

A Practical Guide to *Inter Partes* Review

Strategic Considerations Relating To Termination



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Inter Partes Review

Topics in Today's Webinar

- Termination of IPRs
- Strategic Considerations
- Estoppel



IPR Termination

- 35 U.S.C. §317: “An *inter partes* review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.”
 - See, e.g., IPR2013-00603, paper 15, p. 2. (PTAB Jan. 7, 2014).
- However “the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.” 37 C.F.R. § 42.74(a).



The USPTO Position on IPR Termination

- “There are strong public policy reasons to favor settlement between the parties to a proceeding” 77 Fed. Reg. 48756, 48768, para. (N) (Aug. 14, 2012) (“The Trial Practice Guide”).
- “The Board expects that a proceeding will terminate after the filing of a settlement agreement, unless the Board has already decided the merits of the proceeding.” 77 Fed. Reg. 48756, 48768, para. (N) (Aug. 14, 2012) (“The Trial Practice Guide”).



Termination Distinctions Between IPRs and *Inter Partes* Reexams

- Early termination of an *inter partes* reexam was generally only permitted due to issue preclusion (i.e., a final court decision upholding the validity of the same claims). See 37 C.F.R. 1.907(b); MPEP 2686.04.
- The new post grant procedures were intended to be strictly adjudicative in nature, where “the petitioner, rather than the Office, bears the burden of showing unpatentability.” 157 Congressional Record S1375, daily ed. March 8, 2011.
- Thus settlement between parties can provide procedural posture for termination.



Settlement Statistics

- In FY 2013:
 - 38 settlements, 2 adverse judgments, no final written decisions.
 - 531 IPR petitions filed in September of 2012 and FY 2013 combined.
- In FY 2014:
 - 210 settlements, 39 adverse judgments and 130 final written decisions.
 - 1,310 IPR petitions were filed in FY 2014.

See AIA Trials Instituted/Disposals available at:

http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_100214.pdf



Settlement Statistics

Of 117 settled cases as of April of 2014:

- 53 (45%) settled before institution
 - 20 settled in 90 days of filing.
 - 48 settled in first six months after filing.
- 64 (55%) settled after institution
 - 37 settled after institution but in first nine months after filing.
- 105 or 90% of the settlements were within 9 months of filing

Termination Strategic Considerations

- Who
 - Identify relevant parties
- When
 - The timing of a settlement can make a difference on termination
- How
 - The process provided by the rules of the USPTO



Who

Additional parties to current litigation

- Impact on litigation
- Timing considerations

Potential future defendants

- Potential privity finding

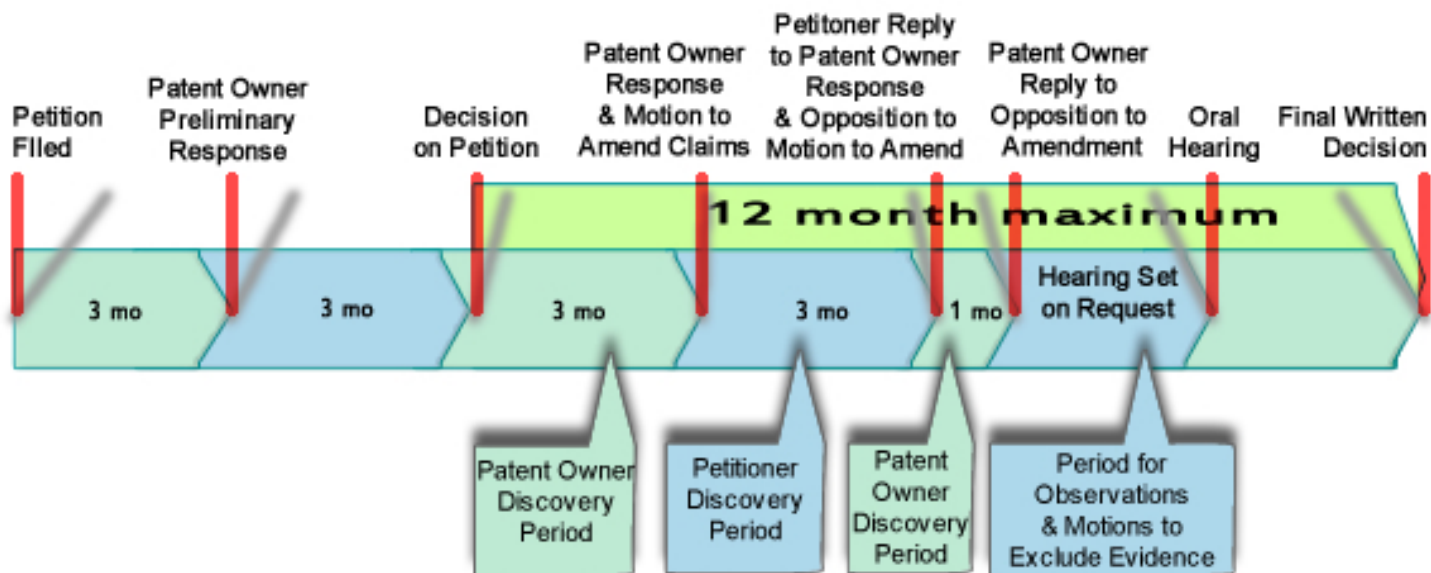
Other petitioners

- Joinder considerations



When

Trial Proceeding Timeline





Settlement Pre-Filing

Patent Owner

- No public disclosure of prior art and invalidity theories
- Maintain cost barrier to future IPRs

Petitioner

- Avoid filing fees
- Avoid additional litigation fees and expenses, if there is co-pending litigation



Settlement Before Preliminary Response

Patent Owner

- Avoids statements on the record regarding scope of patent
 - But, IPR will be available to future defendants/petitioners
- Avoids cost of preparing patent owner preliminary response and expert fees

Petitioner

- Avoid several months of additional litigation costs
- Consider co-defendants and potential future defendants

Settlement Before Institution Decision

Patent Owner

- Avoids PTAB statements adverse to patent
- But, institution may be denied

Petitioner

- No appeal if institution is denied
 - *St. Jude Medical, Cardiology Division, Inc. v. Volcano Corporation*, 749 F.3d 1373 (Fed. Cir. 2014).



