

Latest IPR Trends Mostly Favor Patent Owners

By Kevin Schubert and Brett Cooper

(February 24, 2020, 3:24 PM EST) -- Last year, we wrote two articles about an interesting issue regarding differing district court views on the scope of inter partes review estoppel, which, in general, bars petitioners from seeking invalidity in litigation. We noted that district courts were historically split, either taking a broad view or a narrow view on IPR estoppel.

Courts taking a broad view apply estoppel to any prior art that reasonably could have been raised in an IPR petition following a final written decision. By contrast, courts taking a narrow view, most notably in U.S. District Court for the Northern District of California, had limited IPR estoppel to only the particular prior art that is the subject of the final written decision.

As we noted in our prior articles, in the wake of the U.S. Supreme Court's 2018 SAS Institute Inc. v. Iancu decision, it appeared that district courts were moving toward the broad view. Although SAS did not directly address IPR estoppel, all district courts that considered the estoppel issue found SAS' reasoning to support the broad view.

But, no court in the Northern District of California had yet issued an order indicating whether or not it would also follow the trend toward a broad view. U.S. District Judge Edward Chen of the Northern District of California recently answered that question in Asetek Danmark A/S v. CoolIT Systems Inc., finding that the "decision in SAS ... called into question one of the central tenets" of narrow view courts, which is that the IPR does not begin until it is instituted.[1]

He applied SAS' reasoning that "in an inter partes review the petitioner is master of its complaint" and found that the IPR petitioner is estopped from raising any ground that could reasonably have been raised at the filing.[2] Judge Chen also noted (as we did) that all district courts in the aftermath of SAS "have ruled that estoppel applies to non-petitioned grounds" and applied the broad view.[3]

While the U.S. Court of Appeals for the Federal Circuit has yet to issue a decision directly on point, practitioners should accept that district courts apply the broad view of IPR estoppel. Accordingly, practitioners should consider whether filing an IPR petition is prudent in light of the ramifications of broad IPR estoppel. Although the scope of IPR estoppel issue appears to be resolved, we identify below three additional unresolved IPR issues.



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Post-Trial Effect of IPR Decisions

In our prior articles we noted an emerging tension in the district courts regarding the effect of post-trial IPR decisions.[4] Last year, the U.S. District Court for the Eastern District of Texas and the U.S. District Court for the District of Delaware came to opposite conclusions as to the treatment of a post-trial IPR final written decision.

Specifically, in *Intellectual Ventures II LLC v. FedEx Corp.*, the Eastern District of Texas declined to give any weight to a final written decision of validity from the USPTO — notably the district court’s final judgment of invalidity had just been docketed.[5] By contrast, in *Novartis Pharmaceuticals Corp. v. Par Pharmaceuticals Inc.*, the District of Delaware gave weight to a final written decision of validity from the U.S. Patent and Trademark Office and denied the defendant’s prior art arguments in continued district court proceedings.[6]

Recently, the Eastern District of Texas reconfirmed its view of the limited effect of USPTO decisions issued post-trial in *KAIST IP US LLC v. Samsung Electronics Co. Ltd.*[7] In KAIST, following a \$400 million verdict for the plaintiff but before final judgment, the plaintiff’s claims were invalidated in a reexamination proceeding. The defendant then moved to stay the district court litigation pending appeal of the reexamination.

The court denied the motion stating that:

Samsung waited until after the jury’s verdict in this case, which found against Defendants on all their invalidity arguments raised at trial, and then it ran to the PTO with new invalidity arguments never raised before the jury. In doing so, Samsung manipulated an administrative process designed to streamline disputes to avoid the need for a jury trial.[8]

Notably, KAIST, which was decided before final judgment, is seemingly broader than the aforementioned *Intellectual Ventures* decision, which emphasized that final judgment had already been entered before rejecting a post-trial IPR final written decision.

At bottom, the KAIST court disagreed that an administrative proceeding should be “used to effect a collateral attack on the verdict of a jury empaneled pursuant to the Seventh Amendment or the judgments of an Article III court.” Also, while KAIST dealt with a reexamination proceeding (not an IPR), the court’s reasoning should hold in all USPTO proceedings.

In short, the effect of an IPR, or reexamination, issued post-trial remains uncertain. Some district courts, like the District of Delaware, have given effect to these decisions while others, like the Eastern District of Texas, have found these decisions to be in conflict with the role of the jury and Article III courts. We expect that this issue will be resolved in due course by the Federal Circuit Court of Appeals.

