

A Practical Guide to *Inter Partes* Review

IPR Strategies with Existing Litigation



Presenters



David Cavanaugh
Partner
WilmerHale



Peter Dichiara
Partner
WilmerHale



Cynthia Vreeland
Partner
WilmerHale



Introduction

Most IPRs have parallel litigation pending.

Prior sessions have addressed issues to consider in deciding whether to file an IPR, and in preparing an IPR.

This session will focus on the interactions between parallel PTAB and District Court proceedings including:

- Strategic decisions impacting the parallel proceedings
- Managing the parallel proceedings



IPR Decision

Is IPR a likely strategy?

- Important to determine at **outset** of case.
- AIA provides 12 months from service of complaint to file IPR.
- But if IPR is likely strategy, this will impact approach to litigation.



IPR Decision

If IPR is likely, petitioner should:

- Nail down as quickly and definitively as possible which claims patent owner will assert so IPR can focus on those claims.
 - May be difficult in jurisdictions that don't require infringement contentions (e.g., Delaware).
- Identify prior art that will not be estopped (e.g., prior devices).
 - Estoppel applies to any ground that “reasonably could have been raised.” (§ 315(e))
 - But IPR is limited to prior patents, printed publications. (§ 311(b))



IPR Decision

If IPR is likely, petitioner should:

- Identify claim constructions that will minimize tension between IPR and District Court positions.
 - PTO is not likely to construe claims narrowly.
- To maximize likelihood of stay, attempt to minimize discovery in District Court.



IPR Timing

File quickly or wait?

- IPR must be filed within 12 months after service of complaint but can be filed any time before that.

Filing quickly can increase pressure on patent owner:

- Patent owner may have to take claim construction positions before obtaining discovery on accused products, and before District Court *Markman* proceedings.
- If IPR is timed so that patent owner's statement is filed in PTAB before *Markman* in District Court, petitioner may be able to use patent owner's arguments distinguishing prior art to support narrow constructions in District Court.



IPR Timing

Filing quickly also can increase likelihood of obtaining stay of litigation.

But filing too quickly can present challenges:

- If IPR can't cover all claims (e.g., too many patents or too many claims), patent owner may be able to refocus litigation on non-challenged claims.
- Petitioner also may lack insight into patent owner's responses to invalidity arguments and thus be limited in its ability to identify the best prior art.



IPRs in Multi-Defendant Litigation

If a co-defendant plans to file an IPR, better to stay out or join?

- In most cases, probably best to stay out.
 - All parties participating in IPR are estopped from raising invalidity issues that “reasonably could have been raised” in the IPR.
 - Staying out of the IPR avoids the estoppel.
 - A defendant who does not participate in the IPR can raise any invalidity defense at trial.
 - Although jury is not likely to find patents invalid based on the **same** prior art raised in the IPR, defendants who do not participate in IPR may have a solid invalidity case based on other prior art.



IPRs in Multi-Defendant Litigation

In some cases, however, there may be reasons to join:

- Ensures that issues important to your client will be covered.
 - If accused products are different, participating in IPR may provide ability to oppose amendments that would capture your client's products but not the co-defendant's products.
 - If asserted claims are different, participating in IPR will ensure claims significant to your client are covered.
- Increases likelihood of obtaining stay of litigation.
 - Many courts require co-defendants to agree to be bound by IPR if they want stay (*e.g.*, *Pi-Net International, Inc v. Focus Business Bank*, Case No. 5-12-cv-04958, ECF No. 58, at *10 (N.D. Cal. Aug. 16, 2013); *Achates Reference Publishing, Inc. v. Symantec Corporation*, et. al., Case No. 2-11-cv-00294, ECF No. 375, at *1-2 (E.D. Tex. April 17, 2013)).



IPRs in Multi-Defendant Litigation

If your client does ***not*** want to join in the IPR:

- Critical to avoid JDG communications that could create “real party in interest” issues.
- IPR petition must identify real parties-in-interest. Any party found to be a “real party in interest” will be barred by estoppel.
- Plaintiffs firms are focusing on this issue.



