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# THE SEDONA CONFERENCE

*Commentary on Patent Litigation  
Best Practices: Parallel USPTO  
Proceedings Chapter (“Stage One”)*

A Project of The Sedona Conference  
Working Group on  
Patent Litigation Best Practices (WG10)

OCTOBER 2016 EDITION



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# The Sedona Conference Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter [“Stage One”]

OCTOBER 2014 PUBLIC COMMENT VERSION

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## *Preface*

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Welcome to the October 2016 Edition of The Sedona Conference Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter (“Stage One”), a project of The Sedona Conference Working Group on Patent Litigation Best Practices (WG10). This is one of a series of Working Group commentaries published by The Sedona Conference, a 501(c)(3) research and educational institute dedicated to the advanced study of law and policy in the areas of antitrust law, complex litigation, and intellectual property rights. The mission of The Sedona Conference is to move the law forward in a reasoned and just way.

WG10 was formed in late 2012 under the leadership of its now Chair Emeriti, the Honorable Paul R. Michel and Robert G. Sterne, to whom The Sedona Conference and the entire patent litigation community owe a great debt of gratitude. The mission of WG10 is “to develop best practices and recommendations for patent litigation case management in the post-[America Invents Act] environment.” The Working Group consists of around 200 active members representing all stakeholders in patent litigation.

This first stage of the Parallel USPTO Proceedings Chapter is directed to parallel USPTO proceedings from the perspective of district court litigation, and was a focus of dialogue at The Sedona Conference WG10 Annual Meeting in Washington, D.C., in September 2013, and the WG10 Midyear Meeting in San Francisco in April 2014. This Stage One was first published as a “public comment version” in October 2014; and the editors have reviewed the comments received through the public comment process, the Sedona Conference “All Voices” Meeting in New Orleans in November 2014, the WG10 Midyear Meeting in Miami in May 2015, the 15<sup>th</sup> Annual Patent Litigation Conference in Reston, Virginia, in October 2015, and the WG9 and WG10 Joint Midyear Meeting in Pasadena in February 2016.

A new drafting team was formed in early 2015 to bring Stage One to “final” / “post-public comment” publication, to expand the discussion to address parallel USPTO proceedings issues from the perspective of USPTO/Patent Trial and Appeal Board (PTAB) litigation, and to develop best practices for collaboration between district court and USPTO/PTAB litigation in resolving patent disputes efficiently (“Stage Two”). This October 2016 Edition of The Sedona Conference Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter (“Stage One”) is the “final” / “post-public comment” publication, and also includes placeholders for sections covering several topics being addressed in Stage Two, including: presenting evidence and protecting confidentiality in PTAB proceedings; real party-in-interest and privity; efficient handling of multiple parallel USPTO proceedings; and termination after settlement. Stage Two of the Parallel USPTO Proceedings Chapter will be published for public comment as a separate document in early 2017, and the contents of Stage One and Stage Two will ultimately be combined into a “final” / “post-public comment” Parallel USPTO Proceedings publication later in 2017.

This Chapter represents the collective efforts of many individual contributors. On behalf of The Sedona Conference, I thank in particular Gary M. Hoffman, who has graciously and tirelessly served as the Editor-in-Chief for this and all Chapters for this Commentary on Patent Litigation Best Practices, and as the Chair of WG10. I also thank everyone else involved for their time and attention during the drafting and editing process, including: Donald R. Banowit, Michael Morin, Robert M. Asher, Steven Auvil, Karen E. Keller, Joseph Lucci, J. Derek McCorquindale, John W. McIlvaine

III, Teresa Stanek Rea, Michael T. Rosato, Robert G. Sterne, Jonathan Stroud, Eley O. Thompson, and Buddy Toliver. In addition, I thank volunteers James Alex, Anthony W. Brooks, and, in particular, Parker Tresemer for their assistance and contributions to this effort. I further thank WG10 Steering Committee Members Patrick M. Arenz and Henry Hadad for their detailed review and comments.

The Working Group was also privileged to have the benefit of candid comments by several judges with extensive patent litigation experience, including the Honorable Faith S. Hochberg (ret.), who is serving as the Judicial Advisor for this Parallel USPTO Proceedings Chapter, as well as the Honorable Joy Flowers Conti, the Honorable Barbara M.G. Lynn, and the Honorable Nina Y. Wang. The statements in this Commentary are solely those of the non-judicial members of the Working Group; they do not represent any judicial endorsement of the recommended practices.

The continued drafting process for this Chapter has been supported by the Working Group 10 Steering Committee and Judicial Advisors. The Chapter will be regularly updated to account for future significant developments impacting this topic.

Please send comments to [comments@sedonaconference.org](mailto:comments@sedonaconference.org), or fax them to 602-258-2499. The Sedona Conference hopes and anticipates that the output of its Working Groups will evolve into authoritative statements of law, both as it is and as it should be.

*Craig W. Weinlein*  
Executive Director  
The Sedona Conference  
October 2016

## *Foreword*

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Post-issuance patentability challenges at the USPTO often run in parallel to invalidity challenges in federal court and U.S. International Trade Commission litigation. When not properly managed, these parallel proceedings can unnecessarily increase the cost and complexity of litigation and lead to conflicting results. The primary focus of the WG10 drafting team on this Parallel USPTO Proceedings Chapter has been the development of Principles and Best Practices that should be considered by litigants and judges tasked with managing these parallel proceedings. The objective of this effort is to better integrate these parallel proceedings to foster an effective alternative to district court litigation, and an overall simplification of the litigation process.

Gary M. Hoffman  
Editor-in-Chief  
Chair, Working Group 10 Steering Committee

Donald R. Banowit  
Michael Morin  
Chapter Editors

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# *Parallel USPTO Proceedings Principles* *“At a Glance”*

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Principle No. 1 – The parties and the PTAB, USITC, and district courts should take steps so parallel proceedings work in concert, and should exercise their discretion, when possible, to reduce abusive litigation and foster just, speedy, and inexpensive determinations. ....6

Principle No. 2 – Parties to PTAB proceedings should be afforded a fair opportunity to present appropriate evidence and argument, both before and after institution. ....7

# *Parallel USPTO Proceedings Best Practices*

## *“At a Glance”*

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# I. Introduction

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By all measures, the United States Patent and Trademark Office (USPTO) Patent Trial and Appeal Board (PTAB or “Board”) post-grant review proceedings instituted by the Leahy-Smith America Invents Act (AIA) have become the primary avenues of choice for practitioners looking to challenge the validity of issued U.S. patents.<sup>1</sup> In FY2015, 1737 *inter partes* review (IPR) petitions were filed, far surpassing the 1,310 proceedings filed in FY2014 and the 514 proceedings filed in FY2013.<sup>2</sup> There were also 149 covered business method review (CBM) petitions filed in FY2015, less than the 177 filed in FY2014, but far more than FY2013 (48).<sup>3</sup> The bar’s evident enthusiasm for PTAB review proceedings will likely continue.<sup>4</sup> The vast majority of the petitions filed relate to patents concurrently litigated in one or more district court actions, leading to situations where a patent is challenged in two forums simultaneously.

When PTAB and district court judges adjudicate these proceedings in parallel, they use different standards when construing the claims and apply differing scopes of discovery. As a consequence, some courts have struggled with stay motions and subsequent estoppel. These post-grant procedures were intended to be a less expensive alternative to district court litigation. But in addressing motions to stay parallel district court proceedings, some courts have expressed concerns as to whether the new post-grant procedures will sufficiently resolve ongoing patentability issues or merely delay the patent holder’s day in court and ability to obtain relief.

The timing of these parallel proceedings is pivotal. For example, if the PTAB proceeding and any subsequent appeal terminates first and the USPTO cancels all of the asserted patent claims, then the district court should dismiss the infringement action, as contemplated by *Fresenius USA, Inc. v. Baxter Int’l, Inc.*<sup>5</sup> The Federal Circuit’s determination that a still-pending infringement action is moot upon the Federal Circuit’s affirmation of a USPTO finding of invalidity during reexamination suggests that district courts and litigants must be ever mindful of the timing of parallel proceedings available under the AIA.<sup>6</sup> At the same time, where a district court decision is final, it may be inappropriate to delay the resolution of the appellate process in favor of a parallel PTAB proceeding.<sup>7</sup>

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<sup>1</sup> The PTAB reviews the “patentability” of issued patents, whereas district courts are concerned with patent “validity.” While this is an important distinction, these two issues are collectively referred to herein for convenience as questions of “validity.”

<sup>2</sup> *Patent Trial and Appeal Board AIA Progress Statistics*, USPTO (Sept. 30, 2015), <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf>.

<sup>3</sup> *Id.*

<sup>4</sup> The most recent statistics as of the date of this publication show a slight year over year decrease in PTAB filings generally, see *Patent Trial and Appeal Board AIA Progress Statistics*, USPTO (Aug. 31, 2016), <https://www.uspto.gov/sites/default/files/documents/2016-08-31%20PTAB.pdf>.

<sup>5</sup> 721 F.3d 1330 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 2295 (2014).

<sup>6</sup> See *id.*; *infra* Sections I.A & I.B.2 (discussing potential implications of the *Fresenius* holding).

<sup>7</sup> “To hold that later proceedings before the PTAB can render nugatory that entire process, and the time and effort of all of the judges and jurors who have evaluated the evidence and arguments would do a great disservice to the Seventh Amendment and the entire procedure put in place under Article III of the Constitution.” *Versata Software, Inc. v. SAP Am., Inc.*, No. 2:07-cv-00153-RSP, 2014 WL 1600327, at \*2 (E.D. Tex. Apr. 21, 2014) (denying motion to vacate jury verdict in view of CBM final written decision), *aff’d*. *Versata Computer Indus. Solutions, Inc. v. SAP*

Also, while the law and procedure of the PTAB is developing, many issues remain in flux. For example, it is unsettled both how the PTAB decides what claims it will consider in a proceeding and what scope of discovery it will permit. On August 20, 2015, the USPTO published for public comment a proposed rule package for improving trial practice before the PTAB, which included commentary on many of these unsettled issues.<sup>8</sup> However, formal amendments to the rules that became effective May 2, 2016, did not fully address these unsettled issues.<sup>9</sup> The rules, standards, and procedures that govern these proceedings are constantly evolving, requiring this WG10 drafting team to revisit this Chapter regularly. Nevertheless, practitioners should familiarize themselves with the PTAB's latest rulings and the ongoing interplay between district court litigation and PTAB proceedings.

## A. POST-GRANT PROCEEDINGS BEFORE THE PTAB

Under the AIA, the former Board of Patent Appeals and Interferences (BPAI) was renamed the PTAB, effective September 16, 2012. The AIA created new proceedings by which parties can challenge the validity of patents after issue (i.e., grant), the most important being *inter partes* review (IPR), covered business method review (CBM), and post-grant review (PGR).

These new post-grant procedures were designed in part to address significant criticism of the pre-AIA patent system. To address concerns that resolving patent disputes in the district courts takes too long, the AIA instituted time limits, mandating that these proceedings be resolved one year from institution, with a possible six month extension upon a showing of good cause, or an extension in the case of joinder.<sup>10</sup> Addressing concerns of serial petitions and that a “race to the bottom” might occur with parties gaming the two systems, Congress included in the AIA a provision estopping post-grant petitioners from later raising any arguments that could reasonably have been raised before the PTAB.<sup>11</sup> Yet the PTAB may choose not to consider or address all of the claims raised by petitioners in an institution decision, which can create significant issues for any subsequent district court when considering issues of estoppel after the PTAB proceeding.

The key features of the three new post-grant proceedings are described below.

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Am., Inc., 564 F. App'x 600, 601 (Fed. Cir. 2014) (affirming parallel CBM proceeding while district court case still on appeal to the Federal Circuit).

<sup>8</sup> Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720 (proposed Aug. 20, 2015) (proposed rule) (to be codified at 37 C.F.R. pt. 42) (hereinafter “Proposed Rule Amendments”).

<sup>9</sup> Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 81 Fed. Reg. 18,750 (April 1, 2016) (hereinafter “Final Rule Amendments”).

