

November 12, 2014

Post-Grant for Practitioners

Stays, Finality, and Estoppel – Timing A Post-Grant Attack To Maximize Litigation Benefit



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- I. Overview of Webinar Series
- II. Statistics
- III. Timing Considerations
 - Stays
 - Finality
 - Estoppel

Overview

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- Where? ... see invitation
- How often? ... monthly
- When? ... 2nd Wednesday
- Topics? ...
 - Important decisions
 - Developments
 - Practice tips
- Housekeeping
 - CLE
 - Questions
 - Materials
 - <http://fishpostgrant.com/webinars/>

The screenshot shows the website for Fish & Richardson's Post-Grant for Practitioners. The main heading is "Stays, Finality, and Estoppel – Timing a Post-Grant Attack to Maximize Litigation Benefit". Below this, there is a brief description of the topic, a "Register" button, and information about the date and time: "Wednesday, November 12, 2014, 1:00 PM - 2:00 PM ET, Via the web". There are three speakers listed with their photos and names: Dorothy Whelan, Neil Banner, and James Donald. At the bottom, there are four social media icons: an envelope for email, a clock for a webinar replay, LinkedIn, and Twitter.

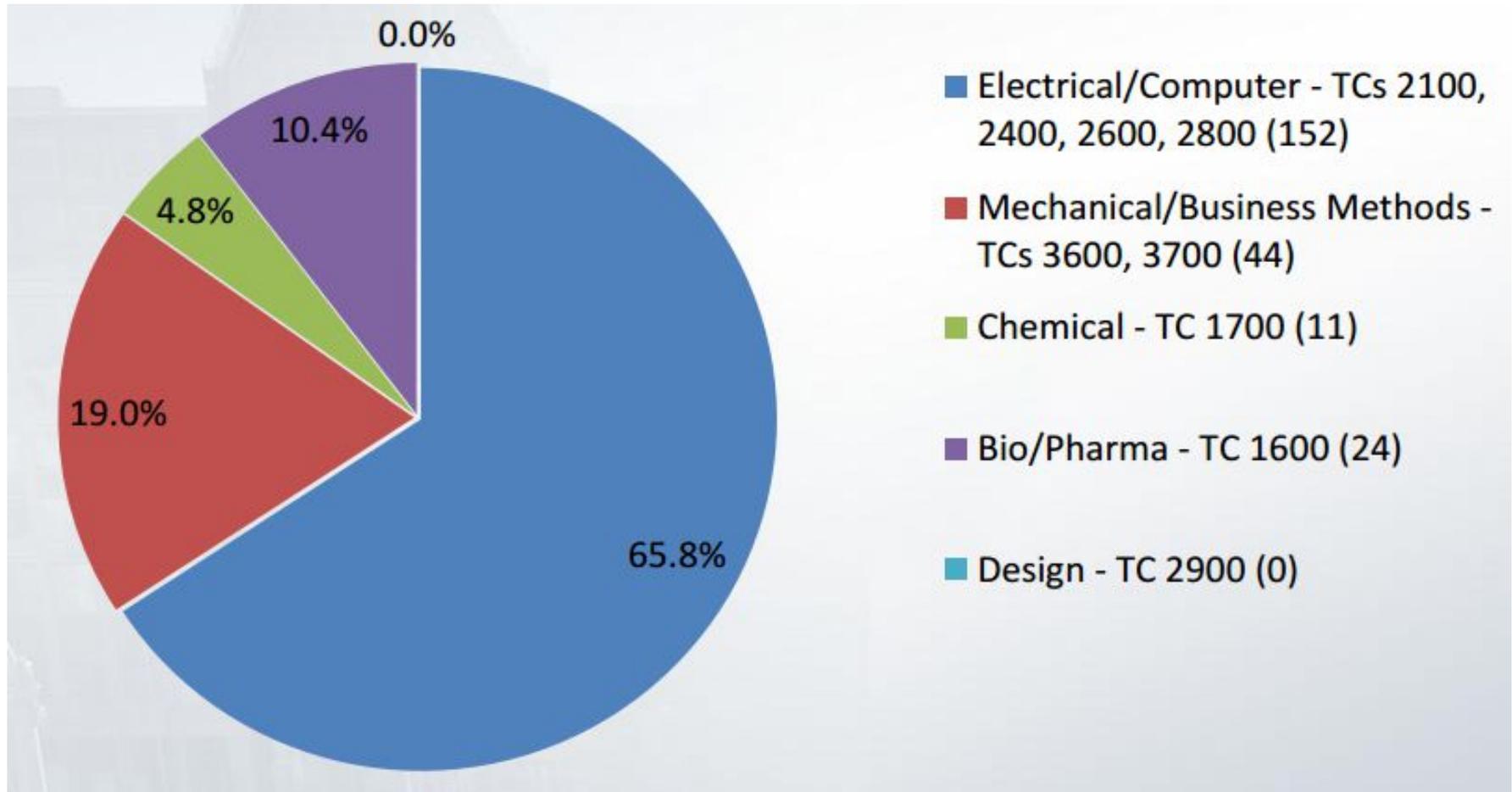
II. Statistics (IPR)

