

## USPTO Rescinds and Replaces Guidance on Discretionary Denials

***The rescission and replacement of guidance has introduced some uncertainty into discretionary denials that litigants should be mindful of during the institution stage of AIA trials.***

### Key Points:

- The change in USPTO leadership has brought changes to PTAB's discretionary denial framework.
- Litigants should be aware particularly that *Sotera* stipulations (described below) may no longer be sufficient to avoid discretionary denial under *Fintiv*.

On February 28, 2025, the United States Patent and Trademark Office (USPTO) rescinded a memorandum issued in June 2022 by former Director Katherine Vidal<sup>1</sup> (the Vidal Memorandum) that provided guidance on discretionary denials at the Patent Trial and Appeal Board (PTAB or the Board). The now-rescinded Vidal Memorandum limited the situations in which the PTAB could discretionarily deny institution of a post-grant proceeding based on parallel district court litigations. Then, on March 24, 2025, the Board's Chief Administrative Patent Judge, Scott R. Boalick, issued a new memorandum<sup>2</sup> (the Boalick Memorandum) that set forth additional guidance in the absence of the Vidal Memorandum.

The USPTO's withdrawal of the Vidal Memorandum and issuance of the Boalick Memorandum introduces uncertainty into the PTAB's treatment of discretionary denials and foreshadows a potentially higher likelihood of success for Patent Owners at the PTAB.

This Client Alert discusses the impact of both the Vidal Memorandum and the Boalick Memorandum and provides key takeaways for petitioners and patent owners in a post-Boalick Memorandum landscape.

### Background

The Vidal Memorandum was issued to provide certainty regarding how the PTAB assesses requests for discretionary denial of institution based on parallel litigation. Such denials of institution ballooned following the Board's precedential *Fintiv* decision,<sup>3</sup> which established that petitions could be denied based on parallel district court litigations and set forth six nonexclusive factors for assessing whether discretionary denial was appropriate. In the immediate aftermath of *Fintiv*, the number of discretionary denials increased exponentially. See Table 1.

**Table 1: PTAB discretionary denials under *NHK-Fintiv* from 2019 to 2024\***

Year	NHK / Fintiv Denials
2019	5
2020	79
2021	75
2022 (before the Vidal Memorandum)	11
2022 (after the Vidal Memorandum)	3
2023	20
2024	22

\*Data compiled by Latham & Watkins upon review of PTAB decisions denying institution from 2019 to 2024.

However, by the first half of 2022, these discretionary denials were already on a downturn.

The steady decrease in discretionary denials largely stemmed from the PTAB bar's increasingly sophisticated understanding of the Board's denial decisions. Petitioners began relying on stipulations agreeing to limit the invalidity arguments raised in district court to ensure that there was no, or limited, overlap between the issues litigated in district court and those litigated before the PTAB. This limited overlap in issues would, in turn, weigh against discretionary denial in the *Fintiv* analysis, as explained in the PTAB's *Sotera* decision.<sup>4</sup>

The Vidal Memorandum (issued in June 2022) clarified how the PTAB would apply *Fintiv*, explaining:

- the Board would not deny institution of a proceeding if the petition had compelling merits, prioritizing the sixth *Fintiv* factor;
- the Board would not deny institution under *Fintiv* when the parallel proceeding was an ITC proceeding;
- the Board would not discretionarily deny institution when a petitioner entered a *Sotera* stipulation, i.e., a stipulation agreeing not to raise any argument in a parallel district court action that was raised or could have been raised in IPR; and
- the proximity to trial would be analyzed based on median time-to-trial statistics and should not alone outweigh the other *Fintiv* factors.

Following the Vidal Memorandum, the number of *Fintiv*-based denials dropped further — down to just three petitions discretionarily denied under *Fintiv* for the remainder of 2022. Notably, 2023 and 2024 saw a minor uptick in *Fintiv*-based institution denials as petitioners experimented with whether *Sotera*-type stipulations were necessary to avoid *Fintiv* denials. But the numbers of *Fintiv* denials were far below the 2021 and 2022 levels.