<sup>10</sup> After filing a petition, it takes, on average, five to six months for the PTAB to decide whether to institute the proceeding. But that varies based on the date the notice of filing date is accorded, and on whether the patent owner affirmatively waives their response. Timing has varied from as little as two months to as long as eight months in extreme cases, based on pre-institution rulings and the actions of the parties. *See, e.g., Metrics, Inc. v. Senju Pharm., Co.*, No. IPR2014-01041, Paper No. 1 (P.T.A.B. June 26, 2014) (instituted February 19, 2015). The one-year time limit starts from the date of institution. *See* 35 U.S.C. §§ 316(a)(11), 326(a)(11).

<sup>11</sup> *Id.* §§ 315(e)(2), 325(e)(2).

## 1. *Inter Partes* Review (IPR)

IPR petitions are available to contest the patentability of any patent regardless of priority date, in contrast to the old *inter partes* reexamination procedure it was designed to replace, which was only made available to patents issued from an original application filed on or after November 29, 1999.<sup>12</sup> However, for patents filed after March 16, 2013, that are subject to the AIA first-inventor-to-file law, an IPR may only be filed nine months after a patent issues, and only if a PGR has not been instituted.<sup>13</sup> An IPR petition is limited to patentability challenges on only 35 U.S.C. § 102 anticipation and § 103 obviousness grounds, and unlike invalidity challenges brought in district court, challenges raised in an IPR petition are limited to patents and printed publications.<sup>14</sup>

Any party (other than the patent owner) may petition for an IPR, as long as the petitioner or a real party-in-interest has not previously filed a civil action challenging the validity of the patent.<sup>15</sup> However, a one-year time-bar limitation attaches if the petitioner, real party-in-interest, or privy of the petitioner has been served with a complaint alleging infringement.<sup>16</sup>

The IPR procedure was designed to replace the old *inter partes* reexamination procedure, which took place before an examiner in the Central Reexamination Unit and was similar to patent prosecution. By contrast, IPR was created to provide a faster, less expensive forum for challenging patentability while still providing the challenger with limited discovery and a trial-like hearing. IPRs involve motions practice, depositions, and evidentiary disputes, and the “trial phase” concludes with a hearing before a panel of at least three Administrative Patent Judges with technical backgrounds.

## 2. Post-Grant Review (PGR)

Unlike IPR petitions, PGR petitions must be filed within nine months of the issue date of a patent.<sup>17</sup> While an IPR only allows § 102 novelty and § 103 obviousness challenges, a PGR petition may raise § 101 patentable subject matter and § 112 specification grounds, effectively encompassing all

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<sup>12</sup> See American Inventors Protection Act of 1999, Pub. L. No. 106-113, § 4608, 113 Stat. 1501A-72 (1999); *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1331-32 (Fed. Cir. 2008).

<sup>13</sup> 35 U.S.C. § 311(c)(1). An exception to this rule exists for patents examined under the pre-AIA first-to-invent rules (i.e., patents filed prior to March 16, 2013), since the complementary PGR proceeding made available to cover the first nine-month period by the AIA is not available for these patents, creating a “dead zone.” Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, § 3(n)(1), 125 Stat. 284 (2011). For patents examined under the pre-AIA first-to-invent rules, regardless of when filed, the complementary PGR proceedings are not available in this “dead zone,” so IPRs have been permitted, by a subsequent technical corrections statute, in the first nine-month period and thereafter for these patents. See An Act to Correct and Improve Certain Provisions of the Leahy-Smith America Invents Act, Pub. L. No. 112-274, § 1(d), 126 Stat. 2456 (2013) (correcting the term “dead zone”). An IPR may also be filed any time after the termination of a PGR. 35 U.S.C. § 311(c)(2).

<sup>14</sup> 35 U.S.C. § 311(b).

<sup>15</sup> *Id.* §§ 311(a), 315(a)(1).

<sup>16</sup> *Id.* § 315(b). The PTAB has often dealt with just what “been served” means, an issue which is constantly evolving in Board decisions. See, e.g., *TRW Automotive US LLC v. Magna Elecs., Inc.*, Nos. IPR2014-00293; -00294; -00296; -00297 and -00298 (P.T.A.B. June 27, 2014) (proposed complaints do not trigger § 315(b) bar).

<sup>17</sup> *Id.* § 321(c).

statutory grounds for invalidity, other than best mode challenges.<sup>18</sup> Whereas IPRs are limited to prior art patents and printed publications, a petitioner for a PGR may assert the whole range of prior art, including prior sales, offers for sale, or public use, for example.<sup>19</sup> In addition, the PGR word counts and page limits, institution threshold, and standards for discovery are different than for IPR.<sup>20</sup> Further, with respect to a reissue patent, a PGR challenge may be based on 35 U.S.C. § 251(d) for enlarging the scope of the patent if the application was filed more than two years after the original patent. Altogether, these substantive advantages suggest greater opportunity to alleged or potential infringers should they file a PGR petition. In practice, however, few PGR petitions have been filed. The low volume of post-grant reviews is likely attributable, in part, to the relatively low number of post-AIA patents that have been granted. But, as discussed below, the broader potential grounds for invalidity available for PGR may be deterring would-be filers, because the broader scope of challenges also means broader potential estoppel.<sup>21</sup>

Anyone may file a PGR petition aside from the patent owner,<sup>22</sup> though PGR is unavailable if the petitioner or the petitioner's real party-in-interest has already filed a civil action challenging the validity of the patent.<sup>23</sup> Notably, if the petitioner or the petitioner's real party-in-interest files such a civil action after a PGR has been instituted, the civil action will automatically be stayed pending resolution of the PGR, allowing a proactive petitioner who has not been sued yet to secure the forum of their choice if they seek a protective suit.<sup>24</sup>

PGRs are only available for so-called "AIA patents" having an effective filing date on or after March 16, 2013, and thus only a small subset of the patents that have issued since 2013—those that do not reference back to an earlier filing date—have qualified.

### 3. Covered Business Method Review (CBM)

The CBM transitional program was intended to address business method patents, a class of patents perceived to be "anathema to the protection the patent system provides."<sup>25</sup> With this overarching purpose, CBMs can be broadly used to challenge "covered business method" patents on any Section 101, 102, 103, and 112 grounds, except for the best mode requirement and § 102(e) prior art

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<sup>18</sup> As currently drafted, obviousness-type double patenting cannot be raised in either the IPR, the PGR, or the CBM contexts because it is a judicially created doctrine. See Michael Flibbert et al., *A Not-So Obvious Threat to Pharmaceutical Patent Portfolios*, COLUM. SCI. & TECH. L. REV., Mar. 13, 2014, <http://stlr.org/2014/03/13/a-not-so-obvious-threat-to-pharmaceutical-patent-portfolios/> (discussing obviousness-type double patenting and its inapplicability to statutory review proceedings).

<sup>19</sup> However, the failure to disclose the best mode is not a ground for PGR. 35 U.S.C. §§ 282(b)(2)–(3), 321(a).

<sup>20</sup> See 37 C.F.R. § 42.24 (setting word counts and page limits for IPR and PGR filings); compare 35 U.S.C. § 314(a) (defining the institution threshold for IPR petitions), with 35 U.S.C. § 324(a) (defining the institution threshold for PGR petitions); compare 37 C.F.R. § 42.51(b)(2)(i) (defining the standard for granting additional discovery in IPR), with 37 C.F.R. § 42.224 (defining the standard for granting additional discovery in PGR).

<sup>21</sup> See *infra* Section V (Estoppel).

<sup>22</sup> 35 U.S.C. § 321(a).

<sup>23</sup> *Id.* § 325(a)(1).

<sup>24</sup> *Id.* § 325(a)(2).

<sup>25</sup> 157 CONG. REC. S1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer).



references.<sup>26</sup> The AIA defines a “covered business method” patent as “a patent that *claims* a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions,” and the USPTO adopted that definition in the final rules.<sup>27</sup> The PTAB is still fleshing out exactly what is included in the definition of “covered business method,” and while they have offered some guidance, this threshold will be the subject of dispute for some time. A petitioner may file for a CBM only if the petitioner, the petitioner’s real party-in-interest, or the petitioner’s privy has been charged with infringement of the patent.<sup>28</sup> Additionally, the petitioner or real party-in-interest must not have filed a civil action challenging the validity of the patent for which the petitioner seeks review.<sup>29</sup>

CBM petitioners, however, are not subject to estoppel issues as severe as those found in IPRs and PGRs, as the non-PTAB estoppel only extends to grounds actually raised in the CBM trial.<sup>30</sup>

## **B. POST-GRANT PROCEEDINGS BEFORE THE PTAB OFTEN RUN IN PARALLEL TO AND CAN CONFLICT WITH FEDERAL COURT AND INTERNATIONAL TRADE COMMISSION PROCEEDINGS**

As is apparent from the timing constraints discussed above, it is not uncommon for a PTAB proceeding to run concurrently with a district court litigation or a U.S. International Trade Commission (USITC) section 337 unfair trade practice proceeding involving the same patent(s). Situations like these where invalidity is under review in multiple forums may lead to conflicting rulings.

This may be explained in part by the different standards used by the various tribunals in the construction of patent claims and in invalidity or unpatentability determinations. In district court and USITC proceedings, patent claims are construed according to the *Phillips* framework<sup>31</sup> and are presumed valid, and the challenger must provide clear and convincing evidence to establish invalidity. By contrast, in a post-grant proceeding, the PTAB construes claims according to the “broadest reasonable interpretation” (BRI) standard.<sup>32</sup> In the PTAB, unlike in district court proceedings, claims are not entitled to a presumption of validity and the challenger must prove unpatentability by only a preponderance of the evidence.<sup>33</sup> Due to the potentially dispositive effect of a PTAB proceeding, the fast deadline for completing these proceedings (one year from institution

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<sup>26</sup> See 35 U.S.C. § 321(b); see, e.g., *Meridianlink, Inc. v. DH Holdings, LLC*, No. CBM2013-00008, Paper No. 24 (P.T.A.B. Sept. 13, 2013).

<sup>27</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(d)(1), 125 Stat. 331 (Sept. 16, 2011) (emphasis added); 37 C.F.R. § 42.301(a).

<sup>28</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(B).

<sup>29</sup> *Id.* § 18(d).

<sup>30</sup> *Id.* § 18(a)(1)(D); see also *infra* Section V (Estoppel).

<sup>31</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

<sup>32</sup> 37 C.F.R. § 42.100(b); see also *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (holding that the application of the BRI standard “represents a reasonable exercise of the rulemaking authority that Congress delegated to the Patent Office”).

<sup>33</sup> *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, No. CBM2012-00001, Paper No. 70 at 7–19 (P.T.A.B. June 11, 2013).

and six months more if good cause exists), and the estoppel provisions, many district courts have granted litigation stays in light of co-pending PTAB proceedings.

The PTAB and district courts or USITC proceedings differ in other ways, such as the extent of permissible discovery.<sup>34</sup> We discuss several of these differences in various sections below.

The AIA includes several estoppel provisions that may affect co-pending litigation or subsequent validity challenges. These estoppel provisions, triggered upon a final written decision, restrict petitioners from revisiting the same grounds of invalidity later, in both the district court and before the Board. For PGR and IPR proceedings, estoppel attaches to any grounds that were raised or reasonably could have been raised. For CBM proceedings, the estoppel provisions applicable to district court actions are narrower, barring only grounds actually raised in the proceeding. Yet, as with IPR and PGR, the estoppel provisions for CBM bar other USPTO proceedings on grounds that were raised or that reasonably could have been raised.

The estoppel provisions of the new PTAB proceedings are more likely to impact co-pending district court litigation sooner than the old estoppel provisions for *inter partes* reexaminations did, in part because of when the estoppel attaches. Under the old rules, a party to an *inter partes* reexamination was estopped from relitigating grounds of rejection once all appeals are exhausted, a process that could take several years. By contrast, PTAB estoppel attaches immediately upon a PTAB final written decision, whereas a patent owner subject to an adverse ruling issued by a district court is not bound until it exhausts its appeals.

The PTAB adheres to the BRI standard for claim construction, which can cause tension with the district courts, which apply the *Phillips* “ordinary meaning” standard. Petitioners and patent owners may thus find themselves dealing with two sets of constructions for the same patent in the two forums. Notably, however, they would not be bound in either forum to the other’s constructions.