- IPR's Filed?
 - **2050** filed through November 6, 2014
 - **179** filed in October 2014
- Application of Threshold: Reasonable Likelihood of Success
 - IPR continues to be instituted in most petitions evaluated (76% in 2014 v. 87% in 2013)
 - In many cases, however, IPR was ordered on only a subset of the grounds requested

II. Statistics (CBM)

- CBM's Filed?
 - **255** filed through November 6, 2014
 - **16** filed in October 2014
- Application of Threshold: More Likely Than Not
 - CBM also instituted in vast majority of Petitions evaluated (72% for 2014 v. 82% for 2013)
 - Here too, CBM is often ordered on only a subset of petitioned grounds and/or claims

II. Statistics (Technology Breakdown)



USPTO, November 6, 2014

II. Statistics (Final Written Decisions)

- FWD's on the Merits Issued
 - IPR: **130** through October 6, 2014
 - CBM: **13** through October 6, 2014
- Most have found all challenged claims unpatentable
- One motion to amend claims granted to date

II. Stays (Statistics)

- Frequently updated listing of district court orders related to motions to stay is provided on our post-grant website, fishpostgrant.com/stays
- Webpage contains a tally of motions for stay granted and motions for stay denied, and provides the court orders
- Most motions for stay continue to be granted

III. Timing Considerations

- Post-Grant Challenges Often Involve Concurrent Litigation
 - 91% of IPRs to date have related litigation
 - CBM challenges require at least a threat
- With concurrent litigation, the question often arises:
 - When should I file my post-grant challenge relative to my district court schedule?
 - Remember – one-year bar

Are litigations being stayed using post-grant tools?

Often, yes...

- ~77% grant rate overall for IPR
- 10/2/2014 IPR: 246 motions granted, 72 denied on merits
- Denials without prejudice as premature were excluded, as stay remains possible and many stays have been granted after a denial without prejudice (e.g., upon institution of IPR)

Applicable test

- (1) whether litigation has commenced/progressed in principal (stage of litigation);
- (2) whether stay will simplify issues and streamline trial;
- (3) whether stay will unduly prejudice the non-moving party; and
- (4) CBM-only: whether stay will reduce the burden of litigation.

Variables worthy of consideration

- Judge/jurisdiction
- Co-defendants in multi-party case
- Estoppel: Do you want to get ahead of co-pending litigation?

III. Finality

When does PTAB decision trump district court?

- **Race to Finality**

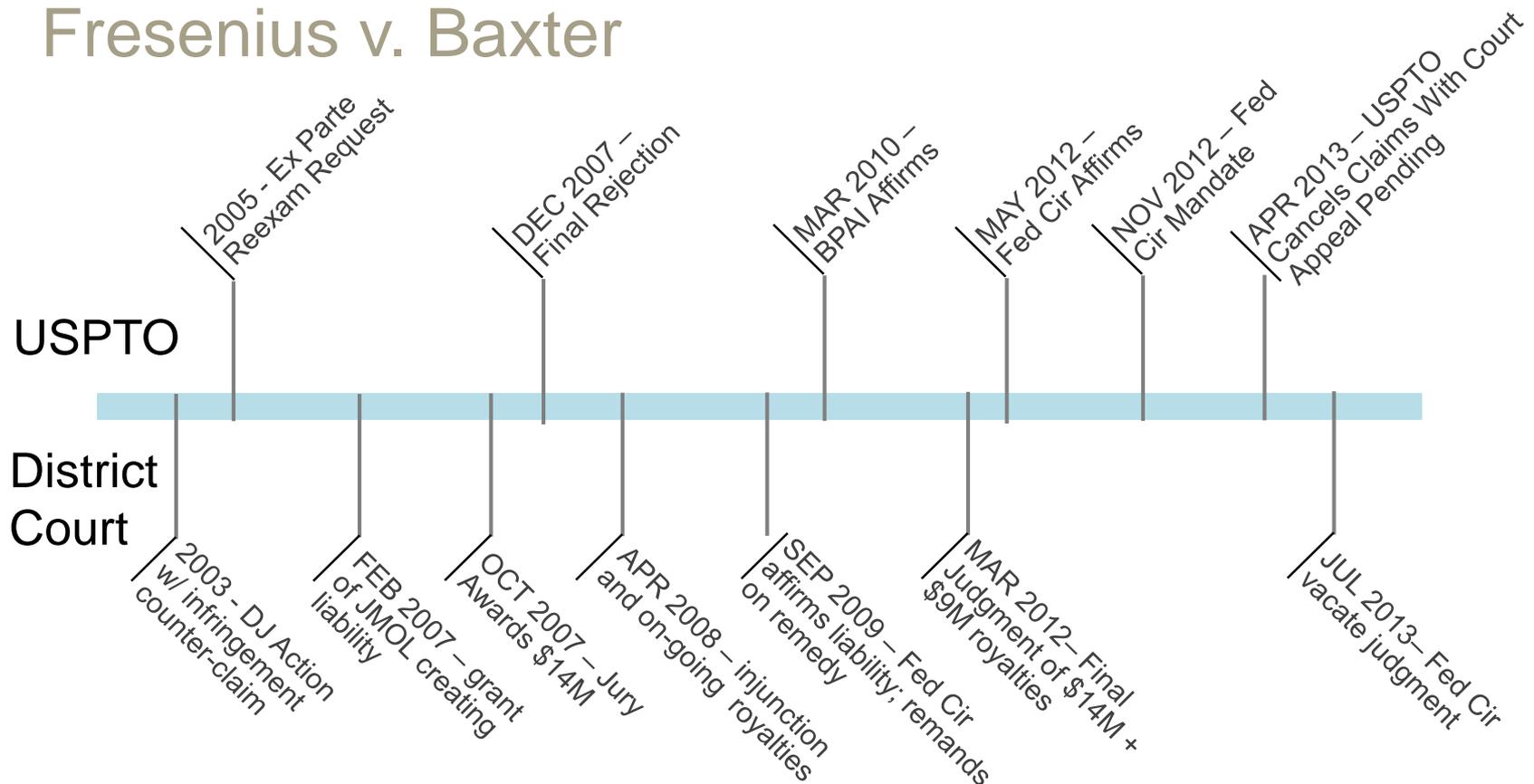
- Once a PTAB proceeding becomes “final” and the USPTO issues a certificate cancelling all claims in an infringement action, the cause of action vanishes and the infringement action must be dismissed, as long as it is not “final”
- Once a district court decision becomes “final,” a PTAB win cannot upset a verdict of infringement or past damages resulting from the verdict

