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PATENTS

The authors present strategies for parties agreeing to a settlement to maximize the chances the PTAB will terminate an inter partes review, rather than see it to its end despite the parties' wishes.

Settling IPRs and District Court Litigation: Strategic Considerations for Resolving a Dispute



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Inter partes review proceedings have become a popular mechanism for defendants to challenge the validity of a patent that is asserted in a district court litigation. Because IPRs typically move more quickly than district court litigation and can focus parties on validity issues early in a dispute, IPRs may encourage parties to consider early settlement of district court litigation.

35 U.S.C. § 317, enacted with the America Invents Act, provides that parties can jointly move to terminate post-grant proceedings. The circumstance when such a request would most often occur is after settling pending litigation. The ability to terminate a post grant proceeding is in contrast to reexamination proceedings, which could only be terminated in certain limited circumstances. Procedurally, the parties must first move for and obtain permission from the Patent Trial and Appeal Board before filing a motion to terminate. Under 35 U.S.C. § 317(b), the parties must submit a copy of settlement agreement, which can be filed under seal per 37 C.F.R. § 42.74(c).

Once a related district court case has settled, there are usually incentives for both parties to terminate co-pending IPRs. Patent holders have a strong incentive to avoid a potential finding of invalidity of the asserted patent since it is a component of the settlement agreement. Petitioners have different incentives, such as avoiding a potential finding of validity, estoppel and further legal costs. Additionally, if the petitioner is in privity with its customers, then dismissal can help avoid any downstream or upstream effect on commercial relations, and avoid limiting the opportunities of its customers.

However, the PTAB's authority to terminate a proceeding is discretionary; as provided in 37 C.F.R. § 42.74(a), the board is not a party to the settlement and may determine independently any question of patent-

Year	No. Petitions	Settled Before Institution	Settled After Institution
FY 2013	514	38 (pre-/post-institution not separate)	(see left)
FY 2014	1,310	106	104
FY 2015	1,737	275	189

ability. In the implementing rules for the AIA, the Patent and Trademark Office recognized that there are strong public policy reasons to favor settlement.¹ The PTO indicated that it expects a proceeding to terminate after filing a settlement agreement, unless the board already decided the merits of the proceeding.² In practice, however, decisions have shown that the PTAB considers other factors in evaluating when to terminate the IPR. This article reviews panel decisions of the board to date that have denied joint motions to terminate the proceedings, and identifies strategic considerations parties should take into account to maximize the chance of a successful termination.

Settlement Statistics

The table above presents some IPR settlement statistics compiled from metrics released by the PTO.³

As shown in the table, the number of settlements has increased year over year. In FY 2013, 7.4 percent of proceedings settled, whereas in FY 2014 and FY 2015, 16 percent and 26.71 percent of proceedings settled, respectively. Thus, termination in view of settlement continues to be increasingly common.

Cases Denying Termination Due to Advanced Stage of Proceedings, Other Issues.

While the table shows that 712 proceedings were terminated due to settlement over the past three years, there have been a handful of decisions denying termination when the parties jointly move for termination pursuant to 35 U.S.C. § 317. We examine these decisions in the sections that follow.

Two of the earliest denials involved petitions filed by Blackberry Corp. In *Blackberry Corp. v. Mobilemedia Ideas, LLC*, after the trial issues had been fully briefed, the parties jointly moved to terminate the inter partes review due to settlement of the co-pending district court litigation.⁴ The PTAB cancelled the oral hearing in response to the request of the parties, and in view of the settlement agreement reached between the parties, the board terminated Blackberry's involvement.⁵ But the board reasoned that "in view of the advanced stage of

this proceeding, rather than terminate this proceeding, the Board will proceed to a final written decision."⁶

In the second case also styled *Blackberry Corp. v. Mobilemedia Ideas, LLC*, the board again granted in part the parties' joint motion to terminate the inter partes review of a different patent.⁷ Unlike the previous case, here the oral hearing had been completed.⁸ Again, the board terminated Blackberry's involvement in view of the settlement agreement, but held that it would proceed to a final written decision in view of the advanced stage of the proceeding.⁹ Thus, in both *Blackberry* decisions, the PTAB refused to terminate the proceeding with respect to the patent owner due to the advanced stage of the proceeding (both were fully briefed, one had proceeded through oral argument).

Like the *Blackberry* decisions, other decisions make clear that the stage of the proceeding is an important factor for the board with respect to whether to terminate a proceeding in light of settlement. In *Kinetic Technologies, Inc. v. Skyworks Solutions, Inc.*, the parties moved to terminate the proceeding prior to the oral hearing, stating that "[t]he parties are in the process of finalizing an agreement to settle their dispute."¹⁰ The PTAB denied the parties' motion because the settlement agreement was not finalized, and proceeded through oral hearing.¹¹ After reaching settlement, the parties renewed their joint motion to terminate, submitting a copy of the settlement agreement.¹² The board denied the renewed motion to terminate because the settlement had concluded after the oral hearing, at which point the board reasoned that it had substantially decided the merits of the proceeding.¹³ While the facts of the first *Blackberry* decision (i.e., prior to oral hearing), the board did not indicate whether it would have granted the motion to terminate if the parties had settled prior to the hearing.