To address the many challenges to which these parallel USPTO proceedings give rise, WG10 has developed the following principles to guide this Parallel USPTO Proceedings Chapter:

**Principle No. 1 – The parties and the PTAB, USITC, and district courts should take steps so parallel proceedings work in concert, and should exercise their discretion, when possible, to reduce abusive litigation and foster just, speedy, and inexpensive determinations.**

The consensus of The Sedona Conference’s Working Group 10 is that the patent system can best be improved by the PTAB, USITC, and district courts adopting—and the parties following—procedures enhancing the efficient, fair, and cost-effective management of patent litigation. This is the basis for Principle No. 1.

The PTAB, USITC, and district courts are each designated to address different aspects of patent disputes and for different purposes. Challenges arise, however, as PTAB proceedings often run in parallel to district court actions and USITC investigations and address many of the same issues. Congress intended for post-grant proceedings under the AIA to be fast, inexpensive alternatives to

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<sup>34</sup> Note that discovery obtained in the district court or the USITC, though relevant, is not always usable in the PTAB due to restrictions dictated by the protective order entered in the district court or the USITC, and vice versa.

validity disputes in district court and the USITC, but it is the consensus of the Working Group that, at times, the post-grant proceedings operate or are utilized in such a fashion that is contrary to these goals. The Working Group calls for the parties and the PTAB, USITC, and district courts to work together such that parallel proceedings work in concert with existing patent litigation, in order to effectively decrease the cost and complexity of the litigation and to expedite justice.

**Principle No. 2 – Parties to PTAB proceedings should have a fair opportunity to present appropriate evidence and argument, both before and after institution.**

Fair treatment of all parties involved is essential in any litigated proceeding. PTAB proceedings are no different. This is the basis for Principle No. 2.

Some have argued that IPR and CBM proceedings are unbalanced in favor of the petitioner. For example, some have argued that it was unfair that patent owners could not present testimonial evidence prepared specifically for the PTAB proceeding prior to institution. While petitions are typically filed with at least one expert declaration, the Board's trial practice rules originally prohibited the patent owner from presenting "new testimonial evidence beyond that already of record" in its preliminary response to the petition prior to institution.<sup>35</sup>

To address this concern, the USPTO amended its rules of practice for PTAB proceedings effective May 2, 2016, to permit new testimonial evidence submitted with a patent owner's preliminary response.<sup>36</sup> To address concerns that such a change would further delay the institution decision, the USPTO also amended the rules to provide that any factual dispute that is material to the institution decision will be resolved in favor of the petitioner for the purpose of making the institution determination.<sup>37</sup> While this amendment may not fully resolve any concerns that there is a pre-institution imbalance, the amendment is clearly within the spirit of Principle No. 2.

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<sup>35</sup> Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,728 (original rule 42.107(c) stated: "No new testimonial evidence. The preliminary response shall not present new testimony evidence beyond that already of record, except as authorized by the Board.>").

<sup>36</sup> 37 C.F.R. §§ 42.107, 42.207; *see also* Final Rule Amendments, *supra* note 9, at 18,755–57 (addressing public comments).

<sup>37</sup> 37 C.F.R. §§ 42.108(c), 42.208(c).

## II. *Limited Discovery*

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The statute, the procedures developed by the United States Patent and Trademark Office (USPTO), and the published decisions by the Patent Trial and Appeal Board (PTAB) to date have made it clear that the scope of discovery in these post-grant proceedings is rather limited.<sup>38</sup>

Discovery differs procedurally and substantively in PTAB proceedings versus district court litigations. Due to the limited availability of discovery before the PTAB, parties in post-grant proceedings must rely heavily on information already at hand (e.g., information, where appropriate, obtained through more expansive district court discovery procedures) or obtained by means independent of those available before the district courts. Practically, parties should expect to obtain little, if any, discovery beyond information already on hand and that which is obtainable through cross-examination of witnesses.

In the past, the PTAB has found “soft” arguments, such as secondary considerations of nonobviousness, generally unavailing, and has denied motions to compel discovery of information that does not meet a strictly observed nexus requirement, e.g., for proving commercial success.<sup>39</sup>

### A. CATEGORIES OF DISCOVERY AVAILABLE IN POST-GRANT PROCEEDINGS

#### **Best Practice 1 – Parties should be familiar with the limited categories of discovery available in post-grant proceedings.**

After a PTAB grant of a petition for *inter partes* review (IPR), the parties may engage in limited discovery as defined under 37 C.F.R. § 42.51(b). Discovery in post-grant proceedings is limited in the sense that it must fall within one of two statutory classes: “routine” and “additional.”<sup>40</sup>

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<sup>38</sup> See, e.g., *Bloomberg Inc. v. Markets-Alert Pty. Ltd.*, No. CBM2013-00005, Paper No. 32 at 1–2 (P.T.A.B. May 29, 2013) (“The purpose of the Leahy-Smith America Invents Act (“AIA”) is to establish a more efficient and streamline [sic] patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. . . . Consistent with the statutory provisions and legislative intent of the AIA, there is a strong public policy to limit discovery in administrative trial proceedings, as opposed to the practice in district court patent litigations that have broad discovery.”); *Garmin Int’l, Inc. v. Cuzzo Speed Techs. LLC*, No. IPR2012-00001, Paper No. 26 at 34 (P.T.A.B. Mar. 5, 2013).

<sup>39</sup> See, e.g., *Microsoft Corp. v. Proxyconn, Inc.*, Nos. IPR2012-00026, IPR2013-00109, Paper No. 32 at 4–6 (P.T.A.B. Mar. 8, 2013) (denying motion seeking additional discovery of sales data for, *inter alia*, failure to show a nexus between the requested information and the claims, failure to meet the burden of showing that commercial success derives from the component of a larger product, and failure to show a nexus between the claimed invention and commercial success).

<sup>40</sup> 37 C.F.R. § 42.51(b).

## 1. Routine Discovery

The parties in post-grant proceedings are entitled to “routine discovery” for the following:

- (1) All exhibits cited in a paper or in testimony;<sup>41</sup>
- (2) Cross-examination of affidavit testimony;<sup>42</sup> and
- (3) Relevant information inconsistent with a position advanced by the party before the PTAB.<sup>43</sup>

The majority of routine discovery obtainable by direct request falls under the second category of routine discovery, i.e., cross-examination of declaration testimony via deposition.<sup>44</sup> Parties produce copies of exhibits relied upon (i.e., the first category of routine discovery) via the filing system (e.g., petition and motions, together with cited exhibits). The third category, discovery of information inconsistent with a position taken, has been thus far generally treated by the PTAB and parties as information invoking a duty of disclosure, rather than another means for seeking material from the other party, rendering it largely superfluous.

## 2. Additional Discovery

The parties may agree to, or, more commonly, move the PTAB to compel, “additional” discovery beyond “routine” discovery.<sup>45</sup> The PTAB has encouraged parties to confer on the issue of additional discovery early in the proceeding and attempt to agree on exchanging reasonable information to help resolve disputes promptly and efficiently.<sup>46</sup>

## B. STANDARDS FOR OBTAINING ADDITIONAL DISCOVERY

Other than by party agreement, those seeking additional discovery must move the PTAB to compel the other side to produce it.<sup>47</sup> The moving party has the burden of showing that the requested discovery is in the interests of justice (in the case of IPRs) or that there is good cause for why the discovery is needed (in post-grant reviews (PGRs) and transitional covered business method reviews (CBMs)).<sup>48</sup>

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<sup>41</sup> *Id.* § 42.51(b)(1)(i).

<sup>42</sup> *Id.* § 42.51(b)(1)(ii).

<sup>43</sup> *Id.* § 42.51(b)(1)(iii).

<sup>44</sup> *Id.* § 42.51(b)(1)(ii).

<sup>45</sup> *Id.* § 42.51(b)(2)(i).

<sup>46</sup> *See id.* (“The parties may agree to additional discovery between themselves.”); Proposed Rule Amendments, *supra* note 8, at 50,729.

<sup>47</sup> *See* 37 C.F.R. § 42.51(b)(2)(i).

<sup>48</sup> *See id.*; *see also* 37 C.F.R. § 42.224; *Bloomberg Inc. v. Markets-Alert Pty. Ltd.*, No. CBM2013-00005, Paper No. 32 at 2–3 (P.T.A.B. May 29, 2013). There is currently no formal USPTO mechanism for third-party discovery.

The PTAB has been conservative in granting requests for additional discovery to date. The PTAB considers the “interests of justice” standard to be higher than the “good cause” standard. The PTAB bases this by, in part, highlighting the short statutory timelines mandated by Congress.<sup>49</sup>

**Best Practice 2 – Parties seeking additional discovery in a post-grant proceeding should identify the material sought with particularity and make a required showing why additional discovery should be granted.**

The PTAB has granted few motions to compel additional discovery on the grounds of relevant information inconsistent with a position advanced by the party before the PTAB.<sup>50</sup> The PTAB explained in the *Garmin* case that “routine discovery” does not include broad discovery requests that have only a possibility of returning such inconsistent information, but instead “is narrowly directed to specific information known to the responding party to be inconsistent with a position advanced by that party in the proceeding.”<sup>51</sup> Instead, broad discovery requests are categorized as requests for “additional discovery,” and the PTAB evaluates them using the following five-factor test:

- (1) whether there is only a possibility or merely an allegation that something useful will be found, rather than a request that is narrowly tailored and specific;
- (2) whether the request is directed to privileged information, such as the other party’s litigation positions and underlying case;
- (3) whether the request is cumulative or could be generated or reasonably assembled without the discovery request;
- (4) whether the request is easily understandable, both in volume and complexity; and
- (5) whether the request is overly burdensome to answer, considering financial, temporal, and administrative burdens.<sup>52</sup>

The PTAB has stated that the flexible approach set forth in *Garmin* provides helpful guidance to the parties and assists the PTAB in permitting meaningful discovery while securing the just, speedy, and inexpensive resolution of every proceeding.<sup>53</sup> Following *Garmin*, the PTAB has repeatedly applied the five-factor test to reject discovery requests in IPRs and CBMs.

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<sup>49</sup> See 37 C.F.R. §§ 42.100(c), 42.200(c), 42.300(c); *Bloomberg*, No. CBM2013-00005, Paper No. 32 at 3 (“Moreover, as stated in the legislative history, [g]iven the time deadlines imposed on these proceedings, it is anticipated that, regardless of the standards imposed in [35 U.S.C. §§ 316 and 326], PTO will be conservative in its grants of discovery.” (alterations in original) (quoting 154 CONG. REC. S9988–89 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl))).

<sup>50</sup> See 37 C.F.R. § 42.51(b)(1)(iii).

<sup>51</sup> *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC.*, No. IPR2012-00001, Paper No. 26 at 2–4 (P.T.A.B. Mar. 5, 2013).

<sup>52</sup> See *id.* at 4–5.

<sup>53</sup> Proposed Rule Amendments, *supra* note 8, at 50,728.

The first *Garmin* factor requires a moving party to provide “evidence tending to show beyond speculation that in fact something useful will be uncovered.”<sup>54</sup> The PTAB has defined the term “useful” in this context to mean “favorable in substantive value to a contention of the party moving for discovery.”<sup>55</sup> Citing the first *Garmin* factor, the PTAB has routinely rejected motions for additional discovery that do not name specific things (e.g., particular documents), especially if such requests are so broad as to amount to “fishing expeditions.”<sup>56</sup>

The second *Garmin* factor restricts the use of contention interrogatories common to district court litigation, and the third prohibits requesting information a party “can reasonably figure out or assemble without [a] discovery request.”<sup>57</sup> Thus, the PTAB has commonly used the second and third *Garmin* factors to deny discovery that does not satisfy the “interests of justice” or “good cause” standards for additional discovery.<sup>58</sup>

The fourth and fifth *Garmin* factors identify discovery practices that traditionally have been abused in district court litigation. The PTAB has used these factors to curb overly complex instructions and overly broad requests.<sup>59</sup> In the context of the fifth *Garmin* factor, the PTAB has construed the term “burdensome” broadly to include personal and financial burdens as well as a burden to meet the one-year statutory deadline to complete PTAB proceedings.<sup>60</sup> Thus, the PTAB has encouraged parties to raise discovery issues by conferring with each other as soon as they arise.<sup>61</sup>

### C. COMMON CATEGORIES OF ADDITIONAL DISCOVERY

Parties often seek discovery regarding secondary considerations of nonobviousness. While the Federal Circuit has admonished that evidence of secondary considerations is always relevant to obviousness and is often the most probative evidence in the case,<sup>62</sup> to date, the PTAB has routinely denied such motions under the first *Garmin* factor. The PTAB has found that such requests lack a threshold amount of evidence, or reasoning, tending to show beyond speculation that the information to be discovered will be useful.<sup>63</sup> The PTAB has stated that it is not necessary to

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<sup>54</sup> *Garmin*, No. IPR2012-00001, Paper No. 26 at 46; Proposed Rule Amendments, *supra* note 8, at 50,726.