- **What do we mean by “final”?**

- Exhausted all appeals – expiration of time for filing a writ of cert with the Supreme Court or denial of the same
- Nothing of significance remains to be done by the district court
- *Fresenius v. Baxter*, 721 F.3d 1330 (Fed. Cir. 2013)

III. Finality

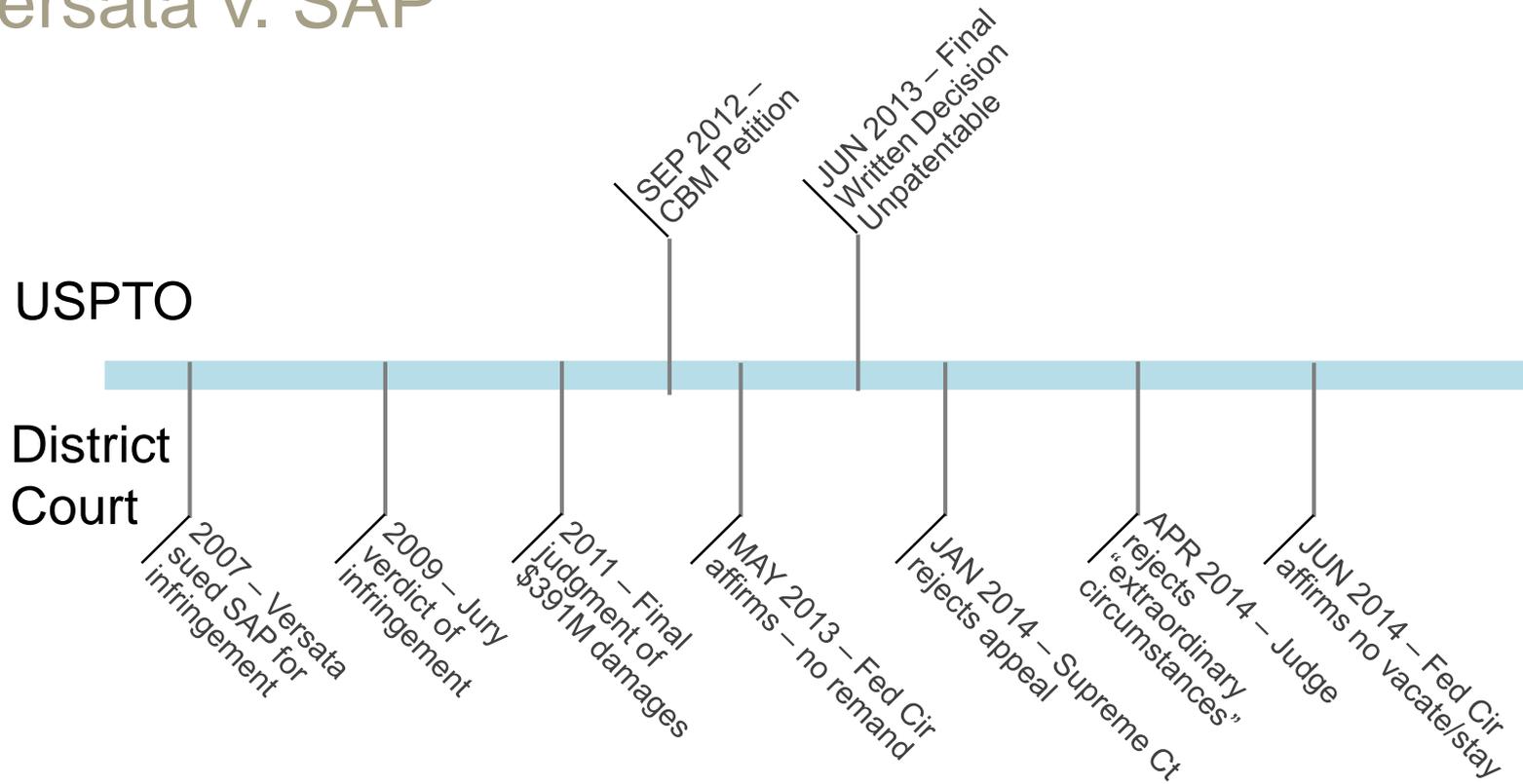
Fresenius v. Baxter



- Remand for injunction and damages consideration was key
- Look for appealable issues that keep the district court involved

III. Finality

Versata v. SAP



- Finality of infringement decision outweighed potential of future cancellation

To Review: In Broad Strokes

- Once a PTAB proceeding becomes “final” and the USPTO issues a certificate cancelling all claims in an infringement action, the cause of action vanishes and the infringement action must be dismissed, as long as it is not “final”
 - *Fresenius v. Baxter*
- Once a district court decision becomes “final,” an unpatentability determination by the PTAB cannot upset a verdict of infringement or past damages resulting from the verdict
 - *Versata v. SAP*

What happens to the loser of a PTAB Proceeding?