In addition to the stage of the proceedings, the PTAB may also consider whether there are other district court cases that involve the same patent. In *Google, Inc. v. Createads, LLC*, there were two petitioners—Google and Yahoo!.¹⁴ The board granted the joint motion to terminate Google from the proceedings because the "proceeding had not resulted in a final written decision."¹⁵

⁶ *Id.*

⁷ *Blackberry Corp. v. Mobilemedia Ideas, LLC*, IPR2013-00036, Paper 64 (P.T.A.B. Decision Granting In Part Joint Motion to Terminate, Jan. 21, 2014).

⁸ *Id.* at 2.

⁹ *Id.* at 3.

¹⁰ *Id.* at 3, fn1.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.* at 19-20.

¹⁴ *Google, Inc. v. Createads, LLC*, IPR2014-00200, Paper 27 (P.T.A.B. Decision Granting Joint Motion to Terminate, Nov. 7, 2014).

¹⁵ *Id.* at 2.

¹ 77 Fed. Reg. 48756, 48768, para. (N) (Aug. 14, 2012).

² *Id.*

³ FY 2013 figures from PTAB AIA Progress Statistics, as of 10/2/14, at http://www.uspto.gov/sites/default/files/ip/boards/bpai/stats/aia_statistics_100214.pdf. FY 2014, FY 2015 figures from PTAB Statistics, 10/31/2015, at <http://www.uspto.gov/sites/default/files/documents/2015-10-31%20PTAB.pdf>.

⁴ *Blackberry Corp. v. Mobilemedia Ideas, LLC*, IPR2013-00016, Paper 34 (P.T.A.B. Decision Granting In Part Joint Motion to Terminate, Dec. 11, 2013).

⁵ *Id.* at p. 3.

The proceeding therefore continued with Yahoo! as the sole petitioner.¹⁶ After oral hearing, the parties jointly moved to terminate the entire proceeding.¹⁷ The board partially granted the request to terminate with respect to Yahoo!, but elected to proceed to a final written decision “in view of the advanced stage of this proceeding” and the fact that the patent owner asserted the challenged patent in over 10 other cases, against other entities that were stayed pending the IPR proceedings. Therefore, not only was the stage of the case a factor in the board’s denial, but the board also considered the number of existing district court litigations—i.e., the fact that other cases depended on resolution of the inter partes review.

The last decision we will address, *Qualcomm Inc. v. Bandspeed, Inc.*, is somewhat unique because it involved the issue of joinder. While briefing a motion for joinder of new petitioners, certain petitioners not involved with the joinder motion jointly moved with the patent holder to dismiss based on settlement.¹⁸ Because of the pending motion for joinder, the board granted the motion to dismiss with respect to the existing petitioners, but denied dismissal with respect to the patent owner, indicating that it would revisit the issue after ruling on the pending motion for joinder.¹⁹ While not particularly instructive of the typical issues the parties will face when filing a motion to terminate, we included this case for completeness.

Cases Denying Termination Due to Formalities.

The PTO has identified various requirements that the parties must meet when filing a motion to terminate. For example, the office requires that the settlement agreement be submitted to the PTAB in an unredacted form. If the motion does not comply with one or more of these requirements, the board will likely dismiss the motion without prejudice, allowing the parties to re-file with the requisite information.

In *RPC Formatec GMBH v. Trudell Medical International*, the parties moved to dismiss the proceeding before the due date of the patent owner’s preliminary response.²⁰ The board denied without prejudice the motion for failing to satisfy the requisite formalities.²¹ The board explained that a joint motion to terminate must include the following information: “(1) a brief explanation as to why termination is appropriate; (2) the identity of all parties in any related district court case involving the patents at issue in the proceedings sought to be terminated; (3) the identity of any related proceedings currently before the Office; and (4) the current status of each such related case or proceeding with respect

to each party to the case or proceeding.”²² The board denied the parties’ motion because it lacked such information, but denied it without prejudice so that the parties could rectify the missing information. Therefore, while likely not an incurable mistake, the parties should be sure to meet these various requirements when filing a joint motion to terminate.

Similarly, in *APTwater, Inc. v. ThinkVillage-Kerfoot, LLC*, the PTAB denied the parties’ joint motion to terminate the proceedings for failing to meet the second, third and fourth requirements.²³ The board also explained that in addition to those requirements, the parties must submit a true, unredacted copy of the settlement agreement, as required by statute.²⁴ Interestingly, in *APTwater*, the board made clear that the requirement to list the current status of each related case (the fourth requirement) applies to both district court cases listed for the second requirement, as well as cases pending before the board that are listed for the third requirement.