IPRs in Multi-Defendant Litigation

Example from recent multi-defendant litigation:

- For purposes of identifying “real parties in interest,” patent owner requested certifications that:
 - Petitioners were solely responsible for drafting, preparing, editing, reviewing, paying for, and making all decisions for IPRs
 - Petitioners did not discuss IPRs with any other parties including co-defendants
 - No one other than petitioners contributed in any way, financially or otherwise, to IPRs
 - No one other than petitioners was involved in any decisions or communications concerning the preparation, drafting, or filing of the IPRs
- Petitioners were able to represent – based on agreement of no waiver of privilege – that they were solely responsible for the IPRs.



IPRs in Multi-Defendant Litigation

Law on “real parties in interest” remains very unclear.

- How much can petitioner share with JDG without creating privity?
- Central issues appear to be “control” and “financing”
- Patent Office Trial Practice Guide:

“[I]f Party A is part of a Joint Defense Group with Party B in a patent infringement suit, and Party B files a PGR petition, Party A is not a “real party-in-interest” or a “privy” for the purposes of the PGR petition based solely on its participation in that Group. That is not to say that Party A’s membership in Trade Association X, or the Joint Defense Group, in those scenarios is irrelevant to the determination; deeper consideration of the facts in the particular case is necessary to determine whether Party A is a “real party-in-interest” or a “privy” of the petitioner.” (p. 19)



IPRs in Multi-Defendant Litigation

If your client **does** want to participate in the IPR:

- Motion to join, or separate IPR?
- Motion to join may be filed even after 12 month time limit for IPR petition.
- AIA states that time limit for IPR petition “shall not apply to a request for joinder.” (§ 315(c))
- But PTAB has discretion to **deny** joinder if it will cause undue complication or delay.



Motions to Stay

District courts are now granting stays in about 60% of cases

(e.g. <https://www.docketnavigator.com/stats/reexam>).

Relevant factors include:

- Stage of the litigation
- Potential for IPR to simplify issues
- Potential prejudice to patent owner if stay is granted



Motions to Stay

File motion for stay immediately based on IPR petition, or wait until institution?

Courts have denied motions filed **before** institution as too early :

- *E.g., Automatic Manufacturing Systems, Inc. v. Primera Tech., Inc.*, No. 6:12-cv-01727, ECF No. 36, at *4-6 (M.D. Fla. May 13, 2013)

But courts also have denied motions filed **after** institution as too late:

- *E.g., Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, Case No. 3-11-cv-06391, ECF No. 198 (N.D. Cal. June 11, 2013)

Important to check prior decisions by presiding judge.



Managing Claim Construction in Parallel Proceedings

PTAB requires early positions on claim construction.

- Petitioner must take position in initial IPR petition.
- Patent owner must take position in first patent owner response.

PTAB will make initial determination on claim construction in institution decision, and will apply a broader standard than District Courts.

- PTO: “Broadest reasonable construction in light of the specification” (37 C.F.R. § 42.100(b))
- District Court: Correct meaning of term in light of claim language, specification, file history (*Philips*)



Managing Claim Construction in Parallel Proceedings

Important to consider **timing** of relative claim construction processes in deciding timing of IPR.

- Better if parties are required to take positions in PTAB **before** District Court?
- Or better if parties take positions in District Court first?
- If PTAB issues its decision **after** District Court issues its *Markman* order, would District Court consider reopening *Markman* proceeding?



Managing Claim Construction in Parallel Proceedings

Parties are likely to have to take claim construction positions in PTAB before *Markman* briefing in District Court.

- PTO: Petition must be filed within 12 months after filing of complaint. Patent owner must file preliminary response within 3 months.
- District Court: Although timing varies significantly, most cases take more than a year to reach *Markman* hearing.