<sup>55</sup> *Garmin*, No. IPR2012-00001, Paper No. 26 at 7.

<sup>56</sup> *See* *Bloomberg Inc. v. Markets-Alert Pty. Ltd.*, No. CBM2013-00005, Paper No. 32 at 3 (P.T.A.B. May 29, 2013) (applying similar five-factor test in evaluating a motion for additional discovery in the CBM context); *Corning Inc. v. DSM IP Assets B.V.*, No. IPR2013-00043, Paper No. 27 at 3–6 (P.T.A.B. June 21, 2013) (denying Requests 2 and 3 for lack of specificity); *Microsoft Corp. v. Proxyconn, Inc.*, Nos. IPR2013-00026, IPR2013-00109, Paper No. 32 at 8 (P.T.A.B. Mar. 8, 2013) (denying all requests for additional discovery).

<sup>57</sup> *Garmin*, No. IPR2012-00001, Paper No. 26 at 6.

<sup>58</sup> Proposed Rule Amendments, *supra* note 8, at 50,726.

<sup>59</sup> *Garmin*, No. IPR2012-00001, Paper No. 26 at 6–7; Proposed Rule Amendments, *supra* note 8, at 50,726.

<sup>60</sup> *Garmin*, No. IPR2012-00001, Paper No. 26 at 7, 14.

<sup>61</sup> Proposed Rule Amendments, *supra* note 8, at 50,726–27.

<sup>62</sup> *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538 (Fed. Cir. 1983).

<sup>63</sup> *See, e.g., Garmin*, No. IPR2012-00001, Paper No. 26 at 7–13 (denying motion seeking additional discovery); *Microsoft Corp. v. Proxyconn, Inc.*, Nos. IPR2012-00026, IPR2013-00109, Paper No. 32 at 4–6 (P.T.A.B. Mar. 8, 2013) (denying motion seeking additional discovery of sales data for, *inter alia*, failure to show a nexus between the requested information and the claims, failure to meet the burden of showing that commercial success derives from the component of a larger product, and failure to show a nexus between the claimed invention and commercial

provide a conclusive showing of nexus between the claimed invention and the information sought, but parties are required to make some showing of nexus.<sup>64</sup> For example, an infringement contention that the claims reasonably could be read to cover the petitioner's product is generally insufficient to provide nexus for discovery on evidence of commercial success because it does not show that the alleged commercial success necessarily derives from the claimed feature rather than other desirable features that could have contributed.<sup>65</sup> In addition, the PTAB has relied on the third and fifth *Garmin* factors to reject requests relevant to secondary considerations where such requests were imprecise and unduly burdensome and where the requested information is publicly available.<sup>66</sup>

Parties also frequently seek additional discovery regarding real parties-in-interest, as such evidence can terminate proceedings or estop a party in parallel litigation.<sup>67</sup> While the PTAB has often denied these motions, it has granted a handful of requests based on evidence that clearly satisfied the first *Garmin* factor. In one case the Board panel granted additional discovery on the existence of a known indemnification agreement between a party and a third party that directly supported the requesting party's position;<sup>68</sup> in another, the Board granted discovery into payments made by a third party in exchange for filing a petition for IPR.<sup>69</sup> Importantly, the PTAB has stated that it will consider the impact of delayed filings, including whether the delay is unwarranted or prejudicial, when considering whether to grant requests.<sup>70</sup>

It appears that, based on a limited number of motions to date, the PTAB may be receptive to motions for additional discovery related to expert opinions. For example, the PTAB has relied on

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success); *Palo Alto Networks Inc. v. Juniper Networks Inc.*, No. IPR2013-00369, Paper No. 36 at 4 (P.T.A.B. Feb. 5, 2014) (denying additional discovery related to copying for, *inter alia*, failure to show a nexus between the claimed invention and copying); *see also* Proposed Rule Amendments, *supra* note 8, at 50,726.

<sup>64</sup> *See, e.g., Microsoft Corp.*, Nos. IPR2012-00026, IPR2013-00109, Paper No. 32 at 4–6; *Schott Gemtron Corp. v. SSW Holding Co.*, No. IPR2013-00358, Paper No. 43 at 4–6 (P.T.A.B. Feb. 14, 2014) (denying motion for additional discovery regarding commercial success where the request did not provide a threshold amount of evidence of sales or an alleged nexus between the claimed invention and commercial success); *see also* Proposed Rule Amendments, *supra* note 8, at 50,728.

<sup>65</sup> *See, e.g., John's Lone Star Distribution, Inc. v. Thermolife Int'l, LLC*, No. IPR2014-01201, Paper No. 30 at 4–6 (P.T.A.B. May 13, 2015); *see also* Proposed Rule Amendments, *supra* note 8, at 50,728.

<sup>66</sup> *See, e.g., Microsoft Corp.*, Nos. IPR2012-00026, IPR2013-00109, Paper No. 32 at 6–7; *Palo Alto Networks*, No. IPR2013-00369, Paper No. 36 at 6–7 (denying motion for additional discovery regarding commercial success where the request was “not focused, overly broad, and unduly burdensome”).

<sup>67</sup> *See, e.g., Arris Gr. Inc. v. C-Cation Techs. LLC*, No. IPR2014-00746, Paper No. 15 at 2 (P.T.A.B. July 24, 2014) (requesting discovery of an indemnification agreement between the petitioner and a third party that could prove the petition was time barred under 35 U.S.C. § 315(b)).

<sup>68</sup> *See, e.g., id.* at 4 (granting discovery of an indemnification agreement between the petitioner and a third party where the patent owner “provided evidence showing: (1) the agreement exists; (2) [third party] made indemnification claims against the petitioner; (3) the petitioner had contractual rights with [third party] regarding exercising ‘sole control’ of the litigation; and (4) the petitioner resolved the indemnification claims with [third party]”); *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, No. IPR2013-00453, Paper No. 40 at 4–9 (P.T.A.B. Apr. 23, 2014) (granting discovery related to a dispute identified in a declaration regarding whether indemnification was owed under a known indemnification agreement); *Samsung Elecs. Co. v. Black Hills Media LLC*, Nos. IPR2014-00717, IPR2014-00735, Paper No. 17 at 4, 6–10 (P.T.A.B. Oct. 2, 2014) (granting additional discovery based on a known indemnification provision and evidence that the petitioner had previously denied receiving indemnification, when in fact it had).

<sup>69</sup> *See, e.g., RPX Corp. v. VirnetX, Inc.*, Nos. IPR2014-00171 et al., Paper No. 25 at 3–4 (P.T.A.B. Feb. 10, 2014).

<sup>70</sup> Proposed Rule Amendments, *supra* note 8, at 50,727.



the first *Garmin* factor to grant requests for laboratory notebooks and email communications relied upon by expert declarants.<sup>71</sup> These requests have been more narrowly tailored and fit well within the PTAB's *Garmin* framework.

Some patent holders raise concerns that the presumption against additional discovery can operate to prejudice the ability of patent holders to obtain discovery on such key issues such as real-parties-in-interest and secondary considerations of non-obviousness, and that such a presumption is not necessary in instances where, e.g., the relevant evidence is in fact reasonably obtainable to the petitioner. WG10 encourages an ongoing dialogue on these issues. In the meantime, as discussed in the following section, WG10 recommends that parties seeking additional discovery consider available voluntary discovery mechanisms.

#### D. AVAILABLE VOLUNTARY DISCOVERY MECHANISMS

**Best Practice 3 – Parties seeking additional discovery should explore whether each side might want and benefit from certain discovery beyond what is normally permitted by the PTAB; and, if so, then the parties should consider voluntarily exchanging such discovery.**

Prior to the filing of any preliminary response with the PTAB, and thus prior to the PTAB's institution decision, the parties may agree to take discovery of specific types of information as "mandatory initial disclosures."<sup>72</sup> Upon a PTAB grant of an IPR petition, the parties may automatically take discovery of the mandatory initial disclosures agreed to between the parties or compelled by a PTAB order.<sup>73</sup> These disclosures are only "mandatory" in the sense that once they are agreed upon, the parties need not negotiate or move the PTAB to take discovery of the disclosures previously agreed upon. Actual agreement (or motion for PTAB compulsion) related to discovery or disclosure is not mandatory in the first instance, but is instead voluntary.

The USPTO provides a Trial Practice Guide to advise the public on AIA trial procedures.<sup>74</sup> When parties agree to mandatory initial disclosures, the Trial Practice Guide defines two available options. The first option, modeled after Rule 26(a)(1)(A) of the Federal Rules of Civil Procedure, requires disclosure of (1) the name, address, and telephone number of each individual likely to have discoverable information that the disclosing party may use to support its claims or defenses; and (2) a copy (or description) of all documents and things that the disclosing party possesses or controls that it may use to support its claims or defenses.<sup>75</sup> The second option is considerably more extensive and includes many of the same disclosures as the first option. Under the second option, the nature

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<sup>71</sup> See, e.g., *Corning Inc. v. DSM IP Assets B.V.*, No. IPR2013-00043, Paper No. 27 at 3–5 (P.T.A.B. June 21, 2013) (granting the patent owner's request for production of laboratory notebooks containing composition preparation protocols about which the petitioner's expert testified); *Apple Inc. v. Achates Reference Publ'g Inc.*, No. IPR2013-00080, Paper No. 66 at 9 (P.T.A.B. Jan. 31, 2014) (granting the petitioner's request for email communications between the patent owner's experts on which the experts relied in forming their opinions).

<sup>72</sup> 37 C.F.R. § 42.51(a).

<sup>73</sup> See *id.* § 42.51(a)(1)(ii).

<sup>74</sup> See Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,756–73 (Aug. 14, 2012) (hereinafter "Trial Practice Guide").

<sup>75</sup> See *id.* at 48,761–62.

of the disclosures depends on whether the petitioner seeks to cancel claims based on (1) the existence of an alleged prior non-published public disclosure or (2) alleged obviousness.<sup>76</sup>

Unfortunately, these features have been little used in the early years of the PTAB. A review of post-grant petitions filed to date indicates that mandatory initial disclosures are uncommon. It may be that there is little incentive for either party (much less both parties) to provide more discovery than that ordered by the PTAB. It may also be in the parties' disinterest in terms of reducing costs to front-load or freely provide discovery prior to actual institution of trial, especially in view of the limited nature of discovery after trial begins. But there may be exceptions, particularly where both parties are sophisticated and seek additional information beyond what the PTAB typically allows.

## E. PROTECTIVE ORDERS

### **Best Practice 4 – Litigation counsel should not be barred from litigating patentability in the PTAB.**

It is common for protective orders in patent litigations to impose a bar against participation in patent prosecution.<sup>77</sup> The Federal Circuit has recognized that strategically amending or surrendering claim scope can implicate competitive decision-making, thus giving rise to a risk of inadvertent use of confidential information learned in litigation.<sup>78</sup> Accordingly, district courts often order parties to operate under a limited prosecution bar regarding all reexaminations, IPRs, and any other PGR proceedings.

One justification for imposing a prosecution bar has been that a lawyer who gains access to confidential information of a party may use that information to craft claims directed to their opponent's products. In practice, however, this may be unlikely to affect AIA post-grant proceedings since the ability to amend claims is limited. New PTAB proceedings cannot include amendments that will broaden claims. Procedurally, PTAB amendment is via a "motion to substitute claims" and does not involve any back-and-forth examination. Thus, there may be instances where the reasons for barring participation in prosecution, reexamination, or reissue based on the risk of parties using confidential information during the amendment process are not present in particular AIA post-grant proceedings.

Parties should take care to explicitly limit prosecution bars to patent prosecution and reexaminations as a rule. Courts should carefully consider enforcing protective orders that preclude the patent owner's counsel from cooperating or participating in AIA post-grant proceedings.

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<sup>76</sup> See *id.* at 48,762.

