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Stewart's Newest Discretionary Denial Has Attys On Edge

By **Dani Kass**

Law360 (June 10, 2025, 11:59 PM EDT) -- The acting U.S. Patent and Trademark Office director's decision on Friday to reject patent challenges due to the petitioner's long-standing knowledge of a patent has many attorneys bracing for either a massive rise or dip in Patent Trial and Appeal Board filings.

Acting Director Coke Morgan Stewart **invoked her discretion to deny** iRhythm Technologies Inc.'s challenges to Welch Allyn Inc.'s heart monitor patents, determining iRhythm waited too long to fight a patent it had included in a 2013 information disclosure statement to the agency. She used the one older patent as her reason to reject all five petitions.

As a result, attorneys say companies would have to file for inter partes review requests of patents they might otherwise leave alone as a precaution against future infringement claims or skip the PTAB altogether and only challenge patents in district courts if they are sued.

"I definitely think it's a good day for patent holders," said Charhon Callahan Robson & Garza PLLC partner Steven Callahan. "Perhaps the pendulum is swinging back a little bit to where it was before the America Invents Act and before the IPR process really took off."

A representative for the USPTO declined to comment or grant an interview with Stewart on Tuesday. However, earlier in the day, Stewart addressed the matter in a keynote speech at IAM's IPBC Global conference.

Stewart stated that petitioners should focus on tools like post-grant reviews that are early in the patent life, rather than filing IPRs as a defense to being sued.

"Let's take up important cases," Stewart said. "We don't need to be an on-demand extension of purely private disputes."

USPTO director nominee John Squires has likewise **told Congress** that PGRs should be prioritized more often.

IPRs Under Stewart

Since **Stewart took office** in January, she has **made clear** that the board needs to accept fewer IPR petitions and that judges should be using their discretionary denial powers to do so.

This included her **revoking** a memo from former USPTO Director Kathi Vidal that put restrictions on discretionary denial precedent. In addition, Stewart has **bifurcated** IPR reviews, where she now personally considers whether to discretionarily deny petitions before a panel reviews their possible merits.

IRhythm was her fifth decision under this **new process.**

The **earlier four** involved analyzing the Fintiv precedent from Vidal's memo, which looks to deny petitions based on how they'd interact with the timing of parallel litigation.

Welch Allyn had made Fintiv arguments, but Stewart found them unpersuasive. Instead, she rejected iRhythm's petitions based on the company's delays.

IRhythm had cited the application for one of the challenged patents in 2013, as part of an information disclosure statement for a patent it was pursuing. She concluded its "failure to seek early review of the patents favors denial."

Stewart **announced** in a March memo that she would be considering discretionary denials based on "settled expectations," but the iRhythm case is the first time she — or any other USPTO leader — has done so.

If she's using a new form of denial, attorneys want more guidance than the **one paragraph explanation** Stewart provided.

"I would have expected more guidance, more of an explanation, maybe a bit more about the facts of this case that would help practitioners know when this might come into play," said Greg Cordrey of Jeffer Mangels Butler & Mitchell LLP.

Settled Expectations

Stewart's decision has caused dispute about whose expectations are settled under the doctrine: Does the patent owner have the settled expectation that it can rely on its patent after years of not being challenged, or do patent challengers have the settled expectation that IPRs are available to them?

"Settled expectations is a really important doctrine," said former USPTO Solicitor Thomas Krause. "People are supposed to rely on the existing sets of rules they're acting under."

The retired official is vehemently against Stewart's decision, saying it is "literally the complete opposite of settled expectations."

"The patent holder here had no 'settled expectations' that it wouldn't have to face an IPR," Krause said. "Certainly back in 2013, we had the AIA in place."

Vidal, now a partner at Winston & Strawn LLP, likewise said there's no expectation that a patent would be upheld, since there's always been some way to challenge them.

Josh Malone, a member of small inventor advocate US Inventor, argues otherwise.

"Ideally when the patent issues, you would have quiet title then. But if you can get quiet title nine months later after the PGR window closes, that's the next best thing," he said. "If I can rely on that patent after nine months, it makes all the difference in the world for my new ventures and my investors, versus not knowing 10, 20 years later if I have a valid patent or not according to the patent office."

Cahill Gordon & Reindel LLP partner Colleen Tracy James said there's an objective analysis for settled expectations, and here, the underlying facts are that Welch Allyn's patent has been in force since 2012, and iRhythm has known about it since 2013.