The USPTO's recent decision to rescind the Vidal Memorandum introduced uncertainty into the PTAB's treatment of *Fintiv* discretionary denials.<sup>5</sup> Having withdrawn (and deleted) the Memorandum, the USPTO's guidance on discretionary denials reverted to existing PTAB precedent, including *Fintiv* and *Sotera*.<sup>6</sup>

## The Boalick Memorandum

On March 24, 2025, Chief Administrative Patent Judge Boalick issued the Boalick Memorandum to provide guidance on the Board's practices related to discretionary denials. The Boalick Memorandum makes five points:

1. The Board will consider timely requests for briefing on the application of the rescission of the Vidal Memorandum on a case-by-case basis (this applies in cases in which the Board has not issued an institution decision or cases with a pending rehearing or Director Review request of an institution decision, but not in cases in which the deadlines for rehearing or Director Review requests have passed, absent extraordinary circumstances).
2. The Board may deny institution under *Fintiv* when the parallel proceeding is an ITC proceeding, with likelihood of discretionary denial keyed off the ITC's projected final determination date (if that date is earlier than the Board's deadline to issue a final written decision, denial is more likely; if it's later, denial is less likely).
3. The Board will treat a *Sotera* stipulation as highly relevant but not dispositive by itself, returning to the holistic *Fintiv* analysis.
4. The Board, in its *Fintiv* analysis, will consider any evidence the parties put in the record related to the district court's trial date (or the ITC's final determination target date), including median time-to-trial date statistics for civil actions in the relevant district court.
5. The Board will not treat compelling merits alone as dispositive in the holistic *Fintiv* analysis.

Several of these points in the New Memorandum show the Board is taking the opposite position from the Memorandum. These shifts in position are highlighted in Table 2.

**Table 2: Comparison of Aspects of Discretionary Denial in Vidal Memorandum and Boalick Memorandum**

Aspect of Discretionary Denial	Vidal Memorandum	Boalick Memorandum
May the Board discretionarily deny an AIA post-grant proceeding based on a parallel ITC proceeding?	No	Yes
May a <i>Sotera</i> stipulation itself be dispositive for discretionary denial?	Yes	No
May compelling merits itself be dispositive for discretionary denial?	Yes	No

## Early Indicators of the PTAB's Treatment of *Fintiv* Going Forward

Despite the short period elapsing since the USPTO rescinded the Vidal Memorandum (and an even shorter period elapsing since the issuance of the Boalick Memorandum), the Board has already provided early indications hinting where discretionary denials stand in the Vidal Memorandum's absence.

For example, in one institution decision that involved a *Sotera* stipulation and was issued days after the rescission, the Board made no mention of the Vidal Memorandum.<sup>7</sup> Instead, when analyzing the stipulation under the fourth *Fintiv* factor, the Board found that the stipulation “weigh[ed] strongly against exercising [its] discretion to deny institution.”<sup>8</sup> Likewise, in another recent institution decision, where again the Petitioner filed a *Sotera* stipulation, the Board found the stipulation weighed strongly in favor of not exercising discretion.<sup>9</sup> The Board decided not to exercise its discretion to deny institution, despite an early trial date in the parallel district court proceeding, because the *Sotera* stipulation mitigated concerns of overlap between the proceedings and there was relatively little investment in the district court proceeding.<sup>10</sup> These cases appear to mark a return to the Board's practice preceding the Vidal Memorandum, weighing *Sotera* stipulations among the other factors to determine whether to discretionarily deny institution based on a parallel proceeding.

The USPTO's rescission of the Vidal Memorandum is also causing the Board to reconsider its prior decisions in the context of rehearing and motions to terminate ongoing proceedings. Take, for example, a recent rehearing decision, reviewing a decision to deny institution on the merits. While the Board maintained its denial of institution, it reversed itself on the merits and denied instead as an exercise of discretion under *Fintiv*, citing to the rescission of the Vidal Memorandum in a footnote.<sup>11</sup> Conducting the *Fintiv* analysis, the Board found only the fourth *Fintiv* factor weighed slightly against discretionary denial, due to a “*Sand plus*”<sup>12</sup> stipulation which did not completely eliminate any overlap with invalidity arguments in the district court.<sup>13</sup> But the Board explained this alone could not outweigh the other *Fintiv* factors, three of which weighed in favor or heavily in favor of denial.<sup>14</sup>