Use of IPR Noninstitution Decisions in Litigation

A second split in district courts is the extent to which IPR noninstitution decisions may be used in litigation. The decision to admit this evidence is generally weighed under a Rule 403 balancing test of its relevance versus its potential to cause juror confusion or otherwise prejudice a party.

Recently, several courts have allowed noninstitution decisions as trial evidence. Most notably, the Federal Circuit endorsed a district court’s admission of a noninstitution decision during the district court trial. Specifically, in *Chamberlain Group Inc. v. Techtronic Industries Co. Ltd.*, the Federal Circuit found

that the district court did not abuse its discretion in allowing a noninstitution decision into evidence where a jury instruction was given explaining the differing legal standards applied by the USPTO and the jury.[9]

At least three district courts, the U.S. District Court for the Northern District of Illinois, the U.S. District Court for the Central District of California and the the U.S. District Court for the Middle District of Florida, have similarly allowed noninstitution decisions into evidence.[10] A fourth district court, the District of Delaware, recently suggested that a noninstitution decision may be relevant evidence to willfulness, although in that particular case the noninstitution decision was not allowed because willfulness was not at issue.[11]

Contrarily, numerous district courts have disallowed noninstitution decisions to be presented at trial, generally finding the risk of juror confusion to outweigh the relevance of the noninstitution decision.[12]

Our expectation is that there will be an increasing trend in the district courts allowing the admission of noninstitution decisions, particularly where willfulness is at issue or where, as in Chamberlain, references from the IPR are also at issue in the district court litigation. The Federal Circuit's recent decision in Chamberlain approving of admission of such evidence is useful to practitioners when considering trial strategy.

In addition, in late 2018, the USPTO harmonized the claim construction standard for IPRs to the same standard as that of the district courts.[13] The harmonizing of those standards eviscerates the argument to preclude noninstitution decisions based on juror confusion from differing claim construction standards.

Finally, just as with IPR estoppel, district courts seem to recognize that IPRs were intended by Congress "to serve as a complete substitute for litigating the validity of patent claims in the district court," and not to create additional litigation without meaning.[14]

Indeed, in Chamberlain, the plaintiff successfully argued at both the district court and the Federal Circuit that the defendant's "attempt to use the same prior art in two venues without consequence is contrary [to] Congress' goal for IPRs to create a 'quick and cost-effective'" alternative to litigation.[15]

On a related note regarding the institution of IPRs, those decisions have generally been disallowed as trial evidence in district court proceedings because they are ongoing. Unlike noninstitution decisions, which represent a completed proceeding and cannot be appealed, instituted IPRs represent an ongoing, uncompleted proceeding, and courts have generally found that admitting such evidence to the jury prejudices a patent owner and creates confusion regarding the presumption of validity.[16]

Likewise, even final written decisions of invalidity are likely to be excluded because they are still subject to appeal and thus ongoing.

Increasing Denial of IPRs Based on Advanced Stage of Litigation

The third trend to watch, although not a split in the district courts, is the USPTO's increasing use of its discretion to deny the institution of IPRs when a parallel district court litigation is at an advanced stage.

In May 2019, the USPTO issued a precedential opinion, *NHK Spring Co. Ltd. v. Intri-Plex Technologies Inc.*, which denied IPR institution because the trial in the parallel district court was only six months away as to the same prior art raised in the IPR.[17] The USPTO held that the "advanced state of the district court proceeding is an additional factor that weighs in favor of denying the Petition." [18]

Further, “[i]nstitution of an inter partes review under these circumstances would not be consistent with ‘an objective of the AIA ... to provide an effective and efficient alternative to district court litigation.’”[19]

Similarly, in *Sand Revolution II LLC v. Continental Intermodal Group-Trucking LLC*, the USPTO relied on *NHK Spring* to discretionarily deny institution of a petition decided seven months prior to trial where the invalidity arguments were “very similar to, but perhaps not exactly the same.”[20] The USPTO noted the rationale in *NHK Spring* to deny petitions that are not an efficient use of USPTO resources.[21]

However, in *Unified Patents Inc. v. Fall Line Patents LLC*, the USPTO recently granted institution on a petition decided nine months from trial.[22] There, unlike in *NHK Spring* where expert discovery was wrapping up and the litigation was moving into a pre-trial phase, the patent owner’s opposition was “devoid of other evidence on the status of that case, such as the progress of fact and expert discovery.”[23] Also, there was “no argument or evidence presented by Patent Owner as to any overlap of the asserted prior art and arguments in the district court case.”[24]

We are unsure as to the extent to which this issue of IPR institution will be subject to Federal Circuit review, but certainly practitioners should be aware of the time to trial when filing or responding to an IPR.

