

Acting USPTO Director Sheds Light on New Bifurcated Discretionary Denial Process with Recent Decisions

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On March 26, 2025, Coke Morgan Stewart, the Acting Director of the United States Patent and Trademark Office (USPTO) issued a memorandum making significant procedural changes to how the USPTO and Patent Trial and Appeal Board (PTAB) will evaluate petitions for *inter partes* review (IPR) and *post-grant* review (PGR), and whether to discretionarily deny those petitions.

IPRs and PGRs are administrative procedures before the PTAB through which a petitioner can challenge the validity of a patent. IPRs and PGRs provide a limited scope alternative to filing a district court litigation.

Recent decisions by the acting director provide helpful guidance for how the new discretionary denial procedure will be interpreted and applied by the PTAB.

Background

The PTAB is tasked with a number of duties under 35 U.S.C. §6, including IPR and PGR proceedings. The March 26 memorandum entitled "Interim Process for PTAB Workload Management" (Interim Process) was issued to address the workflow for administrative patent judges (APJs) in managing these duties.

The memorandum provides a new procedure for discretionary denials that aims to balance the statutory duties of the PTAB and "improve PTAB efficiency, maintain PTAB capacity to conduct [IPR/PGR] proceedings, reduce pendency in *ex parte* appeals, and promote consistent application of discretionary considerations in the institution of [IPR/PGR] proceedings."



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Under this new process, the decision to institute an IPR or PGR is bifurcated between (1) discretionary considerations and (2) merits and non-discretionary statutory considerations. First, as a threshold matter, the acting director and at least three APJs will decide whether or not a petition should be discretionarily denied.

If a denial is not appropriate, the petition will proceed to consideration of the merits of the challenge to patentability.

The March 26 Interim Process identified a number of factors to be considered in assessing discretionary denial:

(1) Whether the PTAB or another forum has already adjudicated the validity or patentability of the challenged patent claims;

(2) Whether there have been changes in the law or new judicial precedent issued since issuance of the claims that may affect patentability;

(3) The strength of the unpatentability challenge;

(4) The extent of the petition's reliance on expert testimony;

(5) Settled expectations of the parties, such as the length of time the claims have been in force;

(6) Compelling economic, public health, or national security interests; and (7) Any other considerations bearing on the Director's discretion.

The Interim Process specifies that these factors are non-limiting, and that the "parties are permitted to address all relevant considerations." To account for these considerations and the bifurcated process, the new process also provides for a separate briefing for issues relevant to discretionary denial.

Since May 18, the acting director has issued a number of directives in response to requests for discretionary denial, both granting and denying requests. These directives shed light on how the factors will be interpreted and applied under this new procedure.

PTAB Efficiency Considerations

A key consideration in the acting director's decisions is PTAB efficiency. The acting director looks at whether a PTAB final written decision will be issued before the estimated trial date of any parallel district court litigation and the likelihood that a stay will be entered in any parallel litigation should the PTAB proceeding be instituted.

In assessing this potential efficiency, the acting director has considered various statistics, including the average time to trial in the parallel district court and the percentage of successful motions to stay after the institution of a PTAB trial.

For example, in *Arm Ltd. v. Daedalus Prime LLC*, the projected final written decision due date was June 2026 while the district court's scheduled trial date was Jan. 26, 2026 with the time-to-trial statistics also indicating that trial would begin between March and May 2026. IPR2025-00207, Paper 10 (May 16, 2025).

A stay of the district court proceeding was also unlikely, as the challenged patent was only one of eight patents at issue in the litigation. The acting director granted discretionary denial because it was unlikely that the PTAB would reach a final

written decision before trial and the district court was unlikely to stay the parallel proceeding.

On the other hand, in *Twitch Interactive, Inc. v. Raz-Dog Holdings LLC*, the projected final written decision due date was July 30, 2026, while in district court the time-to-trial statistics indicated a trial would not occur until "significantly" later, in Feb. 2027. IPR2025-00307, IPR2025-00308, Paper 18 (May 16, 2025).

Evidence was also presented demonstrating that over the past 12 years, judges in the parallel district granted or partially granted 76% of all post-institution motions to stay pending IPR, and that the presiding judge in particular had granted all post-institution stay motions since 2016. Thus, the acting director determined discretionary denial was not appropriate.

Other Efficiency Considerations

The acting director's recent decisions have also highlighted two additional factors pertaining to efficiency: (1) whether the parties have "significantly invested" in parallel litigation proceedings; and (2) the timeliness of the challenge to the validity of the patent.

In assessing the significant investment factor, the acting director has considered whether discovery is underway, a claim construction hearing has been scheduled, and the parties have exchanged infringement and invalidity contentions.