- **Petitioner Estoppel:**

- IPR: Estopped from asserting any ground raised or reasonably could have been raised
- CBM: Estopped from asserting only grounds actually raised
- Each:
 - Attaches early when the final written decision issues (before CAFC review)
 - Applies to district court and PTO proceedings (unlike Re-examination)

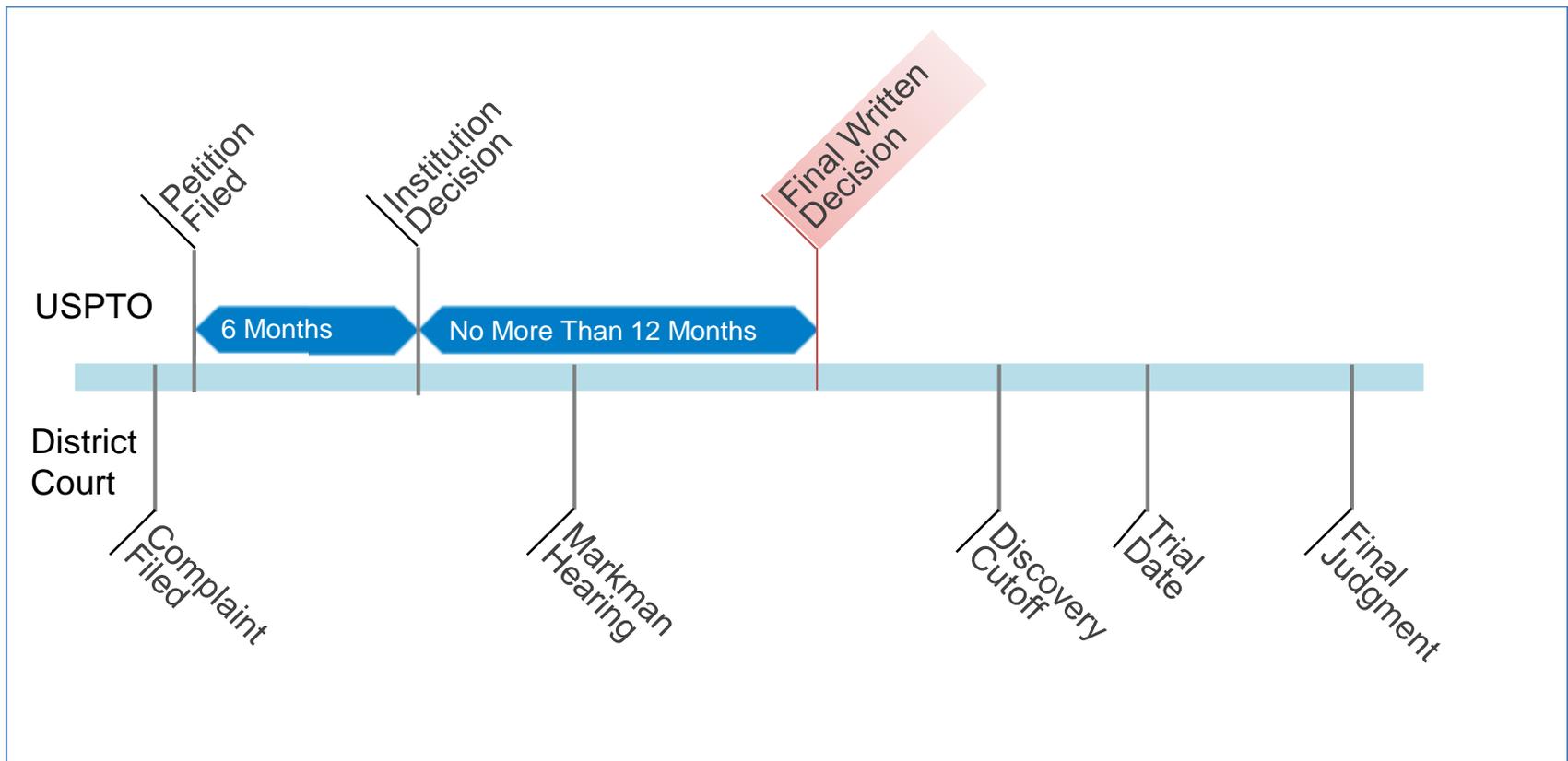
- **Patent Owner Estoppel:**

- Loses rights going forward and cannot pursue additional indistinct rights
- 37 CFR 42.73(d)(3) - “A patent applicant or owner is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent: (i) A claim that is not patentably distinct from a finally refused or canceled claim.”

