Decision 10–11. Considering the *Fintiv* factors as a whole, the efficiency and integrity of the system are best served by denying review.[6]

Factor: *Sotera* Stipulation Practice

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE

TESLA, INC.,
Petitioner,

v.

INTELLECTUAL VENTURES II LLC,
Patent Owner.

IPR2025-00217 (Patent 10,952,153 B2)
IPR2025-00219 (Patent 9,706,500 B2)
IPR2025-00220 (Patent 11,206,670 B2)
IPR2025-00221 (Patent 11,664,889 B2)
IPR2025-00222 (Patent 9,232,158 B2)
IPR2025-00339 (Patent 7,916,180 B2)

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office*.

In these proceedings, several considerations favor discretionary denial of institution. For example, the scheduled trial date precedes the projected final written decision due date, and there is insufficient evidence the district court is likely to stay its proceeding even if the Board were to institute trial. DD Req. 3; DD Opp. 2–3. In addition, there has been meaningful investment in the parallel proceeding by the parties. DD Req. 4–5. Other considerations, however, counsel against discretionary denial. For example, Petitioner has filed a broad stipulation and asserts that the merits are strong because the Board previously determined there was a reasonable likelihood that similar claims of an ancestor patent were unpatentable in three separate proceedings with respect to some of the challenged patents in these proceedings. DD Opp. 10–11, 15–16.

Factor: Number/Scope of Challenged Patents

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE

SHENZEN TUOZHU TECHNOLOGY CO., LTD,
Petitioner,

v.

STRATASYS, INC.,
Patent Owner.

IPR2025-00438 (Patent 10,569,466 B2)
IPR2025-00531 (Patent 9,168,698 B2)
IPR2025-00532 (Patent 10,556,381 B2)
IPR2025-00585 (Patent 11,167,464 B2)
IPR2025-00611 (Patent 11,886,774 B2)

Before COKE MORGAN STEWART, *Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office*.

Furthermore, Petitioner explains that the parallel district court proceeding involves nine different patents spanning six families that involve a diverse range of subject matter. DD Opp. 7–10. The large number and vast scope of the patents asserted in the district court litigation (*id.*) weighs against discretionary denial, as the Board is better suited to review a large number of patents involving diverse subject matter. *See Tesla, Inc. v. Intellectual Ventures II LLC*, IPR2025-00217, Paper 9 at 2–3 (Director June 13, 2025). Petitioner has also filed a broad stipulation. DD Opp. 1. Petitioner's arguments that these factors tip the balance against discretionary denial are persuasive.

Discretionary Denial Takeaways

Patent Owner Takeaways

1. Prioritize older patents over more recently issued patents. Ideally 7 or more years in force.
2. Consider targeted assertion of fewer patent families/accused technologies.
3. Carefully consider Petitioner invalidity contentions in district court if no broad *Sotera*-plus stipulation made.

Petitioner Takeaways

1. Speed is key. File IPR petitions as soon as possible.
   - Potential patent defendants might consider preparing IPR petitions even before district court assertion.
2. If patents in force 6+ years, provide evidence that patents not previously commercialized, licensed, or asserted.
3. Tell a compelling story about why the USPTO erred in allowing the challenged claims.
4. Filing petitions against multiple asserted patent families where able.
5. File a broad *Sotera*-plus stipulation.

Judicial Review of Discretionary Denial

Klarquist

Judicial Review: What's Reviewable vs. Not

Unreviewable (merits of institution)	Reviewable (process)
• 35 U.S.C. § 314(d): institution decisions are "final and nonappealable." • *Cuozzo* (2016): bars review of the Director's **substantive discretion** to institute or deny.	• Courts **may review** APA questions like whether PTO **had to use notice-and-comment** to issue institution instructions. • *Cuozzo* carveout: "Shenanigans" remain reviewable—e.g., **due process problems** or actions **outside statutory limits**. *Cuozzo*, 579 U.S. at 275.

When “Guidance” Becomes a Rule (APA § 553)

- Trigger: Notice-and-comment required if guidance changes law/policy or affects rights. *Paralyzed Veterans*, 138 F.3d at 1436 (D.C. Cir. 1998).
- *Apple v. Vidal*: Courts can’t review merits of institution, but they *can* review whether notice-and-comment was required. 63 F.4th at 14–15 (Fed. Cir. 2023).
- On Remand: *Fintiv* treated as policy, not binding rule → discretion preserved. *Apple* (N.D. Cal. 2024).
- Now: Petitioners argue 2025 rescission was a **substantive rule** changing outcomes → notice-and-comment required.