<sup>77</sup> See, e.g., *Versata Software, Inc. v. Callidus Software, Inc.*, No. 1-12-cv-00931, 2014 WL 1117804 (D. Del. June 19, 2014).

<sup>78</sup> *Id.* at \*2.

### *III. Presenting Evidence and Protecting Confidentiality in PTAB Proceedings*

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[See *The Sedona Conference Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter* (“*Stage Two*”) (forthcoming)]

## IV. *Stays of Concurrent District Court Litigations*

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With the advent of Patent Trial and Appeal Board (PTAB) review proceedings, it has become commonplace for accused infringers to petition the PTAB for post-grant reviews (PGRs) or *inter partes* reviews (IPRs) after the patentees have brought patent infringement actions in the district courts. Many of those petitioners, in turn, file motions to stay the district court litigation pending the outcome of the post-grant proceedings. In most circumstances, there is no new statutory requirement that previously filed district court actions be stayed, and courts have struggled with such stay determinations. This section describes the relevant factors for the courts to consider, though each case's facts differ.<sup>79</sup>

### A. EARLY CONSIDERATIONS, DISCLOSURES, AND AGREEMENTS

**Best Practice 5 – Parties seeking a litigation stay during post-grant proceedings should promptly provide the district court with complete information about: the patents-in-suit; the parties; the claims; the defenses; any other existing cases involving any of the patents-in-suit or the same parties; the instituted, pending, or forthcoming PTAB review petitions involving the patents-in-suit; and any timing or jurisdictional issues that may arise.**

Deciding whether to grant a litigation stay is fact-intensive, so parties should give the court all information relevant to such a determination.<sup>80</sup> The district court should be informed whether any parties have petitioned the PTAB for review or intend to do so. The court should further be made aware, before discovery begins, if timing and jurisdictional issues may foreseeably arise under the circumstances described in *Fresenius USA, Inc. v. Baxter Int'l Inc.*<sup>81</sup>

Regardless of whether a stay is sought, it is relevant for the court to know when and if there will be other discovery and claim construction proceedings conducted with potentially binding unpatentability rulings. Disclosing such information as early as possible to the district court—i.e., before substantial resources are expended—is a courtesy to the court, aids in the efficient administration of the case, and avoids the appearance of gamesmanship.<sup>82</sup>

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<sup>79</sup> The win rate for stay movants when opposed in district court has fluctuated from year to year, but sits at just over about 60% through July 31, 2015. See *Motions to Stay District Court Cases Pending Post-Grant Proceedings*, DOCKET NAVIGATOR (August 24, 2015), <http://docketreport.blogspot.com/2015/08/motions-to-stay-district-court-cases.html>.

<sup>80</sup> When the litigation is filed, it may take some time before the defendant has this information, but if consideration is being given to filing an IPR, the court should be notified and provided information as soon as practicable.

<sup>81</sup> 721 F.3d 1330 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 2295 (2014); see *supra* notes 5–6 and accompanying text.

<sup>82</sup> See *Va. Innovation Scis., Inc. v. Samsung Elecs. Co.*, 983 F. Supp. 2d 713, 760 (E.D. Va. 2014), *reconsideration denied* (May 2, 2014), *vacated*, 614 F. App'x 503 (Fed. Cir. 2015) (determining that the parties breached their duty of candor by failing to inform the court of the pending IPR for six months: “By failing to advise this Court of the existence of the IPR proceedings, [the parties] in effect had two bites at the apple regarding the validity of the disputed claims.

**Best Practice 6 – The district court should consider asking key questions relevant to stays for all patent cases at the earliest possible stage of the litigation.**

In view of the increasing prevalence of post-grant proceedings, the court should, for all patent cases, consider asking key questions relevant to stays early in the proceedings, including:

- (1) whether *all* of the asserted claims or all of the representative claims of the patents-in-suit have been instituted by the PTAB for review, or will be included in forthcoming petitions;
- (2) whether the real parties-in-interest have been identified, including all parties in privity;
- (3) whether all codefendants have joined or will join the PTAB proceedings, and if not, whether they will at least agree to be estopped on any grounds actually raised and adjudicated in the PTAB proceedings;
- (4) whether, upon conferring with the district court, the parties agree that a stay of the district court litigation is in the interests of both parties; and
- (5) how the BRI standard employed by the PTAB could potentially impact the claims at issue as compared to the district court's *Markman* standard.

Staying district court litigation is discretionary, and nothing in the Leahy-Smith America Invents Act (AIA) alters this. The Supreme Court has held that “the power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants.”<sup>83</sup> In exercising this discretion, courts must weigh the competing interests of the parties and attempt to maintain an even balance.<sup>84</sup> It has long been recognized that courts may stay judicial proceedings pending reexamination of a patent.<sup>85</sup> This applies to PTAB proceedings post-AIA as well.

The foregoing should give judges and parties an early assessment of whether parallel PTAB proceedings are envisioned, which claims may be implicated, what the scope and standard of review to be employed will be, and which parties and arguments may eventually be estopped. The court should seek information as early as possible, particularly if timing and jurisdictional issues are foreseeable under the circumstances described in *Fresenius*.<sup>86</sup> Moreover, the parties should explain

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Moreover, they deprived this Court of the opportunity to inquire of the parties and decide for itself whether to await a ruling from the PTAB on that issue.”).

<sup>83</sup> *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936).

<sup>84</sup> *Id.* at 254–55.

<sup>85</sup> *See Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (“Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.”) (citation omitted).

<sup>86</sup> *Fresenius USA, Inc. v. Baxter Int’l Inc.*, 721 F.3d 1330, 1336–1345 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 2295 (2014) (holding that a pending infringement suit must be dismissed as moot upon a USPTO finding of unpatentability during reexamination).

how the “broadest reasonable interpretation” (BRI) standard employed by the PTAB could potentially impact the claims at issue as compared to the district court’s *Markman* standard.

**Best Practice 7 – If a PTAB review petition has been or is likely to be filed, parties should confer with opposing counsel as early as possible regarding possible joint stipulations for a stay of district court litigation.**

Parties should confer with opposing counsel as early as possible to determine whether they can jointly stipulate for a stay of district court litigation. This encourages frank dialogue with opposing counsel regarding parallel PTAB proceedings. One stay factor the district courts analyze is “whether a stay would unduly prejudice . . . the nonmoving party.”<sup>87</sup> While agreement of the parties will not control, the third prong of the stay analysis—undue prejudice—is greatly reduced if all parties can agree to a stay of the district court litigation. If the parties agree to jointly request a stay of the district court litigation, this would likely weigh heavily in favor of staying the district court proceedings. Even if parties cannot agree on all issues, the parties nonetheless benefit from resolving whatever issues they can and simplifying the dispute.

**Best Practice 8 – The patentee should disclose as early as possible to the district court any intent to amend asserted claims in post-grant proceedings.**

Under the AIA, amendments during post-grant proceedings are limited by a one-for-one substitution. Typically, the patent owner files a motion in parallel with the patent owner’s response (i.e., both are filed usually about three months after institution). The motion to amend may present a reasonable number of substitute claims, identifying original disclosure support for each and arguing patentability over the prior art.

While amending in PTAB proceedings has thus far proven difficult, the district court should be made aware as early as possible if any asserted claims may be amended. A patent owner is already required to confer with the PTAB in advance of offering such amendments by raising it in a conference call and identifying the general scope and number of substitute claims to be filed. The district court should likewise be timely informed. The court may consider weighing this in the stay analysis to prevent wasted effort on claims subject to change.

**Best Practice 9 – Parties to a litigation who avail themselves of the PTAB should be required to disclose as early as possible to the district court all real parties-in-interest to the PTAB proceedings, and make an effort to disclose any parties in privity.**

IPRs are unavailable where either: (1) more than one year has passed since the petitioner (or someone in privity with the petitioner) or the real party-in-interest was served with the patent infringement complaint;<sup>88</sup> or (2) the petitioner or the real party-in-interest filed a civil action

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<sup>87</sup> See *Blue Calypso, Inc. v. Groupon, Inc.*, 93 F. Supp. 3d 575, 580 (E.D. Tex. Jan. 16, 2014) (order granting a stay in a trial with many defendants, given nine listed stipulations all parties agreed to).

<sup>88</sup> 35 U.S.C. § 315(b).

challenging the validity of a claim of the patent before filing the petition for IPR.<sup>89</sup> Further, PGRs may not be instituted if a petition is filed after the petitioner or the real party-in-interest filed a district court action on invalidity. Thus, identifying any other real parties-in-interest and those known to be in privity is essential to determining whether PTAB proceedings are available and whether they are likely to be instituted. It is also critical in determining the reach of any resulting estoppel.

A petition must by statute and rule identify all real parties-in-interest.<sup>90</sup> Identifying to the court all such parties and all known privies early in litigation can prevent gamesmanship and improper circumvention of the window to seek PTAB proceedings.<sup>91</sup> While the Board often engages in additional briefing and occasionally in additional discovery concerning real parties-in-interest prior to institution, the Board is generally ill-equipped as compared to the district court in resolving heavily fact-and-law-intensive inquiries involving third parties to the dispute.

**Best Practice 10 – Parties to joint defense groups should confer as early as possible about which defendants, if any, will petition for an IPR proceeding; and, if moving for a stay of the district court litigation, the parties should agree to be estopped on any ground that is raised or that could reasonably be raised before the PTAB to maximize the chances of obtaining a stay.**

Codefendants in district court litigations are encouraged to discuss and determine which parties have or will petition for PTAB review, or to consider agreeing to an IPR joint defense plan to defer costs, coordinate effective response, and efficiently maximize resources. The district court should know before substantial resources are expended whether the defendants reasonably foresee parallel proceedings and which parties are likely to pursue them. The accused infringers should thus seek to decide this as early as possible.

Would-be petitioners have only one year from receiving service of an infringement complaint to file for IPR review, and delay in filing generally increases litigation costs by extending the dispute. It is in the interest of the codefendants to start discussions quickly. Early collaboration also lets the parties identify the most important claims in the case and prepare the strongest invalidity defenses.

Codefendants should understand that if fewer than all of the parties petition for PTAB proceedings, this could weigh against a subsequent request for a stay of the district court proceedings.<sup>92</sup> In contrast, a joint motion to stay from all codefendants ensures that the district court will not be subject to piecemeal motions, requests, oppositions, estoppels, and validity determinations and thus increases the possibility that a stay request will be granted.

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<sup>89</sup> *Id.* § 315(a)(1).

<sup>90</sup> *Id.* §§ 312(a)(2), 322(a)(2).

<sup>91</sup> *Cf. In re MCM Portfolio, LLC*, 554 F. App'x 944 (Fed. Cir. 2014) (denying writ of mandamus *without prejudice* where the petitioner sought relief from institution on privity grounds).

<sup>92</sup> *Semiconductor Energy Lab. Co. Ltd. v. Chimei Innolux Corp.*, No. SACV 12-21-JST, 2012 WL 7170593, at \*2 (C.D. Cal. Dec. 19, 2012) (“The estoppel effect of *inter partes* review carries less weight when there are several defendants that are not parties to, and thus are not bound by, the estoppel effects of the proceeding.”).

Accused infringers not involved in any PTAB proceedings will not be precluded under 35 U.S.C. §§ 315(e)(2) and 325(e)(2) from reasserting invalidity contentions already considered by the PTAB. To maximize any chance of obtaining a stay, codefendants should not intentionally split across the diverse Article I and Article III forums, with some defendants challenging the validity before the PTAB and others avoiding estoppel and potentially rearguing or modifying the same claims on the same grounds in district court. Parties should avoid behavior suggestive of seeking “two bites at the apple,” as such behavior is unfair, wasteful, and not in the spirit of speedy resolution of the issues.

Thus, if all codefendants petition for the PTAB parallel proceeding, this may weigh in favor of a stay of the district court case because the estoppel will be more likely to simplify the issues for the district court. But if one or more codefendants refuse to be bound by the results of the PTAB proceedings, this could counsel against a stay, since the court may still need to decide duplicative defenses. The courts have been divided on this issue.<sup>93</sup>

## B. CONSIDERATIONS ON MOTIONS TO STAY

The AIA does not mandate a specific standard for deciding whether to stay district court litigation in view of a parallel PGR or IPR proceeding. Rather, the analysis is derived from decisional law stemming from the courts’ power to control their own dockets, particularly in the context of parallel USPTO reexamination proceedings. Courts have typically articulated the standard stay considerations as follows:

- (1) whether a stay will simplify issues at trial,
- (2) whether discovery is complete and a trial date is set, and
- (3) whether a stay will unduly prejudice the non-moving party.