Lastly, in *Infinera Corp. v. Cheetah Optics, Inc.*, the parties were engaged in settlement talks, but no agreement had been reached.²⁵ The parties had requested a teleconference to seek guidance from the board regarding filing a motion to stay the board’s deadline for making a decision on whether to institute an inter partes review.²⁶ The board explained that the institution deadline is statutory, and therefore the board could not stay the proceeding prior to institution.²⁷ The board did, however, advise the parties that once they entered into a settlement agreement, they could request permission to jointly move to terminate the proceedings.²⁸ The PTAB set forth some of the same factors listed in *RPC Formatec* and *APTwater*, and provided additional guidance for how to file the settlement agreement in the event the parties wanted to file it as business confidential information.²⁹

Practice Tips and Conclusion.

Parties can move to terminate copending IPR proceedings in view of settlement of related district court proceedings. But it is important to realize that termination is not granted as of right. As a basic matter, parties should be sure to meet the requirements that have been delineated for joint motions to dismiss, including submitting a true and unredacted copy of the settlement agreement (which can be filed confidentially).

In addition to these requirements, the biggest factor that could weigh against full dismissal is timing. This is consistent with the express language of 35 U.S.C. § 317, which provides that the proceeding will be terminated “unless the Office has decided the merits of the proceeding before the request for termination is filed.”

¹⁶ *Id.*

¹⁷ *Google, Inc. v. Createads, LLC*, IPR2014-00200, Paper 40 (P.T.A.B. Decision Granting In Part Joint Motion to Terminate, Feb. 26, 2015).

¹⁸ *Qualcomm Inc. v. Bandspeed, Inc.*, IPR2015-00314 and -01577, Paper 21 (P.T.A.B. Decision on Institution and Grant of Motion for Joinder, Nov. 16, 2015).

¹⁹ *Id.* at 2-3.

²⁰ *RPC Formatec GMBH v. Trudell Med. Int’l*, IPR2014-01040 and -01127, Paper 8 (P.T.A.B. Decision Denying Joint Motion to Terminate, Oct. 15, 2014).

²¹ *Id.* at 2.

²² *Id.* at 3, citing *Heartland Tanning, Inc. v. Sunless, Inc.*, IPR2014-00018, slip. op. at 2 (July 28, 2014) (Paper 26).

²³ IPR2014-00132 and -00133, Paper 15 (P.T.A.B. Decision Denying Joint Motion to Terminate, June 10, 2014).

²⁴ *Id.* at 2.

²⁵ *Infinera Corp. v. Cheetah Optics, Inc.*, IPR2013-00339, Paper 12 (P.T.A.B. Order Regarding Conduct of the Proceeding, Oct. 25, 2013).

²⁶ *Id.* at 2.

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.* at 2-3.

However, the PTAB's decisions make clear that even if the oral hearing has not occurred, and therefore the board has not actually decided the merits of the proceeding, the board may still deny the termination request. Therefore, the parties, and in particular the patent holder, should try and reach settlement as early on in the proceedings as possible.

If there are reasons that may sway the board to deny termination, such as timing, the parties can use the formalities requirements to help bolster their case for dismissal. For example, the first formality requires that the parties include a brief explanation as to why termination is appropriate. While this requirement can likely be satisfied by simply indicating that the parties reached settlement, it is beneficial for the parties to clearly articulate reasons why the board should terminate the proceeding. For example, the parties can bolster their reasons for settlement based on the settlement terms if the terms resolve all disputes involving the patent, or if the settlement agreement requires the petitioner to terminate the inter partes review.³⁰

³⁰ *Sony Corp. v. Tessera, Inc.*, IPR2012-00033, Paper 46 (P.T.A.B. Termination of the Proceeding, Dec. 20, 2013) (ter-

As another example, the second formality requires that the parties list the identity of all parties in any related district court case involving the patent at issue. The PTAB took into account the number of additional district court cases when denying the motion to terminate in the second *Blackberry* case. The parties should, therefore, be mindful of whether there are other pending district court litigations involving the same patent.

minating late in the proceedings, where the parties explained that as part of the settlement agreement that the petitioner would withdraw from the inter partes review, and the parties also explained that validity of the patent-at-issue would still be adjudicated by a co-party in the district court litigation that chose not to join the inter partes review with the petitioner); *Smith & Nephew, Inc. v. Bonutti Skeletal Innovations*, IPR2013-00604, Paper 15 (P.T.A.B. Termination of the Proceeding, Jan. 17, 2014) (specifically noting that the other defendants accused of infringement of the patent-at-issue were all barred from participating in post-grant proceedings as part of its rationale for completely terminating the proceeding).