To date, the acting director has been inclined to grant discretionary denial when these milestones have been reached in parallel litigation. *Advanced Micro Devices, Inc. v. Concurrent Ventures, LLC*, IPR2025-00223, Paper 9 (June 12, 2025); *NeoGeonomics Laboratories, Inc. v. Natera, Inc.*, IPR2025-00455, Paper 13 (June 12, 2025).

The acting director has also considered the timing of the challenge to the validity of the patent relative to the patent's issuance, on the principle that "[e]arly challenges favor robust, predictable patent rights and weigh against discretionary denial." *Resmed Corp. v. Cleveland Medical Devices, Inc.*, IPR2025-00246, IPR2025-00247, Paper 10 (June 12, 2025).

The acting director indicated that a timely challenge can outweigh other potential discretionary factors.

For example, in *Resmed*, the acting director rejected discretionary denial even though the parties had "invested some resources" into a stayed parallel proceeding because "that consideration is outweighed by the early challenges to the patents at issue" where the patents had been issued in the previous year. IPR2025-00246, IPR2025-00247, Paper 10 (June 12, 2025).

However, the acting director has held that discretionary denial is appropriate where the challenge to patentability was brought close to a decade after the patent was issued. *iRhythm Technologies, Inc. v. Welch Allyn, Inc.*, IPR2025-00363, IPR2025-00374, IPR2025-00376, IPR2025-00377, IPR2025-00378, Paper 10 (June 6, 2025).

Other Factors Considered

While the acting director has placed an emphasis on efficiency factors, other non efficiency-related factors can overcome these efficiency considerations. The additional factors include the PTAB's expertise, considerations of equity and fairness, and material error in prior proceedings.

In *Tesla, Inc. v. US*, the acting director indicated that the PTAB's expertise could be decisive. IPR2025-00341, Paper 12 (June 13, 2025).

The acting director found discretionary denial inappropriate where the case involved "eleven patents spanning nine different families that involve a diverse range of subject matter" because the PTAB is "better suited to review a large number of patents involving diverse subject matter" than a district court.

The acting director reached this determination despite other factors potentially favoring denial, including timing considerations, likelihood of a stay, and the meaningful investment of the parties.

The decisions also indicate willingness to consider principles of equity and fairness. For example, in *Globus Medical, Inc. v. Spinelogik, Inc.*, the acting director credited an argument that the petitioner had a legitimate expectation that the patent would not be enforced because "the challenged patent expired almost four years ago." IPR2025-00225, IPR2025-00226, Paper 8 (June 12, 2025).

In a similar vein, in *Savant Technologies LLC v. Feit Electric Co., Inc.*, discretionary denial was found not appropriate even though a petitioner had repeatedly challenged the same patent because, in parallel district court proceedings, the patentee had asserted new claims and the petitioner acted promptly in filing an additional petition within three months of the newly asserted claims. IPR2025-00260, Paper 16 (June 12, 2025).

And, in *Tessell, Inc. v. Nutanix, Inc.*, the acting director considered "unfair dealings" in the process significant

enough to warrant discretionary denial, despite a stay in a parallel district court case. IPR2025-00322, Paper 14 (June 12, 2025).

The acting director specifically noted that, "[a]lthough assignor estoppel does not apply in inter partes reviews under 35 U.S.C. §311(a) ... [i]t is not an appropriate use of office resources where the inventors applied for and were issued a patent, but, as is the case here, now advocate for its unpatentability."

The acting director has also considered whether the USPTO erred during the prosecution of the challenged patent.

This factor contemplates whether, if "substantially the same art" was previously presented to the USPTO, the "Office erred in a manner material to the patentability of challenged claims." *Tesla, Inc. v. Charge Fusion Technologies, LLC*, IPR2025-00152, IPR2025-00153, Paper 11 (June 12, 2025) (internal quotations omitted).

In both *Tesla, Inc. v. Charge Fusion* and *Microsoft Corp. v. Partec Cluster Competence Center GmbH*, IPR2025-00318, Paper 9 (June 12, 2025), the acting director declined to find discretionary denial appropriate because USPTO's failure to consider the teachings of prior patents materially altered the patentability. In the latter case, this factor controlled, even though the timing considerations favored discretionary denial.

Conclusion

These recent opinions provide practical guidance for the USPTO's new discretionary denial procedures. The decisions to date indicate that considerations of PTAB efficiency, such as timing of decisions, likelihood of a stay, investment of the parties in parallel proceedings, and the timeliness of the challenge are critical to the discretionary analysis.

Yet these factors can be overcome, such as by equitable arguments or the PTAB's expertise. While the Interim Process is in effect, due consideration should be given to the potential for discretionary denial.

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