III. IPR Estoppel – Timing and Scope

District Court: Scenario 1

PTAB final written decision (FWD) rendered during discovery



III. IPR Estoppel – Timing and Scope

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District Court: Scenario 1

PTAB final written decision (FWD) rendered during discovery

PTAB = Patentable:

- Defendant is foreclosed from asserting grounds raised, since they failed and now give rise to estoppel

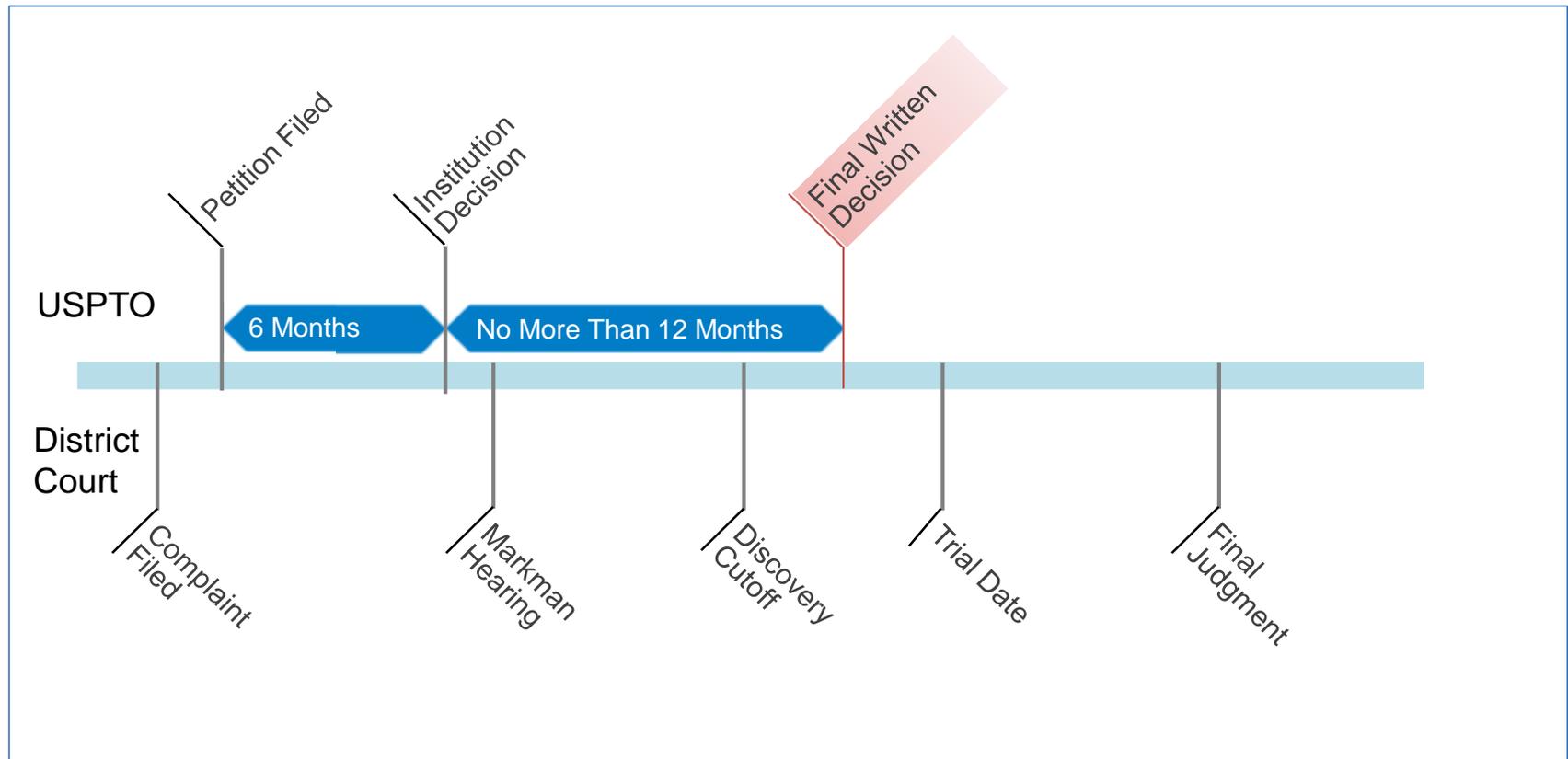
PTAB = Unpatentable:

- The district court proceeding may be stopped, if defendant solicits a stay pending CAFC appeal from the PTAB
 - Given the opportunity for judicial efficiencies flowing from potentially foregoing trial, a compelling argument for a stay exists
 - Regardless of stay, finality would be reached with respect to the PTAB proceeding before the district court proceeding, such that the PTAB proceeding would likely dictate

III. IPR Estoppel – Timing and Scope

District Court: Scenario 2

PTAB decides (FWD) after discovery closes, but before trial



III. IPR Estoppel – Timing and Scope

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District Court: Scenario 2

PTAB decides (FWD) after discovery closes, but before trial

PTAB = Patentable:

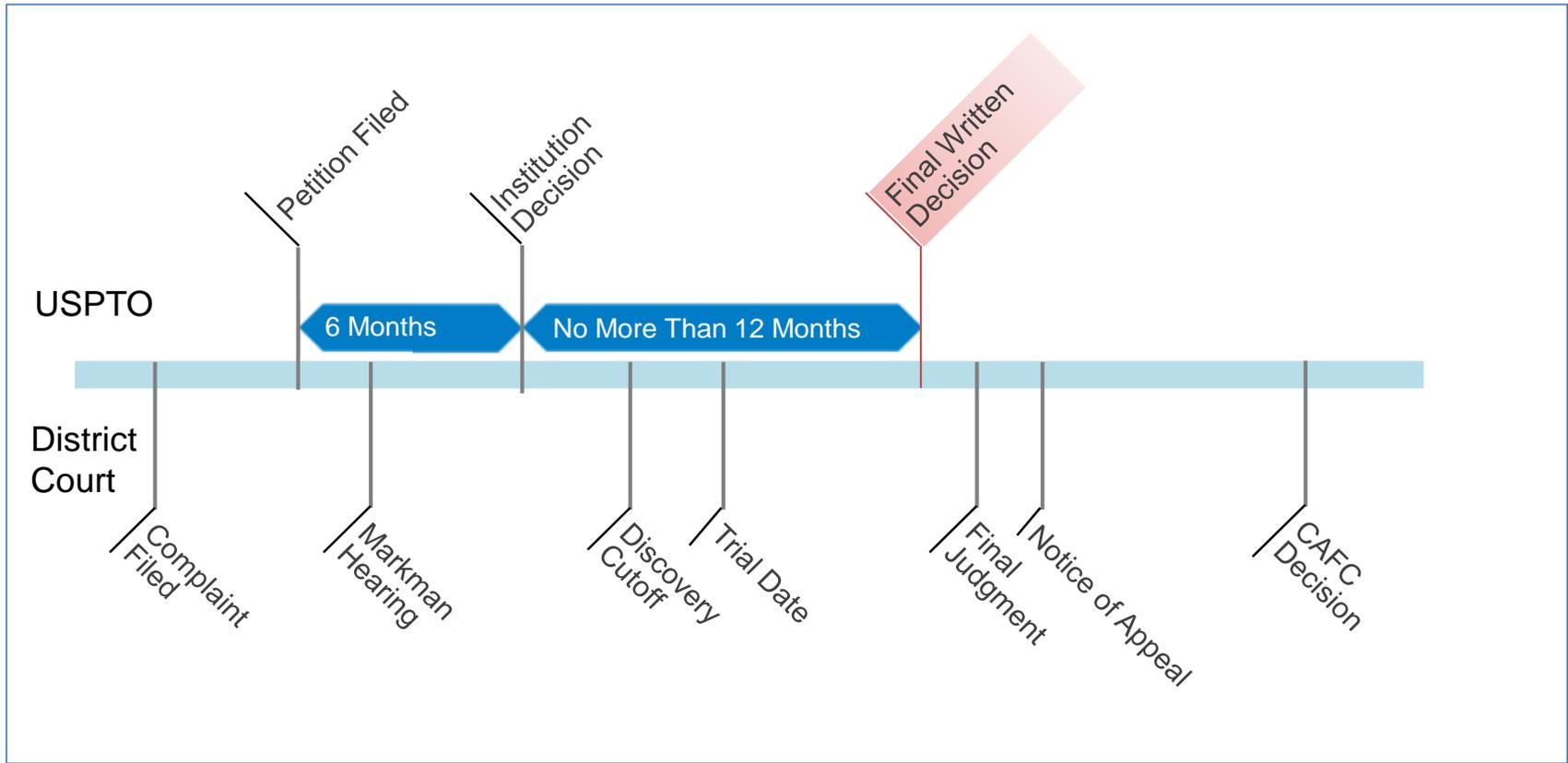
- Defendant is foreclosed from asserting, at trial, grounds estopped
- Consider the impact of CAFC reversal or remand

PTAB = Unpatentable:

- Similar to a decision during discovery, but judges may be less inclined to stay given the amount of work done on the case and the perceived prejudice of delay on the plaintiff
- If district court does not stay, defendant is free to advance petitioned grounds in district court and defendant would argue strenuously for admissibility of the PTAB findings - not clear that this would be permissible.

III. IPR Estoppel – Timing and Scope

District Court: Scenario 3
PTAB decides (FWD) during/after trial



III. IPR Estoppel – Timing and Scope

District Court: Scenario 3

PTAB decides (FWD) during/after trial

PTAB = Patentable:

- Defendant would be estopped from asserting grounds in proceedings arising from district court or before the ITC, and thus, may be estopped from advancing or defending appeal on grounds raised during trial
 - Although an unresolved point of law, it may impact a decision of invalidity at trial