Similarly, the Board is reconsidering its decision to institute at least one set of ongoing IPRs<sup>15</sup> in light of the rescinded Vidal Memorandum. In those proceedings, the Board instituted review (despite Patent Owner's requests for discretionary denial) relying on the Petitioner's *Sotera* stipulations and the Vidal Memorandum which controlled at the time.<sup>16</sup> Immediately after the USPTO rescinded the Vidal Memorandum, Patent Owner sought to renew its request for discretionary denial, requesting authorization to file motion to terminate, which the Board granted.<sup>17</sup> The parties are currently briefing the request to terminate, briefing which is expected to be completed by March 26, 2025.

## Key Takeaways

Now that the Vidal Memorandum is out of the picture and the Boalick Memorandum controls, all parties should be prepared to fully brief issues of discretionary denial. Arguments could be raised in traditional pre-institution briefing (i.e., Preliminary Responses), in established procedures for rehearing requests, or even in authorized motions to terminate and supplemental briefing.

Petitioners should be mindful that a *Sotera* stipulation itself will no longer carry the day; the Board will return, as it already did in the examples cited above, to its practice of weighing the stipulation under the totality of the circumstances.

Patent Owners should be sure to raise any appropriate arguments for discretionary denial. Discretionary denial arguments, particularly those focused on concerns related to parallel proceedings, are likely to be more powerful going forward.

As always, the Latham PTAB team is available to discuss these developments.

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**Endnotes**

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<sup>1</sup> Katherine K. Vidal, *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation*, USPTO (June 21, 2022).

<sup>2</sup> Scott R. Boalick, *Guidance on USPTO's rescission of "Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation"*, USPTO (Mar. 24, 2025), available at [https://www.uspto.gov/sites/default/files/documents/guidance\\_memo\\_on\\_interim\\_procedure\\_rescission\\_20250324.pdf](https://www.uspto.gov/sites/default/files/documents/guidance_memo_on_interim_procedure_rescission_20250324.pdf).

<sup>3</sup> *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11, 2020 WL 2126495 (PTAB Mar. 20, 2020) (designated precedential May 5, 2020).

<sup>4</sup> *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12, 2020 WL 7049373 (PTAB Dec. 1, 2020) (designated precedential as to § II.A).

<sup>5</sup> News & Updates, *USPTO rescinds memorandum addressing discretionary denial procedures*, USPTO.gov, available at <https://www.uspto.gov/about-us/news-updates/uspto-rescinds-memorandum-addressing-discretionary-denial-procedures> (last accessed on Mar. 26, 2025).

<sup>6</sup> *Id.*

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<sup>7</sup> *Mobileye Global, Inc. v. Facet Tech. Corp.*, IPR2024-01111, Paper 14, 2025 WL 713799 (PTAB Mar. 5, 2025).

<sup>8</sup> *Id.* at 15, \*6-7.

<sup>9</sup> *Palo Alto Networks, Inc. v. Croga Innovations Ltd.*, IPR2024-01421, Paper 8, 2025 WL 818297 (Mar. 14, 2025), at 13, \*5.

<sup>10</sup> *Id.* at 14, \*6.

<sup>11</sup> *Toyota Motor Corp. et al. v. Emerging Automotive LLC*, IPR2024-00785, Paper 13 (PTAB Mar. 11, 2025) at 11 n.6, 14-15.

<sup>12</sup> *Sand Revolution II, LLC v. Continental Intermodal Grp.–Trucking LLC*, IPR2019-01393, Paper 24, 2020 WL 3273334 (PTAB June 16, 2020).

<sup>13</sup> *Toyota Motor Corp.*, Paper 13 at 14-15.

<sup>14</sup> *Id.* at 16.

<sup>15</sup> *Sony Corp. v. Optimum Imaging Techs., LLC*, IPR 2024-00923, Paper 24 (PTAB Mar. 11, 2025).

<sup>16</sup> *Sony Corp. v. Optimum Imaging Techs., LLC*, IPR 2024-00923, Paper 11 (PTAB Nov. 18, 2024).

<sup>17</sup> *Sony Corp.*, Paper 24 at 2-3 (citing Ex. 3001).