

EXPERT ANALYSIS

Inter Partes Review: Which Way Out?

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The America Invents Act created *inter partes* review as a mechanism to challenge the validity of an issued patent at the U.S. Patent and Trademark Office, rather than in district court. The steady growth of IPR filings clearly shows the popularity of this mechanism thus far for challenging the validity of a patent at the PTO.

If you or your client are involved in an IPR, you may be wondering what, if any, options exist to terminate the proceeding. But can an IPR be stopped once it is initiated?

Unlike *ex parte* and *inter partes* re-examination, IPRs can be terminated by the parties, and the parties may wish to do so, for example, because they have settled their corresponding district court litigation. But the options for terminating an IPR present unique challenges and considerations.

The first option, filing a joint motion to terminate the proceeding, requires that both the petitioner and the patent owner agree to terminate the IPR. But even then, the Patent Trial and Appeal Board may refuse to terminate the IPR, depending on how far the trial has progressed.

The second option, requesting adverse judgment, entails just that: requesting judgment against yourself. Although this may seem drastic, there are situations in which this option is attractive, and even beneficial, to the patent owner.

SETTLEMENT: IT TAKES TWO

The most significant benefit of settling an IPR is that it prevents estoppels under 35 U.S.C. § 315(e), meaning that in a civil proceeding, International Trade Commission proceeding or Patent Office proceeding, a petitioner is forbidden from subsequently raising “any ground that the petitioner raised or reasonably could have raised” during an IPR.

Avoiding this “raised or reasonably could have raised” estoppel may be very attractive to a petitioner. But in order to terminate an IPR through settlement, both parties must wish to terminate the proceeding. Even then, terminating the IPR is not straightforward, particularly in the late stages of the proceeding.

WHAT'S THE PROTOCOL?

The parties in an IPR can terminate the proceeding by filing a joint motion to terminate the IPR. Like most IPR motions, the parties must first request authorization from the Patent Trial and Appeal Board to file the joint motion by initiating a conference call with the PTAB.¹ During the conference call, the parties should be prepared to articulate the reasons why terminating the IPR is appropriate. During the call, the PTAB may ask the parties specific questions relating to the motion, and so waiting to consider the issues until filing the motion could be fatal for unprepared parties.

After receiving the PTAB's approval, the parties may file their joint motion to terminate the IPR. The motion should briefly explain why terminating the IPR is appropriate.²

The options for terminating an inter partes review present unique challenges and considerations.

Clearly articulated reasoning is imperative — a blanket statement that the parties agree on terminating the IPR may not be sufficient, particularly in the late stages of the IPR.³

Along with the joint motion to terminate the IPR, the parties must submit a “true” written copy of their settlement agreement — redactions are not permitted.⁴

However, by filing a request to treat the agreement as confidential business information, the parties may keep the settlement agreement from being publicly disclosed. The Patent Review Processing System website has a special “parties and board only” designation for uploading confidential business agreements.

THE SOONER THE BETTER

The practice guide of the PTO indicates that generally, “[t]he board expects that a proceeding will terminate after the filing of a settlement agreement.”⁵ And 35 U.S.C. § 317(a) provides that “[a]n *inter partes* review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and patent owner, unless the office has decided the merits of the proceeding before the request for termination is filed” (emphasis added).

So, although the petitioner can be terminated from the proceeding at any point up until the PTAB decides the merits of the IPR, the same is not true for the petition itself. For this reason, the sooner the parties reach a settlement agreement, the more likely the PTAB is to terminate the proceeding. Two cases illustrate this point.

In one case, the patent owner had filed its patent owner preliminary response, but the PTAB had not yet made an institution decision. The parties filed a joint motion to terminate the IPR, and the PTAB agreed that terminating the IPR “at this early juncture, promotes efficiency and minimizes unnecessary costs.”⁶

Notably, 35 U.S.C. § 317(a) applies only after an institution decision; however, from the settled IPRs to date, it is clear that the PTAB is likely to terminate the IPR before making its institution decision. The board even granted a joint motion to terminate the IPR in a case in which the parties did not settle the related district court litigation, but agreed to terminate the IPR.⁷

In contrast, another case shows that the PTAB will, indeed, continue an IPR despite the parties’ wishes to terminate based on a settlement agreement. In that case, *Research in Motion Corp. v. MobileMedia Ideas LLC*, an oral hearing had been scheduled and the trial issues had been fully briefed when the parties filed their joint motion to terminate the IPR.⁸

Because of the late stage of the IPR, the PTAB terminated the proceeding with respect to petitioner only, as required under 35 U.S.C. § 317(a), but it decided not to terminate the IPR entirely.

Referencing 37 C.F.R. § 42.74(a), the PTAB articulated that “the board is not a party to the settlement and may determine independently any question of patentability.”⁹ So, as it was entitled to do, the PTAB determined that “in view of the *advanced stage of this proceeding*, rather than terminate this proceeding, the board will proceed to a final written decision” (emphasis added).¹⁰

LATE-STAGE TERMINATION — THERE’S STILL A CHANCE

Despite the case described above, terminating an IPR is not precluded in the late stages of the trial. In *Sony Corp. v. Tessera Inc.*, the parties’ joint motion to terminate the IPR was successful even though the PTAB had already scheduled an oral hearing.¹¹ This case highlights that clearly articulating reasons why termination is appropriate may sway the board to terminate the IPR even in the late stages.