In contrast, the test for granting stays in light of covered business method review (CBM) proceedings are prescribed by statute and use the first three considerations above, and also add a fourth prong: “whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.”<sup>94</sup> While nothing precludes district courts from considering the fourth prong for stays in light of IPR and PGR proceedings, it is only statutorily required for stay requests related to CBMs under the terms of the AIA.

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<sup>93</sup> Compare *Intellectual Ventures II, LLC v. Huntington Bancshares Inc.*, 2014 WL 2589420, at \*4 (S.D. Ohio June 10, 2014) (Frost, J.) (“[I]t would be unfair to condition a stay on Defendants’ being bound by arguments raised in a proceeding over which they have no control.”), *with* *MPHJ Tech. Invs., LLC v. Research Now, Inc.*, No. 2-13-cv-00962, slip op. at 2 n.1 (E.D. Tex. June 10, 2014) (“Even assuming the PTAB does institute . . . that [defendant] is not a party to the PTAB proceeding casts doubt on the extent, if any, a stay will simplify the issues in this case.”), and *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, No. 5:13-cv-04513, 2014 WL 819277, at \*5–6 (N.D. Cal. Feb. 28, 2014) (“[Defendant] represented to the court that it did not assist the IPR . . . . The court thus conditions the stay on [defendant’s] agreement to be estopped only from asserting any invalidity contention that was *actually raised* and finally adjudicated in the IPR proceedings.” (emphasis added)).

<sup>94</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(b)(1)(D), 125 Stat. 284 (Sept. 16, 2011).



Regarding the fourth prong, the district court in *VirtualAgility* argued that Congress had given little guidance and found that the fourth prong overlapped considerably with the first.<sup>95</sup> On appeal, the Federal Circuit clarified that the factors must not be “collapsed”:

We agree with the district court that there is a great deal of overlap between the parties’ arguments with regard to [the first and fourth factor]. We note, however, that the simplification of the issues factor and the burden of litigation factor are listed separately in the statute. Thus, even when both factors point in the same direction—in favor of or against the stay—they continue to be separate, individual factors which must be weighed in the stay determination.<sup>96</sup>

## 1. Considerations Regarding Simplification of Issues for Trial

### **Best Practice 11 – Parties seeking a litigation stay should demonstrate to the district court how potential estoppel may simplify the issues.**

The potential for broad estoppel in the district court litigation once the PTAB issues its final written decision influences the common first prong—simplification of the issues and streamlining for trial.<sup>97</sup> In IPR and PGR proceedings, any participating parties and their real parties-in-interest will be estopped from asserting in district court (or the USITC) any defense that was, or reasonably could have been, raised before the PTAB.<sup>98</sup> In CBM proceedings, parties are estopped from later raising defenses that were actually raised. Estoppel attaches upon final written decision.

Parties seeking a stay should be prepared to demonstrate that the district court proceedings will be simplified by the PTAB’s review, for instance through estoppel. Conversely, the court should be informed about what claims and defenses will remain untouched depending on the type of proceeding pursued and the grounds and references instituted. The court may want to consider whether there are any issues that should be addressed before entering a stay and also whether a partial stay for some issues or patents may be beneficial.

### **Best Practice 12 – If a party requests a litigation stay, the district court should determine whether a post-grant proceeding will simplify the issues with respect to the asserted claims and the prior art.**

The first consideration of the stay analysis—simplification of the issues—is most likely to be satisfied where most or all of the asserted claims are credibly at risk.<sup>99</sup> In *VirtualAgility*, which concerned a stay during CBM proceedings, the Federal Circuit noted that “the PTAB expressly

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<sup>95</sup> *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 WL 94371, at \*7 (E.D. Tex. Jan. 9, 2014), *rev’d*, 759 F.3d 1307 (Fed. Cir. 2014).

<sup>96</sup> *VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1313 (Fed. Cir. 2014).

<sup>97</sup> Upon institution, a PTAB final written decision on patentability will likely issue, unless there is an early settlement.

<sup>98</sup> 35 U.S.C. §§ 315(e), 325(e).

<sup>99</sup> *See Neste Oil Oyj v. Dynamic Fuels, LLC*, No. 12-662-GMS, 2013 WL 424754, at \*2, \*4–5 (D. Del. Jan. 31, 2013) (granting stay because “there remains the possibility that, rather than ruling in [plaintiff’s] favor, the PTO will cancel all the claims before it. . . . [T]here is reason to believe that the PTO’s reexamination will result in the cancellation of at least some of the claims.”).

determined that *all* of the claims are more likely than not unpatentable.”<sup>100</sup> The court accordingly stated that:

[t]he simplification argument would be stronger if all of the prior art or relevant invalidity issues were in the CBM review, as this would entirely eliminate the trial court’s need to consider validity in the event that some claims survive CBM review. In this case, however, where CBM review has been granted on all claims of the only patent at issue, the simplification factor weighs heavily in favor of the stay. If [petitioner] is successful, and the PTAB has concluded that it “more likely than not” will be, then there would be no need for the district court to consider the other two prior art references. This would not just reduce the burden of litigation on the parties and the court—it would entirely eliminate it.<sup>101</sup>

Conversely, if parties file PTAB petitions targeting only peripheral or insignificant claims, or the PTAB refuses to institute review of the most central claims of the asserted patents, it may weigh against a stay, as the review will be less likely to simplify the issues in court. The district court may also seek to understand how much the PTAB review will overlap with the co-pending case, including which statutory grounds have been instituted and what prior art references have been identified.

However, this is not an invitation for parties to brief the merits of the PTAB review before the district court. In *VirtualAgility* the Federal Circuit chastised the lower court for analyzing an opinion on the merits of a petition, arguing that this essentially amounted to a “collateral attack” on the proceedings.<sup>102</sup> And in *Benefit Funding Systems LLC v. Advance America Cash Advance Centers Inc.*,<sup>103</sup> the Federal Circuit affirmed the trial court’s grant of a stay. The Federal Circuit noted regarding this prong that “[t]he stay determination is not the time or the place to review the PTAB’s decisions to institute a CBM proceeding.”<sup>104</sup> Thus, parties should seek to highlight any potential simplifications while avoiding detailed discussions on the underlying merits of any of these challenges, both when bringing and opposing a motion to stay.

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<sup>100</sup> *VirtualAgility*, 759 F.3d at 1314; *but see* *Versata Software Inc. v. Callidus Software Inc.*, 771 F.3d 1368, 1371 (Fed. Cir. 2014) (stating that “[s]tays can be warranted even when a CBM proceeding does not address all asserted patents, claims, or invalidity defenses,” and finding that “a categorical rule” against staying “if any asserted claims are not also challenged in the CBM proceeding” would be “inappropriate”), *vacated as moot based on settlement*, 780 F.3d 1134 (Fed. Cir. 2015).

<sup>101</sup> *VirtualAgility*, 759 F.3d at 1314; *see also* *Benefit Funding Sys. LLC v. Advance Am. Cash Advance Ctrs. Inc.*, 767 F.3d 1383, 1387 (Fed. Cir. 2014) (“[T]here is a likelihood then that all of the asserted claims will be invalidated.”) (citation omitted).

<sup>102</sup> *VirtualAgility*, 759 F.3d 1307, 1313 (Fed. Cir. 2014).

<sup>103</sup> 767 F.3d 1383 (Fed. Cir. 2014).

<sup>104</sup> *Id.* at 1386 (quoting *VirtualAgility*, 759 F.3d at 1313).

**Best Practice 13 – If a party requests a litigation stay, the district court should inquire whether all codefendants, including those not participating in the post-grant proceedings at the PTAB, will agree to a limited estoppel on any ground actually raised and adjudicated in exchange for granting the stay.**

Creatively, courts have often sought codefendant agreement to limited forms of agreed-upon estoppel, conditioning stays on the agreement of non-petitioning parties to be estopped from asserting any invalidity defense actually raised and finally adjudicated in the PTAB proceedings.<sup>105</sup>

If fewer than all codefendants petition for PTAB proceedings or refuse to at least be bound by the results of what is actually raised and adjudicated, this may weigh against a stay of district court proceedings, as estoppel will affect fewer parties and will be less likely to simplify the issues.<sup>106</sup>

## 2. Considerations Regarding Timing of Stay Requests

**Best Practice 14 – If a petitioner files an IPR or a PGR concurrently with a declaratory judgment action, the district court should strongly consider maintaining the automatic stay pursuant to statute.**

Under the AIA, an IPR or PGR petition is fully barred if the petitioner has already challenged the patent's validity in a district court declaratory judgment action.<sup>107</sup> However, an automatic stay ensues under the statute if the petitioner files a declaratory judgment action of invalidity (but not a

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<sup>105</sup> See, e.g., *Semiconductor Energy Lab.*, No. SACV 12-21-JST, 2012 WL 7170593, at \*2 (C.D. Cal. Dec. 19, 2012) (granting stay because “[d]efendants who did not file the IPR petitions have agreed to be bound by the estoppel provisions of the IPR proceedings”); see also *Evolutionary Intelligence*, No. 5:13-cv-04513, 2014 WL 819277, at \*5–6 (N.D. Cal. Feb. 28, 2014) (conditionally granting a non-petitioner defendant’s motion to stay pending IPR contingent upon the defendant’s agreement to be subject to “weaker” statutory estoppel due to the defendant’s non-involvement with the IPR proceedings, stating “[b]ecause [defendant] is not one of the IPR petitioners, [it] would not be precluded under 35 U.S.C. § 315(e)(2) from reasserting invalidity contentions rejected by the PTO. . . . If [defendant] and IPR petitioners communicate on strategy, [defendant] should be bound by the full statutory estoppel provision. If, however, [defendant] has no input on the IPR strategy, it should not be precluded from raising arguments that could have been raised in the IPR proceedings. At the hearing, [defendant] represented to the court that it did not assist the IPR petitioners with any prior art search, that it took no part in drafting the IPR petitions, and that it is not in communication with the IPR petitioners concerning the IPR. . . . [R]equiring [defendant] to submit to a weaker estoppel foreclosing it from relitigating claims made and finally determined in the IPR proceedings is necessary to effect the PTO’s interest in protecting the integrity of PTO proceedings and in preventing parties from having a ‘second bite at the apple.’ The court thus conditions the stay on [defendant’s] agreement to be estopped only from asserting any invalidity contention that was actually raised and finally adjudicated in the IPR proceedings.” (citation omitted)); but see *Personal Web Techs., LLC v. Google, Inc.*, 5:13-CV-01317-EJD, 2014 WL 4100743, at \*5 (N.D. Cal. Aug. 20, 2014) (conditioning a third-party stay on the defendants’ agreement “to be bound as if they themselves had filed the relevant IPR petitions”).

<sup>106</sup> See *Semiconductor Energy Lab.*, 2012 WL 7170593, at \*2 (“The estoppel effect of *inter partes* review carries less weight when there are several defendants that are not parties to, and thus are not bound by, the estoppel effects of the proceeding.”); see also *e-Watch Inc. v. Avigilon Corp.*, No. 4:13-cv-000347, 2013 WL 6633936, at \*3 (S.D. Tex. Nov. 15, 2013) (order granting stay pending related IPR proceedings with the petitioner, but awaiting determination as to whether the petitioner should be estopped under § 315 of the Leahy-Smith America Invents Act from asserting any § 102/103 arguments that reasonably could have been raised by the petitioner, or estopped on only the grounds actually raised in the related IPR by the petitioner).

<sup>107</sup> 35 U.S.C. §§ 315(a)(1), 325(a)(1).

counterclaim of invalidity) on or after filing the PTAB petition, unless: (1) the patent owner asks the court to lift the stay, (2) the patent owner files a civil action or counterclaim for infringement, or (3) the petitioner asks to dismiss the civil action.<sup>108</sup>

The statute establishes the automatic stay in the following circumstances (where courts already tend to favor granting a stay):

- when a motion to stay is filed early in the district court litigation when limited resources have been expended and litigation schedule has not been set
- when simplification of the case is likely as validity estoppels are created
- when there is a limited chance of marketplace prejudice to the patent owner if there has been no infringement asserted yet
- when there is a limited evidence of any gamesmanship to date.

