

# Daily Journal

Friday, April 17, 2015

## Inter partes review can be an effective tool

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An inter partes review (IPR) is a strategic tool available to a defendant faced with a patent litigation. Although a stay of litigation pending IPR proceedings may not be granted in jurisdictions with a short time to trial, an IPR can still be a valuable tool in such "rocket docket."

IPR proceedings are a relatively speedy and inexpensive proceeding - generally reaching a final decision within 18 months. In the short time IPRs have been available - the proceeding was created by the America Invents Act (AIA) - statistics significantly favor the patent challenger. The speed and invalidity rates have thus led to stays pending IPR proceedings.

However, the time to trial in rocket dockets can rival that of IPR proceedings - making such rocket dockets more attractive to plaintiffs wishing to shield themselves from the invalidity rates associated with IPRs. Rocket docket schedules weigh against granting a stay, since an IPR would not simplify or streamline issues in time for trial.

And, in the ITC, the additional delay, on top of corresponding district court stays, has been found prejudicial to patent owners in light of the relative speed of ITC cases. See, e.g., *Certain Microelectromechanical Systems and Products Containing Same Inv.*, 337-TA-876, Order No. 6 at 7-8 (May 21, 2013); *Certain Semiconductor Chips with Minimized Package Size Inv.*, 337-TA-605, Comm'n Op. at 4, 8 (May 27, 2008). In fact, no ITC investigations have been stayed pending IPR. Therefore, the high success rate associated with IPRs and the potential costs saving derived from staying more expensive litigation, may not be available to defendants in rocket dockets.

Nonetheless, an IPR may still be a valuable tool during a parallel litigation and after trial.

*Willfulness defense.* Courts have been reluctant to allow IPR evidence to be presented to a jury, reasoning that an institution of an IPR is not sufficiently probative "because of the different standards, procedures and presumptions applicable to IPR proceedings" and that such evidence is "highly prejudicial to the jury's determination of the validity of the patents." *Ultratec, Inc. v. Sorenson Communications Inc.*, 13-346 (W.D. Wisc. Oct. 8, 2014). However, institution of an IPR has been allowed to show objective evidence of the petitioner's reasonable reliance on its invalidity defense - defeating a willful infringement assertion. And in the ITC, parties will generally keep the administrative law judge informed of the substantive progress of an IPR.

*Settlement leverage.* When faced with a strong IPR, patent owners - especially those filing cases against defendants over time - may be motivated to settle before the Patent Trial and Appeal Board (PTAB) reaches adverse findings. Although an IPR may be terminated when the parties settle, the PTAB may still issue a decision in the absence of a petitioner - encouraging settlements earlier in the proceedings.

*Defining issues early.* A patent owner will typically file a preliminary response early in the IPR proceeding (within three months of the petition). In the preliminary response, a patent owner may take positions on the level of ordinary skill in the art, the disclosures in the prior art, and the secondary considerations to persuade the PTAB not to institute an IPR. Such statements may help define issues and allow the defendant more time to develop rebuttal arguments.

*Follow-on litigation.* Rocket dockets maintain their pace by adhering to aggressive schedules. When plaintiffs cannot amend their infringement contentions and after a successful jury verdict, they may file follow-on litigation to cover the new contentions. In such litigations, the one-year IPR bar is not renewed and will likely have expired. A pending IPR can keep a validity challenge alive in a follow-on case when the best prior art is barred by res judicata or collateral estoppel. While an ex parte reexamination is another option, the ability of the patent owner to communicate unchecked with the examiner and the length of those proceedings can make it unattractive.

Patent owners often file simultaneous complaints in the ITC and district court, the latter of which is typically stayed pending the ITC investigation. So, unless filed during the investigation, an IPR will likely be barred by the time the district court stay is lifted. Also, regardless of the outcome of the ITC action, validity and invalidity can be relitigated in the parallel district court litigation because there is no res judicata effect from an ITC finding. ITC respondents must be cautious because the estoppel effect of 35 U.S.C. Section 315(e)(2) applies equally to ITC proceedings.

*Appeal, commission review and exclusion orders.* The timing of an IPR associated with parallel litigation must be carefully considered in view of the parallel litigation schedule. One advantage with rocket dockets is that the schedule is less likely to change, leading to better predictability.

More expansive and deferential standards associated with IPRs suggest that appeals of IPR decisions should be heard before those from parallel litigations. The PTAB applies a broader claim construction standard (broadest reasonable construction) and a lower evidentiary standard (preponderance of the evidence). Therefore, an invalidity defense may have a greater likelihood of success under these more expansive standards than in a parallel litigation. And the PTAB's underlying factual determinations in a final written decision - anticipation, what a reference teaches, and the differences between the claimed invention and the prior art - are only reviewed for substantial evidence on appeal under a preponderance of the evidence standard.

If an IPR appeal cannot be filed before a parallel litigation appeal, it should be timed as close in time as possible to increase the likelihood of consolidation, which has several benefits.

The more deferential standards accorded to PTAB decisions would be available to the U.S. Court of Appeals for the Federal Circuit rather than the clearly erroneous standard and clear and convincing evidence requirement for district court cases. *Teva Pharmaceuticals USA Inc. v. Sandoz Inc.*, 135 S.Ct. 831 (Jan. 20, 2015). And a PTAB decision finding invalidity may reinforce, or at least cast doubt on, a finding in a parallel litigation.

Further, consolidation may allow affirmance of the IPR, thereby foreclosing an adverse judgment in a parallel litigation. *In re Translogic Technology Inc.*, a pre-AIA Federal Circuit appeal, illustrates the benefits of such consolidation. There, after the Federal Circuit consolidated the BPAI (predecessor to the PTAB) and district court

appeals, it affirmed the BPAI and separately vacated the district court judgment due to its affirmance of the BPAI. In contrast, in *Versata Software Inc. v. SAP America Inc.*, 717 F.3d 1255 (Fed. Cir. 2013), the district court and PTAB appeals proceeded on separate tracks. Although the PTAB invalidated Versata's patent, SAP was not released from the district court damages verdict.

Finally, in the ITC, if the commission decides to review the administrative law judge's initial determination, IPR evidence may be enough to persuade the commission to find no violation, even if the administrative law judge reached different conclusions on the same prior art. Additionally, others have recently opined that a pending IPR proceeding may be a compelling public interest factor justifying delayed enforcement of any exclusion order pending IPR proceedings. However, no such precedent currently exists and delayed enforcement is rare.

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