"If you just think about it logically, that if a party knew about a patent and waited a long period of time to file an IPR, there's some reasonable belief on the patentee's part that the patent wouldn't be challenged in IPR," James said. "That was a settled expectation."

There are reasons why a quick challenge may not make sense, said Mark Lemley, a partner at Lex Lumina PLLC and well-known professor at Stanford Law School. While individuals could be aware a patent exists, they may not make a product that could be infringing until years later.

He also said late challenges to patents often come when one is near the end of its life and has been sold to a nonpracticing entity that decides to assert it. Under Stewart's decision, such an IPR may not be allowed.

James, however, said holding off on challenges for years is "basically retaliatory."

"If the party really wanted to avail itself of the IPR process, it would have done so at the time the patent issued or as soon as it knew the patent had issued," she said.

The America Invents Act

Under the AIA, inventors have one year to bring an IPR if they are sued for infringement, but otherwise there is not a time limit.

Vidal said, that by essentially adding one in, "Acting Director Coke Stewart ... takes the IPR process

dangerously off course."

"Her ruling disregards the clear statutory time limits in the AIA — limits that were intentionally designed by Congress to apply only to post-grant reviews based on patent issuance dates — and instead establishes a precedent that could undermine the entire prosecution and PTAB framework," the former director said in an email.

The AIA does have a nine-month time limit on filing PGRs, which shows the exclusion of IPRs was purposeful, Vidal said.

The AIA was Congress' mandate to tamp down on having issued too many invalid patents, Callahan said.

"This decision is inconsistent with that," he said. "What's going to happen is you're going to get more district court proceedings moving full steam ahead, because you don't have IPRs that have been instituted."

It will be essentially impossible for iRhythm to challenge Stewart's decision because institution decisions are "final and unappealable" under the AIA, and courts have been very strict with interpreting that language.

"You're out of luck," Callahan said.

"That said," Vidal stated in an interview, "some of these decisions are going so far off the rail, I would like to think that there's some ability for the courts to rein this in."

Future Practices

Attorneys who oppose Stewart's decision claim there could be "far-reaching and damaging consequences," as worded by Vidal. To save their IPR rights, petitioners may have to adjust practices.

Welch Allyn's then-patent application had shown up for iRhythm while prosecuting its own patent, and it was included in iRhythm's information disclosure statement. It's not always clear how much a patent owner can claim knowledge of that cited prior art, said Jeffer Mangels' Cordrey.

"If you had over 100 [citations], it seems a little unfair then to attribute knowledge to the petitioner," he said. "If it was three or four or a handful, less than a dozen, then maybe it's a little bit more reasonable."

It's also not always clear who added the challenged patent into the information disclosure statement, meaning it may have even been a patent examiner rather than the party, Lemley said.

Stewart's decision could discourage patent applicants from doing a thorough prior art search if they're risking the ability to challenge prior art they believe is invalid in the future, Vidal said.

"We're now going to have a whole cottage industry about disputes on whether you were aware of the patent," Lemley said, questioning whether it would make sense now to cite the best prior art or a competitor's prior art, even if it would be in the patent's best interest.

The decision also "poses an unreasonable expectation on innovators to track every patent application they list that may later mature into a patent and to predict infringement arguments that may be made 12 years later on products that do not yet exist," Vidal said.

The alternative would be to file IPRs "en masse" to avoid future issues, which would undermine the idea of an IPR being an efficient alternative to district court, she said.

"Thats not what the AIA was intended to do," Vidal said. "It was not intended to create disputes where there were none."

Krause, the former USPTO solicitor, expressed frustration that the agency is "literally telling people you should be filing IPRs to protect yourself," while also focusing on discretionary denials because there are too many IPRs.

However, attorneys say that would be impractical. Vidal noted that filing fees for IPRs can be up to $500,000, and Callahan said there's often too many patents for so many challenges to be possible.

Callahan also took to LinkedIn to joke about the ruling:

"Effective as of June 6, the firm has opened up its 'Better File Your IPRs as Soon as You Become Aware of the Challenged Patent and Not Wait Until You're Sued Because Then Your IPR Will Be Doomed' Task Force. Please contact us for all of your IPR needs. Thank you."

--Editing by Emily Kokoll.

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