Thus, the courts are strongly urged to continue the automatic stays where parties have filed declaratory judgment actions with or after filing a PTAB review petition.

**Best Practice 15 – If PTAB review has been instituted before the filing of a district court infringement action on the claims, the court may consider this as weighing in favor of a stay.**

Even if the PTAB petition has been filed and instituted prior to the infringement complaint being served in the district court, such timing does not suggest any gamesmanship by the defendants.<sup>109</sup> In such circumstances, where the PTAB proceedings are already well underway, the court may decide that the process should conclude before any district court resources are expended, and a stay should be favored.

In this and other stayed cases, parties should plan on providing the court with relevant, timely updates regarding the ongoing PTAB proceedings. This is not just a courtesy to the district court judge; it provides valuable information aiding the court's jurisdiction and mandate. The district court's inherent power to control the disposition of cases on its docket necessarily implies the ability to modify or lift a stay no longer deemed efficient or equitable.<sup>110</sup> Accordingly, parties should regularly update the district court of important happenings in parallel proceedings so that it can properly manage these ongoing interests.

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<sup>108</sup> *Id.* §§ 315(a)(2), 325(a)(2). A counterclaim of invalidity does not trigger the automatic stay. *Id.* §§ 315(a)(3), 325(a)(3).

<sup>109</sup> *Polaris Indus., Inc. v. BRP U.S. Inc.*, No. Civ. 12-01405, 2012 WL 5331227, at \*2 (D. Minn. Oct. 29, 2012) (holding that first factor weighed in favor of the defendant because it filed for IPR one week prior to the plaintiff filing its complaint and because the IPR was already in progress).

<sup>110</sup> *Landis v. N. Am. Co.*, 299 U.S. 248, 254–55 (1936) (“[T]he power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants. How this can best be done calls for the exercise of judgment, which must weigh competing interests and maintain an even balance.”).

**Best Practice 16 – A litigation stay request after a CBM proceeding has been instituted may weigh in favor of a stay.**

Since the USPTO began accepting CBM petitions on September 16, 2012, district courts have overwhelmingly decided to grant motions to stay pending CBM proceedings.<sup>111</sup>

Congress intended for CBM review to “provide a cheaper, faster alternative to district court litigation over the validity of business-method patents.”<sup>112</sup> Thus, CBM reviews are limited to certain business method patents characterized as “generally of dubious quality because unlike other types of patents, they have not been thoroughly reviewed at the USPTO due to a lack of the best prior art.”<sup>113</sup> These patents typically claim methods directed to financial services and challenged claims must not be technological inventions.

The trend favoring CBM stays is in part due to the fourth factor considered for CBMs, as established by statute—“whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.”<sup>114</sup> This additional factor was designed to tilt the scales toward a stay.<sup>115</sup> According to the legislative history, the fourth factor was taken from a 2006 patent district court decision where a stay was granted in light of a USPTO reexamination, despite being only three months from trial.<sup>116</sup>

The legislative history has suggested to many district courts that Congress intended for CBM litigations to benefit from stays.<sup>117</sup> The first court to deny a stay in the CBM context argued that

<sup>111</sup> See, e.g., *Benefit Funding Sys. LLC v. Advance American, Cash Advance Cent., Inc.*, No. 1:12-cv-00803 (D. Del. Oct. 25, 2013) (order granting stay); *Zillow, Inc. v. Trulia, Inc.*, No. 2:12-cv-01549, 2013 WL 5530573 (W.D. Wash. Oct. 7, 2013) (same); *D’Agostino v. Mastercard Inc.*, No. 1:13-cv-00738-GMS (D. Del. Oct. 8, 2013) (same); *EZShield, Inc. v. Harland Clarke Corp.*, No. 1:13-cv-00001 (D. Md. Sept. 3, 2013) (order granting-in-part stay); *DH Holdings, LLC v. Meridian Link, Inc.*, No. 1:08-cv-05127 (N.D. Ill. July 31, 2013) (order granting stay); *Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-cv-00486 (E.D. Tex. July 19, 2013) (order denying stay with leave to refile pending institution); *Pi-Net Int’l Inc. v. Citizens Fin. Grp., Inc.*, No. 1:12-cv-00355, 2013 WL 6094223 (D. Del. June 21, 2013) (order granting stay); *Versata Software, Inc. v. Volusion, Inc.*, No. 1:12-cv-00893-SS, 2013 WL 6912688 (W.D. Tex. June 20, 2013) (same); *AvMarkets, Inc. v. LinkedIn Corp.*, No. 1:13-cv-00230 (D. Del. June 13, 2013) (same); *Sprogis v. Google Inc.*, No. 1:12-cv-01351 (D. Del. June 11, 2013) (same); *SightSound Techs., LLC v. Apple, Inc.*, No. 2:11-cv-01292, 2013 WL 2457284 (W.D. Pa. June 6, 2013) (same); *CoreLogic Solutions, LLC v. Collateral Intelligence LLC*, No. 2:12-cv-00306 (E.D. Tex. Mar. 6, 2013) (same); *Progressive Cas. Ins. Co. v. Safeco Ins. Co.*, No. 1:10-cv-01370, 2013 WL 1662952 (N.D. Ohio Apr. 17, 2013) (same); *Frontline Placement Techs., Inc. v. CRS, Inc.*, No. 2:07-cv-02457 (E.D. Pa. Feb. 19, 2013) (same); *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 490 n.4 (D. Del. 2013) (same); *VirtualAgility*, No. 2:13-cv-00011-JRG, 2014 WL 94371 (E.D. Tex. Jan. 9, 2014) (order denying stay); *Blue Calypso*, 93 F. Supp. 3d 575 (E.D. Tex. Jan. 16, 2014) (order granting stay).

<sup>112</sup> 157 CONG. REC. S1360, S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer).

<sup>113</sup> *Id.* at S1364.

<sup>114</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(b)(1)(D), 125 Stat. 284 (Sept. 16, 2011).

<sup>115</sup> *Market-Alerts*, 922 F. Supp. 2d at 496; *Progressive*, 2013 WL 1662952, at \*8; *SightSound Techs.*, 2013 WL 2457284, at \*3.

<sup>116</sup> *Broad. Innovation, L.L.C. v. Charter Commc’ns, Inc.*, 420 F.3d 1364, 1366 (Fed. Cir. 2005), *cert. denied*, 547 U.S. 1113 (2006), *on remand*, 2006 WL 1897165 (D. Colo. July 11, 2006).

<sup>117</sup> See *Market-Alerts*, 922 F. Supp. 2d at 496 n.14 (“Since the entire purpose of the transitional [CBM] program at the PTO is to reduce the burden of litigation, it is nearly impossible to imagine a scenario in which a district court would not issue a stay.”) (quoting 157 CONG. REC. S1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer)); *SightSound Techs.*, 2013 WL 2457284, at \*1 (same); *Versata*, No. 1:12-cv-00893-SS, slip op. at 3 (stating that Congress intended that “a stay [pending CBM review] should only be denied in extremely rare instances”); *Progressive*, 2013 WL 1662952,

“[t]his Court is mindful that Congress did not provide an automatic stay provision for the transitional program,” judged the merits of the related petition, and found that the four factors generally weighed against granting a stay.<sup>118</sup> The Federal Circuit reversed this as an abuse of discretion,<sup>119</sup> finding that the district court judge engaged in an improper collateral attack, and the stay should have been granted.<sup>120</sup> According to the court, “[t]hree of the four factors weigh heavily in favor of a stay in this case . . . . The undue prejudice factor, at best, weighs slightly in favor of denying a stay. On this record, we conclude that the district court abused its discretion . . . .”<sup>121</sup>

Regarding timing, the Federal Circuit held that “[g]enerally, the time of the motion [to stay] is the relevant time to measure the stage of litigation,” which in that case meant that “[d]iscovery had not yet begun and no trial date had been set.”<sup>122</sup> Subsequent Federal Circuit appeals in *Versata Software Inc. v. Callidus Software, Inc.*,<sup>123</sup> *Intellectual Ventures II LLC v. JPMorgan Chase & Co.*,<sup>124</sup> and *Smartflash LLC v. Apple Inc.*<sup>125</sup> have largely reversed denials in all but the most extreme case—the only denial that has been partially upheld was a denial of a motion to stay as to one defendant, where the trial had already concluded.

**Best Practice 17 – A litigation stay request filed before the institution of a post-grant proceeding may weigh against a stay, but the district court may instead deny without prejudice so that the party can refile its request if and when institution occurs.**

Even though the PTAB has instituted roughly 72% of IPRs through September 30, 2015,<sup>126</sup> courts have frequently denied stays prior to the actual institution of the USPTO proceeding, calling it speculative and premature.<sup>127</sup> The Federal Circuit in *VirtualAgility* held that, despite the other

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at \*3 (stating that the fourth statutory stay factor for CBMs provides a “heavy thumb” favoring a stay (quoting 157 CONG. REC. S1363–64 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer))); *Zillow, Inc. v. Trulia, Inc.*, No. 2:12-cv-01549, 2013 WL 5530573, at \*3 (W.D. Wash. Oct. 7, 2013) (same).

<sup>118</sup> See *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 U.S. Dist. LEXIS 2286, at \*5–7 (E.D. Tex. Jan. 8, 2014), *rev'd*, 759 F.3d 1307 (Fed. Cir. 2014) (denying stay during CBM proceedings).

<sup>119</sup> The right to immediate interlocutory appeal of denials of stays as a matter of statute, coupled with a special standard-of-review statutory provision, supports the notion that stays should be favored in this context.

<sup>120</sup> *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307 (Fed. Cir. 2014).

<sup>121</sup> *Id.* at 1320.

<sup>122</sup> *Id.* at 1317; *accord* *Benefit Funding Sys. LLC v. Advance Am. Cash Advance Ctrs. Inc.*, 767 F.3d 1383 (Fed. Cir. 2014) (granting a stay because there had not yet been any depositions or expert discovery).

<sup>123</sup> 771 F.3d 1368 (Fed. Cir. 2014).

<sup>124</sup> 781 F.3d 1372 (Fed. Cir. 2015).

<sup>125</sup> 621 F. App'x 995, 1005–06 (Fed. Cir. 2015).

<sup>126</sup> See *Patent Trial and Appeal Board ALA Progress Statistics*, USPTO (Sept. 30, 2015), <http://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf> (including joinders and grants (16666), versus denials (645), according to the USPTO).

<sup>127</sup> *Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-cv-00486, slip op. at 4 (E.D. Tex. July 19, 2013) (order denying a motion for a stay as “premature” because the USPTO had yet to decide whether even to institute review); *Trs. of Bos. Univ. v. Everlight Elecs. Co.*, No. 12-cv-11935 (D. Mass. July 11, 2013) (order denying a motion for a stay without prejudice as premature since USPTO had not yet instituted review); *Universal Elecs., Inc. v. Universal*

reversible errors, “it was not error for the district court to wait until the PTAB made its decision to institute CBM review before it ruled on the motion.”<sup>128</sup> Noting that district courts disagreed, the Federal Circuit stated:

[w]e express no opinion on which is the better practice. While a motion to stay could be granted even before the PTAB rules on a post-grant review petition, no doubt the case for a stay is stronger after post-grant review has been instituted.<sup>129</sup>

Courts denying stays on this ground—without prejudice to refile—often cite needless delay that might occur if the PTAB proceeding is not actually instituted after so many months of waiting.<sup>130</sup> Indeed, on average five and as much as eight months may elapse after a PTAB petition is filed before the Board decides whether to institute. In some courts with fast-moving dockets, five to eight months in the life of the case is substantial. Accordingly, many courts have preferred to see that the PTAB has actually instituted a post-grant proceeding before deciding to stay the case.<sup>131</sup> Furthermore, the court may prefer to know exactly what the scope of the PTAB institution decision is before weighing the stay factors.

When a party has sought a stay early in the proceedings, courts often deny without prejudice to refile, if and when the PTAB institutes the proceeding.<sup>132</sup> There appears to be little reason for judges to prevent parties from moving again for a stay once the PTAB has instituted and the reviews’ scope is established, particularly where there is no hint of gamesmanship. Filing early is generally preferable to all parties.