Retroactivity & Due Process

- Baseline: Retroactivity asks whether a change "attaches new legal consequences to events completed before its enactment." *Landgraf*, 511 U.S. 244, 270 (1994).
- Fair Notice: Agencies must give regulated parties fair warning before changing obligations. *Mexichem Fluor*, 866 F.3d 451, 462 (D.C. Cir. 2017).
- Now: Petitioners argue the recent rescission applied retroactively, turning prior *Sotera* stipulations, once a **safe harbor**, into grounds for denial.

Reliance & Settled Expectations

- Requirement: When an agency changes policy, it must weigh "serious reliance interests." Regents of the Univ. of Cal., 591 U.S. 1, 39 (2020).
- Application here: Petitioners point to sunk filing fees and *Sotera* stipulations made under "binding" guidance that promised no *Fintiv* denial.
- Mandamus framing: Petitioners argue the rescission turned that safe harbor into a trap, without considering reliance.
- *Google v. Stewart* petition: "Petitioners were caught unaware with no opportunity to conform their previously filed petitions."

Delegation & Separation of Powers

- Baseline: Congress can delegate power, but must give an “intelligible principle” and PTO cannot address “major questions” without authorization.
- PTO authority: Congress authorized the Director to set IPR rules and their relationship to other proceedings. 35 U.S.C. § 316(a)(4).
- Review line: Institution merits are unreviewable, but process defects (rulemaking, due process) are not. *Cuozzo* (2016).
- **Takeaway:** Delegation defines the field; the APA and courts police the gates when PTO shifts policy without process.

Competing Amici Perspectives in *SAP* and *Motorola* Mandamus Petition Cases

- **Industry amici**: PTO exceeded its delegated authority; reliance and APA compliance are critical.
- **Patent owner / inventor amici**: Strong PTO discretion is needed to prevent abusive IPR filings.
- Courts are asked to balance **procedural regularity** against **flexibility to protect patent rights**.

The Stakes for Judicial Review

- Key questions now before the courts:
  - Must the PTO use **formal rulemaking** for discretionary denial standards?
  - Can the agency apply policy changes **retroactively** without violating due process?
  - How far does "**unreviewable discretion**" extend under § 314(d) and *Cuozzo*?

Key Takeaways

Patent Owners & Prosecutors

- *Continuations*: Older patents tend to fare better in IPRs, so filing sooner is better.
- *Investment counts*: Patents with real-world use are harder to knock out.

Petitioners

- *File early*: Don’t wait for district court suits where possible; speed reduces *Fintiv* risk.
- *Stipulate smartly*: Use *Sotera*-plus stipulations where strategic, but preserve objections if standards shift.

Administrative Challenges

- *Preserve the record*: Flag rule-vs.-guidance issues, reliance interests, and fairness concerns in your papers.
- *Document reliance*: Keep clear evidence of fees, stipulations, and strategy choices tied to PTO guidance in case of later APA litigation.

Klarquist

Klarquist

Removal Power: Independence vs. Accountability

- Insulation of officers is allowed. *Humphrey's Executor* (1935).
- Multi-layer insulation is unconstitutional. *Free Enterprise Fund* (2010).
- **BUT** the DOJ has recently questioned whether ANY statutory protections are valid.
- **Open issue for PTAB**: How independent are APJs, and what does that mean for accountability and review?

Procedural Due Process—The Basics

- *Goldberg v. Kelly*, 397 U.S. 254 (1970)*:* Right to an evidentiary hearing for recission of welfare benefits
  - Procedural Due Process requires the ability to get a hearing:
    1. Need not be judicial, but must give notice and reasons with the ability to defend
    2. Must be allowed to retain counsel if desired
    3. Decision must be based "solely on the legal rules and evidence adduced at the hearing."
    4. Decision maker need not make formal findings, but should cite the reasons and evidence supporting the decision
    5. Decision maker must be impartial (can have been involved in previous aspects of the case, as long as they did not participate in the decision)

Appointments & Article II: Who's an Officer?