Managing Claim Construction in Parallel Proceedings

Recent example from the Eastern District of Texas:

- Complaint: December 15, 2011
- Initial Status Conference: June 7, 2012
- Infringement Contentions: October 31, 2012
- Invalidity Contentions : November 30, 2012
- Petitions for IPRs: December 14, 2012
- ***Patent Owner Response : March 20, 2013***
- ***Joint Markman Statement: May 3, 2013***
- ***PTO Decision to Institute: May 17, 2013***
- Markman Briefing: June/July 2013
- ***Markman Hearing: July 18, 2013***



Managing Claim Construction in Parallel Proceedings

This timing is likely to create more challenges for patent owner than for petitioner.

- Patent owner may have to take narrow positions in IPR to distinguish prior art.
- Patent owner also may have to take positions before any significant discovery on accused products.
- Although petitioner should attempt to take consistent positions in both proceedings, the varying standards in theory could support a broader construction in the IPR and a narrower construction in District Court.



Managing Claim Construction in Parallel Proceedings

Given the varying standards:

- Petitioner may have grounds to ask for a narrower construction in District Court than in the IPR.
- Similarly, Petitioner may have grounds to ask District Court to reconsider construction that is broader than PTAB construction
- Patent owner - in contrast - should have no grounds to complain about broader construction in IPR than in District Court.

District Courts (and the PTAB) are showing some independence and adopting their own constructions.



Managing Discovery in Parallel Proceedings

PTAB permits limited discovery including depositions of fact or expert witnesses who provide affidavits. (§42.41(b))

- If a party submits more than one affidavit from the same witness, the opposing party may take multiple depositions of the witness.
- In contrast to district court proceedings, however, the party presenting a witness may limit questions to relevant topics.

As a practical matter, this means that:

- The same witness may have to appear for **multiple** depositions.
- Petitioner's expert may be deposed without any insight into patent owner's theories (e.g., before complete response).



Managing Experts in Parallel Proceedings

Same or different experts?

Criteria are likely to be different:

- PTAB: Strong deponent
- District Court: Strong communicator, particularly for lay jurors

If carefully managed, using same expert in both proceedings can ensure consistency.

However, expert will be subject to multiple depositions.

Managing Trial in Parallel Proceedings

District Court case likely to reach trial only if PTAB affirms challenged claims.

- PTAB: If IPR filed 12 months after complaint, PTAB likely to make decision on institution 6 months later, and reach final decision 18 months later (*i.e.*, 2 ½ years from filing of complaint).
- District Court: Many courts will agree to stay litigation. Even absent a stay, most cases take 2 ½ years or more to reach trial.

Managing Trial in Parallel Proceedings

Can petitioner exclude references to a (failed) IPR?

- Very likely yes.

Can petitioner or patent owner exclude statements made in IPR?

- Unclear. Statements are “admissions,” but they may be more prejudicial than probative since the PTAB applies a different standard in evaluating patent validity.

For petitioner, critical to manage IPR filings so that statements made in IPR can't be used to prove infringement at trial.

Managing Trial in Parallel Proceedings

If PTAB invalidates a claim, but other claims remain against petitioner or other defendants, can PTAB decision support summary judgment of invalidity of other claims?

- Depends on issue but will be a significant issue in parallel PTAB and District Court litigations.



Conclusion

The decision to file an IPR is a major one, and can have a significant impact on pending litigation.

Strategic thinking and management is critical:

- Determine at outset of litigation if IPR is likely strategy.
- Consider timing of IPR filing to maximize pressure on patent owner.
- Manage the litigation so that you have a back-up plan if some or all of the claims survive the IPR.
- Manage claim construction and other filings to minimize tension between IPR and District Court positions.

If a co-defendant plans to file an IPR and you don't want to become a party to the IPR, make sure you stay out of it.



Questions?

David Cavanaugh

+ 1 617 526 6036

david.cavanaugh@wilmerhale.com

Peter Dichiara

+ 1 617 526 6466

peter.dichiara@wilmerhale.com

Cynthia Vreeland

+ 1 617 526 6148

cynthia.vreeland@wilmerhale.com