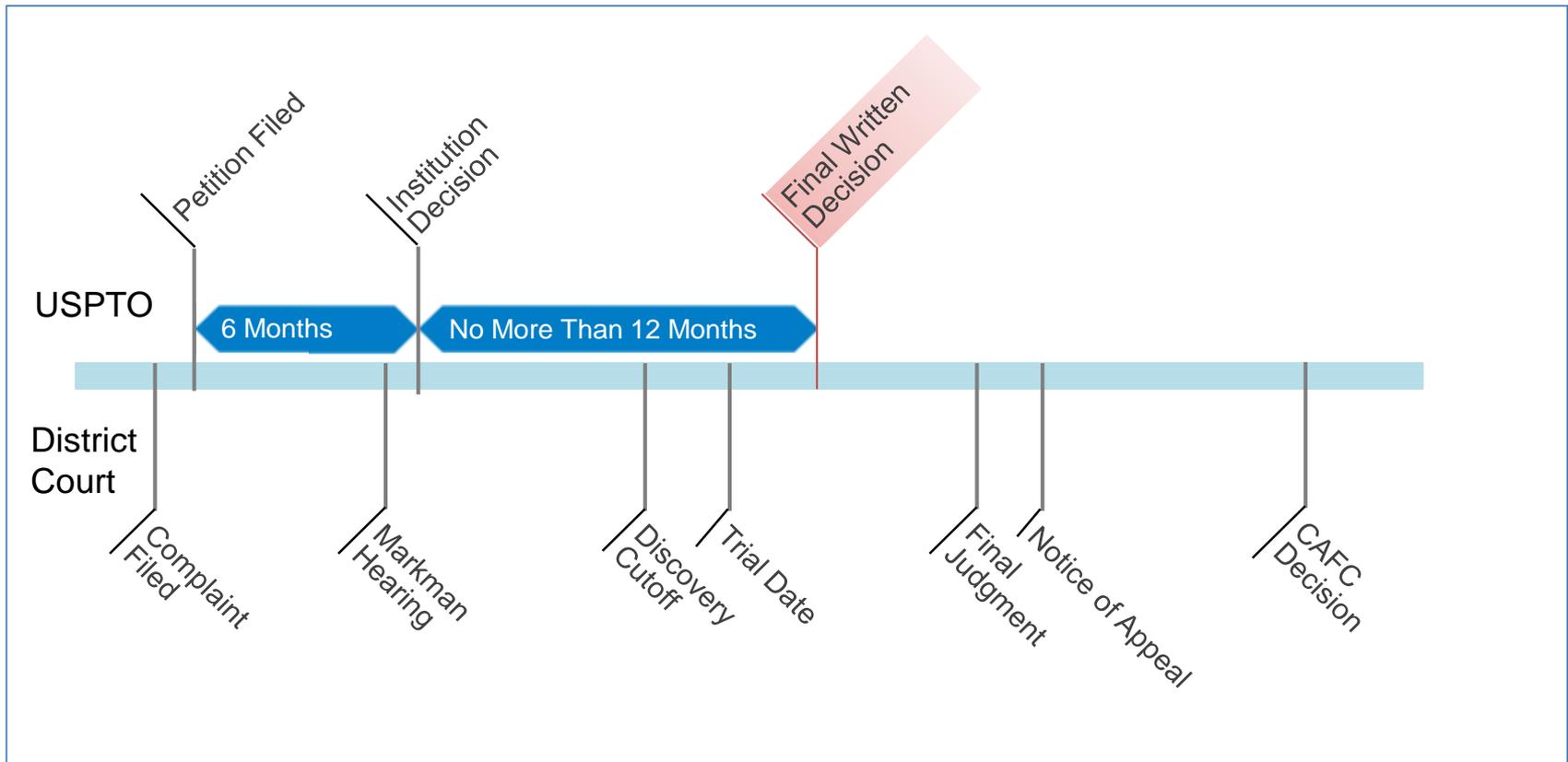
PTAB = Unpatentable:

- Such a finding threatens the underlying asset, but until endorsed by the Fed Cir, the patent remains in force, and district court application of the patent remains possible