- Article II, Section 2, Clause 2:
  - *[A]ll other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.*
- Article II vests the "executive Power" in the president.
  - But Article II also creates a rather complex array of relationships between the Congress, President, and appointed officials which define their respective authorities.
  - Recent case law on Article II's Appointments Clause has been rather ambiguous.
- Who is an "officer of the United States"?
  - Principal vs. Inferior Officers

Notice and Comment Rulemaking

- For “legislative” rules
- Substantive and have the force of law
- Usually to amend the Code of Federal Regulations
- *Portland Cement Ass’n v. Ruckelshaus*, 486 F.2d 375 (D.C. Cir. 1973)
  - Notice must disclose the technical data and studies that the formed the basis for the proposed rule
- Notice & Comment Process:
  1. Agency drafts a rule
  2. Presidential review (by the Office of Information & Regulatory Affairs) before publication
  3. Must publish the proposed rule for public comment (typically 30-60 days). Generally published in the Federal Register.
  4. Second presidential review (by OIRA)
  5. Agency may or may not republish the rule before final rulemaking (and incorporation into CFR)

Informal Rulemaking

- What is informal rulemaking?
- Four part test, asking:
  - "(1) whether in the absence of the rule there would not be an adequate legislative basis for enforcement action or other agency action to confer benefits or ensure the performance of duties,
  - "(2) whether the agency has published the rule in the Code of Federal Regulations,
  - "(3) whether the agency has explicitly invoked its general legislative authority, or
  - "(4) whether the rule effectively amends a prior legislative rule. If the answer to any of these questions is affirmative, we have a legislative, not an interpretive rule.
- "If the answer to any of these questions is affirmative, we have a legislative, not an interpretive rule."
  Am. Min. Cong. v. Mine Safety & Health Admin., 995 F.2d 1106, 1112 (D.C. Cir. 1993)
- Interpretive rulemaking doesn't require the same processes as legislative notice & comment rulemaking
- The interpretive rule or policy statement must not set new legal standards or impose new requirements.
- Guidance Documents that do not contain amendments to the CFR and are not subject to the notice and comment process.

Guidance vs. Rules: Why “Memos” Matter

- Rules (notice-and-comment) bind the public; guidance should not.
- Guidance may steer internal discretion, but can’t foreclose party arguments or operate retroactively.
- Policy shifts require reasoned explanation and attention to reliance interests.
- Practice tip: Ask: Is this truly a rule, or a memo acting like one? If it binds you, check authority and procedure.

From Statute to Judicial Review: The Administrative Law Road

- Congress sets PTO authority (35 U.S.C.).
- USPTO implements via rules, adjudication, guidance.
- PTAB/TTAB decisions subject to internal review, Director oversight.
- Final actions can face judicial review (Fed. Cir., district courts).
- Limits: some decisions insulated (§ 314(d)).
- Admin law doctrines apply at every stage.

Statute

↓

Agency Rulemaking, Adjudication, or Guidance

↓

Internal Application

↓

Judicial Review

Guidance vs. Rules: What Actually Binds

- Presumption against retroactive rules; fairness requires advance notice and a chance to conform conduct.
- Petitioners: applying a new discretionary-denial framework to pending petitions changes legal consequences and disrupts settled reliance.
- Respondents: changes are procedural, not retroactive; agencies may apply updated procedures to matters in progress; no vested right was impaired.

Principal vs. Inferior Officers—After *Arthrex*

- **Arthrex (2021)**: Held APJs exercised principal-officer power unconstitutionally; remedy = Director review authority.
- **Today**: APJs are inferior officers under the USPTO Director's oversight; ability to seek Director review is mandatory.
- **Still in flux**: Open questions about scope of Director review, delegation, and APA limits on internal procedures.

APA & Reasoned Decisionmaking: Process for Change

- Agencies must engage in notice-and-comment rulemaking with reasoned changes to policy
- Petitioners: oscillating guidance and retroactive application were arbitrary/capricious or beyond delegated authority.
- Patent Owners: agencies may revise subregulatory policy with reasoned explanation; formal rulemaking is required only when binding effects are intended.

Factor: *Sotera* Stipulation Practice

15. When should a petitioner file a *Sotera* or *Sand* stipulation if they wish to do so? What happens if a petitioner files a *Sotera* or *Sand* stipulation after the Director issues a decision on discretionary considerations?

A petitioner should file a *Sotera* or *Sand* stipulation as soon as practicable, so that a patent owner may address the impact of the stipulation in its discretionary denial brief. The Director will take into account whether the stipulation materially reduces overlap between the proceedings. Where the petitioner is relying on corresponding system art in a co-pending proceeding and/or several other invalidity theories, a stipulation may not be particularly meaningful because the efficiency gained by any AIA proceeding will be limited.

FAQs for Interim Processes for PTAB Workload Management,
https://www.uspto.gov/patents/ptab/faqs/interim-processes-workload-management