Whereas the motion in the *Research in Motion Corp.* matter stated generally that the parties had settled their dispute and wished to terminate the IPR, the parties in *Sony* explained in detail why terminating the IPR was appropriate on the basis of the facts in that case.

First, the joint motion in *Sony* pointed out that the settlement agreement between the parties specifically required the petitioner to withdraw from the IPR.¹²

Although it is unlikely to be the determining factor for the PTAB, parties should include this provision in their settlement agreement to provide support for the idea that terminating the IPR is appropriate, particularly in the late stages.

Next, the joint motion explained a unique fact pattern in the proceeding: A third party in the district court litigation chose not to join the IPR, and the dispute between the patent owner and that third party was not settled as part of the agreement between the patent owner and the petitioner. Therefore, any validity issue would still be addressed by the district court — the forum chosen by the third party in its decision not to join the IPR.

The joint motion explained two negative consequences that would result if the PTAB denied the motion to terminate the IPR. First, it would discourage patent owners from settling a dispute if the IPR would continue anyway, thereby jeopardizing the validity of their patent. Second, it would create an incentive for interested parties not to join an IPR because the PTAB might invalidate the claims even after the petitioner and patent owner reached a settlement. The third party would receive a “free ride” in the IPR, yet avoid the estoppels attaching therewith.

On the basis of these facts, the PTAB terminated the IPR even though the oral hearing loomed. Although the particular fact pattern in this case may have tipped the scales in favor of terminating the IPR, it demonstrates the importance of clearly articulating the reasons why termination is appropriate in the late stages of an IPR.

ADVERSE JUDGMENT: ASKING TO LOSE CAN SOMETIMES BE A VICTORY

Requesting adverse judgment is another way to terminate an IPR.

Under 37 C.F.R. § 42.73(b), “[a] party may request judgment against itself *at any time* during a proceeding” (emphasis added).

But why would anyone ask to lose? Here are two good reasons.

First, if the PTAB institutes the IPR for only some of a patent’s claims, the patent owner may be satisfied with the non-instituted claims. Perhaps those claims still read on an infringer’s product and the patent owner thinks success in litigation is still likely without the claims being subject to review in the IPR.

In that case, the patent owner may want to avoid the time and expense of fighting for the claims in the IPR. By requesting adverse judgment and cancelling the instituted claims, the patent owner can terminate the IPR.

For example, in one case, the PTAB instituted IPR for only some claims and the patent owner requested cancellation of those claims and entry of adverse judgment.¹³ By doing so, the patent owner avoided joinder with another case. Even though the petitioner urged the PTAB to wait for a decision on the motion for joinder before ruling on the patent owner’s motion for adverse judgment, the board saw “no reason for delay” since the cases had not yet been joined. The PTAB noted that a motion for joinder “does not, and should not, act as an automatic stay,” and so the board canceled the instituted claims and granted the motion for adverse judgment against the patent owner.

A second scenario in which requesting adverse judgment may benefit a patent owner is when the patent owner wants to file distinct amended claims in a reissue application. For example, if an IPR is instituted for only some claims, it may be desirable to cancel the instituted claims through adverse judgment, thereby terminating the IPR. The patent owner could then pursue targeted amended claims in a reissue application, since nearly all attempts to amend claims during the IPR have been unsuccessful.

Patent owners should be careful in using this tactic if an IPR is instituted for all claims, however, because the PTO may determine that the adverse judgment prevents the original patent from being used as a vehicle for a reissue application.

In order to terminate an IPR through settlement, both parties must wish to terminate the proceeding and can file a joint motion.

KEY TAKEAWAYS

The three key takeaway points for terminating an IPR are:

- Sooner is better: The PTAB is more likely to grant a joint motion to terminate the IPR earlier in the proceeding.
- Be specific: Clearly articulate the reasons that terminating the IPR is appropriate, particularly in the late stages of the trial.
- As a patent owner, evaluate the instituted and non-instituted claims and determine whether requesting adverse judgment for the instituted claims may be beneficial.

NOTES

¹ *Monsanto Co. v. Pioneer Hi-Bred Int'l*, IPR2013-00022, Paper No. 39.

² *IBM v. Fin. Sys. Tech. Ltd.*, IPR2013-00078, Paper No. 7.

³ *Research In Motion Corp. v. MobileMedia Ideas LLC*, IPR2013-00016, Paper Nos. 30 and 31.

⁴ *IBM*, Paper No. 7).

⁵ Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48768 (Aug. 14, 2012).

⁶ *Sony Corp. v. Straight Path IP Group Inc.*, IPR2014-00230, Paper No. 13.

⁷ *Apple Inc. v. NetAirus Techs., LLC*, IPR2014-00030, Paper No. 13).

⁸ *Research in Motion*, Paper No. 31.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Sony Corp. v. Tessera Inc.*, IPR2012-00033.

¹² *Id.*, Paper No. 40.

¹³ *ZTE Corp. v. ContentGuard Holdings Inc.*, IPR2013-00134, Paper No. 34.



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