III. IPR Estoppel – Timing and Scope

District Court: Scenario 3a

District Court case has **not** progressed to the CAFC



III. IPR Estoppel – Timing and Scope

District Court: Scenario 3a

District Court case has **not** yet progressed to the CAFC

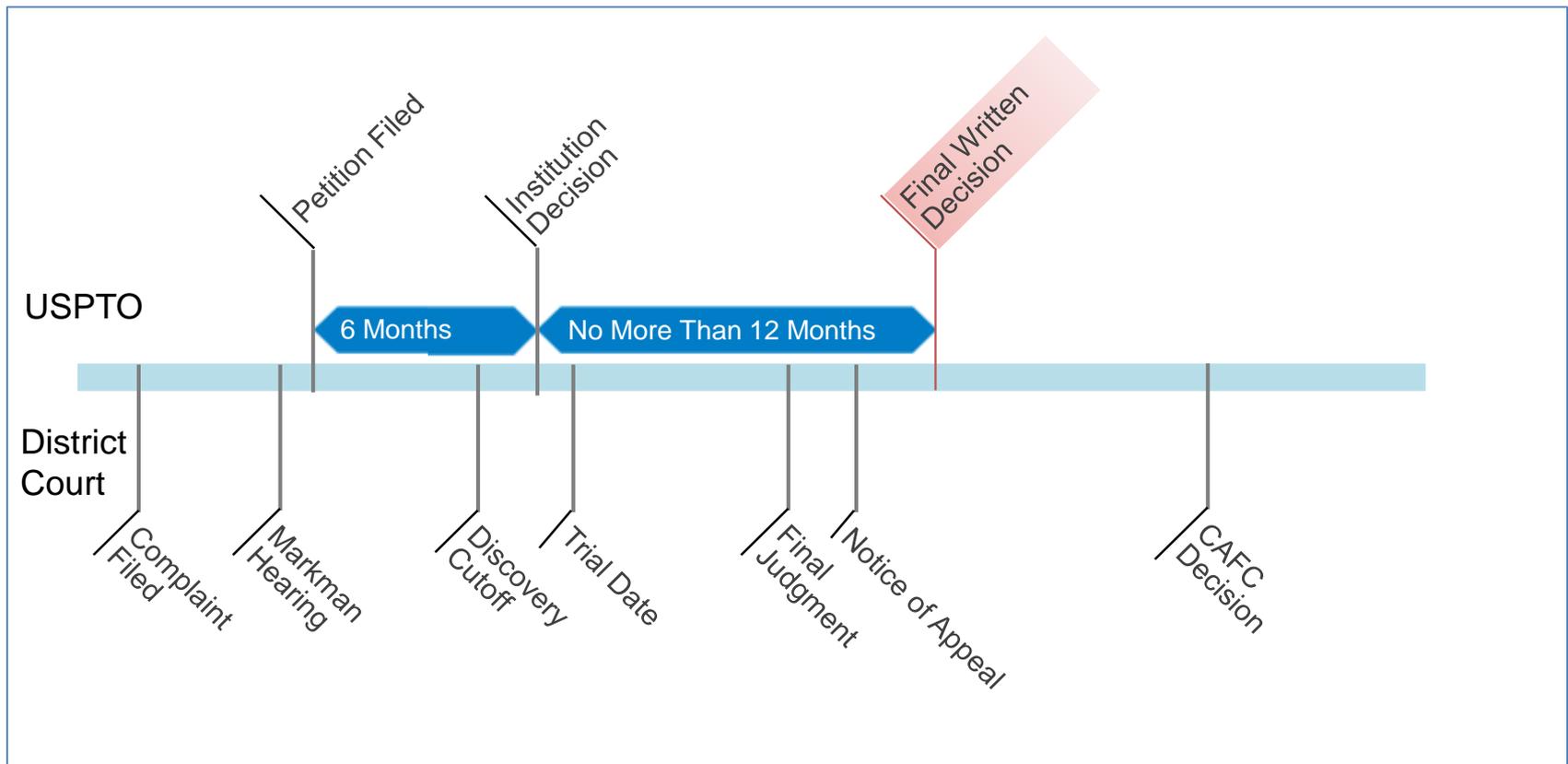
PTAB = Unpatentable (cont.):

- If the district court case has **NOT** progressed to the CAFC when the PTAB decision is received, the district court judge would have discretion to stay his proceeding, stalling a decision in favor of patentee to see whether the CAFC endorses the finding of unpatentability by the PTAB
 - We've not yet seen this asked of a Judge, nor can we predict how favorably it would be received
- Even if the district court does not grant stay, the CAFC will receive the cases close in time and likely consolidate schedule or at least consider the PTAB decision when reviewing the district court appeal

III. IPR Estoppel – Timing and Scope

District Court: Scenario 3b

District Court case **has** progressed to the CAFC



III. IPR Estoppel – Timing and Scope

District Court: Scenario 3b

District Court case **has** progressed to the CAFC

PTAB = Unpatentable (cont.):

- If the district court case **HAS** progressed to the CAFC when the PTAB decision is received, defendant petitioner would need to find a way to have their PTAB decision endorsed by the CAFC before or concurrent with the CAFC addressing a district court liability finding, since a final decision endorsing district court liability finding ends the matter as to the parties involved
- Option 1: appeal quickly from PTAB to get the PTAB decision into the CAFC within a few months of the DCT decision
 - Take advantage of extensions, or other processes to slow /speed
 - Ask the CAFC to stall and address together
- Option 2: press CAFC to remand the DCT decision, to take it off track (frame appeal with this in mind)

III. IPR Estoppel – Timing and Scope

How does my estoppel impact my stayed litigation?

If there is a stay, the answer is deceptively simple in appearance:

- An adverse PTAB decision yields a lift in the stay while precluding assertion of invalidity grounds implicated by the estoppel
- However, the Fed Cir may reverse the PTAB, and kill the patent
 - In this case, if district court trial was complete prior to the CAFC ruling, it would be a nullity upon CAFC reversal of the PTAB
- Or, the Fed Cir may remand to the PTAB
 - In this case, defendant might ask the district court to renew the stay or to at least reopen discovery on validity grounds that were earlier estopped

- In Fish & Richardson’s initial 7-part webinar series titled “Challenging Patent Validity in the USPTO,” we explored details regarding several of the post grant tools, with 3 sessions dedicated to Inter Partes Review (IPR), and a final session walking through several hypotheticals, to help listeners understand how these apply to common situations.
- Audio and slides for these webinars are posted online at:
<http://fishpostgrant.com/webinars/>
- If you listen to these webinars, you will be well positioned to engage in a conversation over whether and when to use those tools and how to defend against them.

- F&R web sites:
 - Post-Grant for Practitioners: <http://fishpostgrant.com/webinars/>
 - General: <http://fishpostgrant.com/>
 - IPR: <http://fishpostgrant.com/inter-partes-review/>
 - PGR: <http://fishpostgrant.com/post-grant-review/>
 - Rules governing post-grant: <http://fishpostgrant.com/>
 - Post-Grant App: <http://fishpostgrant.com/app/>
- USPTO sites:
 - AIA Main: http://www.uspto.gov/aia_implementation/index.jsp
 - Inter Partes: http://www.uspto.gov/aia_implementation/bpai.jsp

Thank You!

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