Settlement Before Hearing

Patent Owner

- May be last opportunity for termination without decision
- Termination requests made close to hearing may be denied

Petitioner

- Avoid expenses associated with hearing preparation as well as several additional months of litigation (if not stayed)



Settlement Post-Hearing

PTAB is unlikely to terminate

- *Blackberry Corp. v. Mobilemedia Ideas LLC*, IPR2013-00016 (PTAB Dec. 11, 2013).
 - Parties filed a joint motion to terminate seven months after institution of the IPR and just one day before a scheduled oral hearing. Denied in view of the advanced stage of the proceeding. Terminated with respect to the Party but not the proceeding.
- *Blackberry Corp. v. Mobilemedia Ideas LLC*, IPR2013-00036, Paper No. 64, at 2–3 (PTAB Jan. 21, 2014).
 - The Board denied a motion filed almost two months after the oral hearing. The issues for trial had been fully briefed at the time the parties moved to terminate. Terminated with respect to the party but not the proceeding.

Termination is at the Board's Discretion

The Board may proceed to a final written decision if no petitioner remains in the review.

- “The parties may agree to settle any issue in a proceeding, but the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.” 37 C.F.R. § 42.74(a).
- *See, e.g., Blackberry Corp. v. Mobilemedia Ideas LLC*, IPR2013-00016, paper 64 (PTAB Jan. 21, 2014) (“in view of the advanced stage of this proceeding, rather than terminate this proceeding, the Board will proceed to a final written decision.”)



How

Motion to terminate

Settlement without termination

Request for adverse judgment



Moving to Terminate

Orally request permission from Board to move

- § 42.20 Generally.
 - (a) Relief. Relief, other than a petition requesting the institution of a trial, must be requested in the form of a motion.
 - (b) Prior authorization. A motion will not be entered without Board authorization. Authorization may be provided in an order of general applicability or during the proceeding.
- Make a joint request. See 35 U.S.C. §317 (“An *inter partes* review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner...”)



Moving to Terminate (cont.)

- Submit full copy of settlement agreement
 - Filing of agreements in contemplation of termination is required by 35 U.S.C. 317(b) as amended.
 - 35 USC § 317. Settlement
 - (b) Agreements in Writing.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an *inter partes* review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the *inter partes* review as between the parties.



Moving to Terminate (cont.)

- Agreements may be filed under seal. See 37 C.F.R. § 42.74(c):
 - the settlement shall only be available:
 - (1) To a Government agency on written request to the Board; or
 - (2) To any other person upon written request to the Board to make the settlement agreement available, along with the fee specified in § 42.15(d) and on a showing of good cause.
- See *also* 35 USC § 317(b) “At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information...”



Settlement Without Termination

Board may refuse to terminate

- Petitioner can file a statement of non-participation as part of motion to terminate
 - See, e.g., CBM 2013-00015, Paper No. 10.
- Not a withdrawal from the proceeding
- May wish to provide useful information to co-defendants prior to filing statement



Request for Adverse Judgment

37 C.F.R. 42.73

- (b) Request for adverse judgment. A party may request judgment against itself at any time during a proceeding. Actions construed to be a request for adverse judgment include:
 - (1) Disclaimer of the involved application or patent;
 - (2) Cancellation or disclaimer of a claim such that the party has no remaining claim in the trial;
 - (3) Concession of unpatentability or derivation of the contested subject matter; and
 - (4) Abandonment of the contest.



Request for Adverse Judgment

Potential Reasons

- Acquisitions
- Discovery of or change in privity
- IPR is only pending on a subset of claims

Considerations

- Disclaimer may not be limited to patent or claims at issue in IPR



Estoppel

Scope

- Petitioner (or real party in Interest or privy)
 - A petitioner in an *inter partes* review may not request or maintain a subsequent proceeding before the Office with respect to any challenged patent claim on any ground that was raised or reasonably could have been raised in the *inter partes* review.
 - See 35 U.S.C. §§ 315(e) and 325(e).



Estoppel

A petitioner in an *inter partes* review may not assert in a subsequent district court or ITC action that a claim is invalid on any ground that the petitioner raised or reasonably could have been raised in the *inter partes* review.

- See 35 U.S.C. §§ 315(e) and 325(e).



Estoppel (cont.)

Patent Owner Estoppel

- A patent owner is estopped from taking action inconsistent with any adverse judgment including obtaining in a patent a claim that is patentably indistinct from a finally refused or cancelled claim or amending its specification or drawing in a way that it was denied during the proceeding.

37 C.F.R. § 42.73

- Does not apply to a patent or application with a different written description.



Estoppel (cont.)

Time of Attachment

- After Final Written Decision by Board
- No estoppel in event of termination
- This is a change from *inter partes* reexamination



Questions?

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