Conclusion

In light of these developments, and, now more than ever, IPR practitioners should consider the facts of each potential IPR petition and advise their clients only to file IPRs after a thorough consideration of the risks and rewards.

Certainly, one should expect a broad application of IPR estoppel, but as to (1) the weight of post-trial IPR decisions, (2) the trial admission of noninstitution decisions, and (3) the institution of late filed IPRs, there are no clear rules. We will continue to monitor these, and other, IPR concerns and look forward to providing further guidance as these matters develop.

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[1] *Asetek Danmark A/S v. Coolit Systems*, 2019 U.S. Dist. LEXIS 225134, at *17 (N.D. Cal. Dec. 30, 2019).

[2] *Id.*

[3] *Id.* at *18.

[4] Brett Cooper and Kevin Schubert, “More Courts Are Applying IPR Estoppel Expansively,” May 16, 2019, Law360.

[5] *Intellectual Ventures II LLC v. FedEx Corp.*, 2019 U.S. Dist. LEXIS 53433 (E.D. Tex. March 29, 2019).

- [6] Novartis Pharms. Corp. v. Par Pharm. Inc., 2019 U.S. Dist. LEXIS 62489 (D. Del. April 11, 2019).
- [7] KAIST IP US LLC v. Samsung Elecs. Co., Ltd., et al., No. 2:16-cv-01314-JRG (E.D. Tex. Feb. 13, 2020).
- [8] Id. at 4.
- [9] Chamberlain Grp. v. Techtronic Indus. Co., 935 F.3d 1341, 1351-52 (Aug. 21, 2019).
- [10] Chamberlain Grp., Inc. v. Techtronic Indus. Co., 315 F. Supp. 3d 977, 1006 (N.D. Ill. May 23, 2018); Dexcowin Glob., Inc. v. Aribex, Inc., 2017 U.S. Dist. LEXIS 181959, **8-9 (C.D. Cal. June 29, 2017); StoneEagle Servs., Inc. v. Pay-Plus Sols, Inc., 2015 U.S. Dist. LEXIS 79971, **21-22 (M.D. Fla. June 19, 2015).
- [11] Evolved Wireless, LLC v. Apple Inc., 2019 U.S. Dist. LEXIS 37224 (D. Del. March 7, 2019).
- [12] Acantha LLC v. DePuy Orthopaedics Inc., 2018 U.S. Dist. LEXIS 89854, **6-8 (E.D. Wis. May 30, 2018); Milwaukee Elec. Tool Corp. v. Snap-On Inc., 2017 U.S. Dist. LEXIS 168504 (E.D. Wis. Oct. 12, 2017); Rembrandt Wireless Techs., LP v. Samsung Elec. Co., 2015 U.S. Dist. LEXIS 20306 (E.D. Tex. Jan. 31, 2005).
- [13] See Changed to the Claim Construction Standard For Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, October 11, 2018, available at <https://www.federalregister.gov/documents/2018/10/11/2018-22006/changes-to-the-claim-construction-standard-for-interpreting-claims-in-trial-proceedings-before-the>.
- [14] Am. Tech. Ceramics Corp. v. Presidio Components, Inc., 2019 U.S. Dist. LEXIS 14873, at *7 (E.D.N.Y. Jan. 30, 2019).
- [15] Chamberlain Grp., Inc. v. Techtronic Indus. Co., Dkt. 34 (Brief for Appellees), at 56-57, filed November 28, 2018.
- [16] See Wis. Alumni Research Found. v. Apple, Inc., 135 F. Supp. 3d 865, 873 (W.D. Wis. Sept. 29, 2015) (“Several courts, including the Federal Circuit, have considered whether evidence of an ongoing reexamination or IPR proceeding is admissible, with the majority concluding that the evidence should be precluded.”).
- [17] NHK Spring Co., Ltd. v. Intri-Plex Technologies, Inc., IPR2018-00752, Paper 8, PTAB September 12, 2018 (designated precedential May 7, 2019).
- [18] Id. at 20.
- [19] Id. (citing General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha, IPR2016-01357, Paper 19, PTAB, September 6, 2017, at 16-17).
- [20] Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC, IPR2019-01393, Paper 12, PTAB, February 5, 2020, at 17.
- [21] Id. at 15.
- [22] Unified Patents Inc. v. Fall Line Patents, LLC, IPR2019-00610, Paper 14, PTAB, August 7, 2019.
- [23] Id. at 11.
- [24] Id.