Parties seeking an interlocutory appeal of a stay denial in the CBM context, as permitted by right under the AIA, must be careful not to file such a request prematurely. Congress made interlocutory

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Remote Control, Inc., 943 F. Supp. 2d 1028, 1031–35 (C.D. Cal. 2013) (order denying stay where USPTO had yet to institute IPR review); *Automatic Mfg. Sys., Inc. v. Primera Tech., Inc.*, 2013 WL 1969247 (M.D. Fla. May 13, 2013) (same).

<sup>128</sup> *VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1315 (Fed. Cir. 2014).

<sup>129</sup> *Id.* (comparing *Intertainer, Inc. v. Hulu, LLC*, No. 13-cv-5499, 2014 WL 466034, at \*1–2 (C.D. Cal. Jan. 24, 2014), with *Checkfree Corp. v. Metavante Corp.*, No. 3:12-cv-15, 2014 WL 466023, at \*1 (M.D. Fla. Jan. 17, 2014)).

<sup>130</sup> *Dane Techs., Inc. v. Gatekeeper Sys., Inc.*, No. 12-cv-02730-ADM, 2013 WL 4483355 (D. Minn. Aug. 20, 2013) (order denying stay prior to grant of the IPR review because the delay may have no perceivable benefit if USPTO declines review); *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, No. 3:11-cv-06391-SI (N.D. Cal. June 11, 2013), ECF No. 198 (order denying stay because as yet uninstituted USPTO review unlikely to simplify issues on a timely basis and finding it persuasive that the non-moving party would be severely prejudiced by a stay when there is no guarantee that the IPR requested would ever be granted); *Davol, Inc. v. Atrium Med. Corp.*, No. 12-958-GMS, 2013 U.S. Dist. LEXIS 84533 (D. Del. June 17, 2013) (order denying stay—even though the case featured *multiple* IPRs, *multiple* patents, and 200-plus claims included in the petition—in part because the USPTO had yet to institute review).

<sup>131</sup> *But see Ariosa Diagnostics*, No. 3:11-cv-06391-SI, slip op. at 3 (denying motion filed *after* institution as too late).

<sup>132</sup> *See Blue Calypso*, No. 6:12-cv-00486, slip op. at 4 (denying a motion for a stay as “premature” because the USPTO had yet to decide whether even to institute CBM review, but later granting when instituted); *cf. Benefit Funding Sys. LLC v. Advance Am., Cash Advance Ctrs., Inc.*, No. 12-cv-00801, 2013 WL 3296230, at \*2 (D. Del. June 28, 2013) (initially denying the requested stay before the USPTO instituted a requested CBM review because it “ha[d] invested resources in . . . resolving two discovery disputes and two motions,” and “discovery ha[d] begun,” but granting stay thereafter when actually instituted).

appeals available for CBMs if a district court denies a stay of infringement proceedings “relating to a [CBM] proceeding for that patent . . . .”<sup>133</sup> In *Intellectual Ventures II*, the district court denied a request for a stay because the patent was the subject of a petition, but a proceeding had not yet been instituted by the PTAB. The trial court denied the stay motion without prejudice, with leave to refile upon a favorable Board institution decision. The moving party immediately appealed, relying on § 18(b)(2) and arguing it made no distinction between whether motions were denied with or without prejudice. But the Federal Circuit, invoking the “final judgment rule,” decided that it did not have interlocutory jurisdiction unless and until the PTAB actually institutes the CBM proceeding for which the litigation stay was sought.<sup>134</sup> According to the court, “[a]bsent the existence of a proceeding, jurisdiction is not conferred upon us by § 18(b)(2). . . . For the foregoing reasons, we do not have jurisdiction under § 18(b)(2) of the AIA to consider an interlocutory appeal from a decision on a motion to stay until the PTAB institutes a CBMR proceeding.”<sup>135</sup>

**Best Practice 18 – If a post-grant proceeding would likely result in cancellation of all claims at issue in the district court before a final judgment, this may weigh heavily in favor of a stay.**

The decision in *Fresenius* addresses the relationship between district courts and USPTO proceedings when conducted in parallel. There was no stay of the district court litigation involved in the *Fresenius* case, but the USPTO was faster in arriving at its invalidity determination, finishing its review prior to the date the district court *entered* its final judgment on the case as a whole. (The Federal Circuit noted in its opinion that the district court declined to stay pending the USPTO reexamination.) According to the Federal Circuit majority in *Fresenius*, that interim unpatentability decision at the USPTO—which cancelled all of the asserted patent’s claims—mooted the earlier non-final validity determination and the patentee’s cause of action.<sup>136</sup> In *Versata*, on the other hand, the Federal Circuit first sustained a \$391 million jury verdict of infringement, then later affirmed the PTAB’s cancellation of the challenged claims in a CBM proceeding, but refused to overturn the prior jury award.<sup>137</sup> The distinction from *Fresenius* was that the district court judgment was final, through all appeals, before the Federal Circuit affirmed the PTAB’s decision in the *Versata* CBM case.

After *Fresenius* and *Versata*, courts should carefully consider which patent claims are subject to cancellation by the PTAB, and whether they are the same as being asserted in the infringement suit. Courts should also fully understand the timing and jurisdictional issues in considering a motion to stay the infringement litigation during parallel proceedings. Staying the case will necessarily lengthen the district court’s time to final disposition and be potentially subject to a PTAB intervening

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<sup>133</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(b)(1).

<sup>134</sup> *Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, 781 F.3d 1372 (Fed. Cir. 2015).

<sup>135</sup> *Id.* at 1379.

<sup>136</sup> *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013) (“In light of the cancellation of Baxter’s remaining claims, Baxter no longer has a viable cause of action against Fresenius. Therefore, the pending litigation is moot.”), *cert. denied*, 134 S. Ct. 2295 (2014).

<sup>137</sup> *See Versata Software, Inc. v. SAP America, Inc.*, No. 2:07-cv-00153, 2014 U.S. Dist. LEXIS 54640, at \*10 (E.D. Tex. Apr. 21, 2014) (denying motion to vacate jury verdict in view of CBM final written decision), *aff’d*, *Versata Computer Industry Solutions, Inc. v. SAP AG*, 564 F. App’x 600 (Fed. Cir. 2014) (affirmed while parallel CBM proceeding was still on appeal to the Federal Circuit).



decision. Under the existing case law, however, denying a stay under certain circumstances could lead to a needless expenditure of resources if the PTAB decides first, mooting the work of the trial court based on the result of the parallel proceeding. Courts further need to be aware of the potential for gamesmanship and delay under this rubric. Because conflicting PTAB decisions can trump non-final court decisions, parties may attempt to prolong district court proceedings, hoping for a conflicting decision. As such, the Working Group recommends that when a post-grant proceeding would likely result in a cancellation of all claims at issue in the district court before a final judgment, then this fact should weigh heavily in favor of granting a stay request.

**Best Practice 19 – If a party requests a litigation stay, the district court should consider ruling on the motion as soon as possible, and to the extent that the defendant unreasonably delays in filing the motion, that should weigh against a stay.**

Accused infringers should act quickly in filing their petition at the USPTO and in seeking a stay. The district court will look at the timing of a PTAB petition as part of the second factor in granting or denying a stay. Specifically, courts assess “whether discovery is complete and whether a trial date has been set.”<sup>138</sup>

The earlier parties request the stay, the more likely it will weigh favorably because fewer resources have been expended and there is a lower likelihood of gamesmanship.<sup>139</sup> Requesting stays late in the schedule may result in denial because “the economies that might otherwise flow from granting a stay early in a case are somewhat offset by the substantial resources already incurred by both parties and the Court in this litigation.”<sup>140</sup>

The Federal Circuit recently stated that “the court should make every effort to expeditiously resolve the stay motion after the PTAB has made its CBM review determination,” lest waiting too long “would undermine the intent of Congress to allow for stays to prevent unnecessary duplication of

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<sup>138</sup> *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013) (citation omitted).

<sup>139</sup> *See* *Robert Bosch Healthcare Sys., Inc. v. Cardiocom, LLC*, No. 5:12-3864-EJD, 2012 WL 6020012 (N.D. Cal. Dec. 3, 2012) (granting stay because very early and no discovery begun); *Pragmatus Telecom, LLC v. NETGEAR, Inc.*, No. 12-6198, 2013 WL 2051636, at \*2 (N.D. Cal. May 14, 2013) (stating that even though discovery had begun, it was not far advanced); *Neste Oil Oyj v. Dynamic Fuels, LLC*, No. 12-662-GMS, 2013 WL 424754, at \*2 (D. Del. Jan. 31, 2013) (granting stay where request was filed prior to any scheduling order and less than three months into the case); *cf.* *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST, 2012 U.S. Dist. LEXIS 186322, at \*4–5 (C.D. Cal. Dec. 19, 2012) (order granting stay despite being ten months into litigation, with trial date set and advanced discovery, because “there is more work ahead of the parties and the Court than behind the parties and the Court”); *Tierravision, Inc. v. Google, Inc.*, No. 11-cv-2170 DMS, 2012 U.S. Dist. LEXIS 21463, at \*5 (S.D. Cal. Feb. 21, 2012) (granting stay where *Markman* briefs were soon due and parties had exchanged proposed claim constructions).

<sup>140</sup> *SoftView LLC v. Apple Inc.*, No. 10-389-LPS, 2012 WL 3061027, at \*4 (D. Del. July 26, 2012) (holding that stage of litigation factor did not favor a stay because filed one year after litigation commenced); *see also* *Dane Techs., Inc. v. Gatekeeper Sys., Inc.*, No. 0:12-cv-02730-ADM, 2013 WL 4483355, at \*2 (D. Minn. Aug. 20, 2013) (order denying stay because the defendants waited seven months into litigation before seeking IPR); *Nat’l Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.*, No. 1:12-cv-00773-SS, 2013 WL 6097571 (W.D. Tex. June 10, 2013) (order denying motions to stay); *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, No. 3:11-cv-06391-SI (N.D. Cal. June 11, 2013) (order denying motions to stay).

proceedings.”<sup>141</sup> Practically, the statutory deadlines for filing most PTAB post-grant reviews will often invite relatively early consideration of stays.

**Best Practice 20 – If a party requests a litigation stay, the district court should consider denying the stay if *Markman* proceedings are substantially complete, or if discovery is already closed.**

The district court will look at the timing of the PTAB petition, considering as the second factor in granting or denying a stay whether discovery is complete and a trial date is set. Importantly, courts are unlikely to find that the litigation will be simplified or resources economized if the *Markman* and discovery process has largely played out in trial court.<sup>142</sup>

Notwithstanding, the Federal Circuit has been more generous on timing issues with respect to CBM stays. In *Smartflash LLC v. Apple Inc.*, the Federal Circuit decided two appeals from CBM stay denials together. The court for the first time affirmed a denial of a stay with regards to Apple, where there had already been a jury trial. But the panel overruled the denial of a stay as to Samsung, where trial, while imminent, had not yet begun.<sup>143</sup> The panel concluded that Samsung had not yet undergone the “most burdensome task,” i.e., trial. To the Federal Circuit this was “the critical distinction” between the cases, “affect[ing] the analysis of two of the four [stay] factors: simplification of the issues and reduction of the burden of the litigation on the parties and on the court.”<sup>144</sup> Thus, stays pending CBMs can be sought relatively late in district court proceedings, but not likely posttrial.

### 3. Considerations Regarding Undue Prejudice

**Best Practice 21 – A potential of a loss of evidence over time may weigh against a stay, but the risk must be demonstrated, serious, and not otherwise preventable.**

Courts consider as part of the stay analysis whether prolonging the infringement decision will be unduly prejudicial to the patentee, and a potential loss of evidence has been cited under this factor.<sup>145</sup> The Federal Circuit, however, has de-emphasized this factor as alone supporting a finding of undue prejudice. In response to such arguments in *VirtualAgility*, the court inquired: “Since when did 60 become so old?”<sup>146</sup> The court added that “[w]ithout more, . . . these assertions here are not sufficient to justify a conclusion of undue prejudice,” because “[t]here is no evidence that any of

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<sup>141</sup> *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1316 (Fed. Cir. 2014).

<sup>142</sup> *Universal Electronics*, 943 F. Supp. 2d at 1030–31 (denying stay where the plaintiff had already served written discovery, trial date was set, and the court had held *Markman* hearing and issued claim construction ruling).

<sup>143</sup> 621 F. App’x 995, 1000–01, 1006 (Fed. Cir. 2015).

<sup>144</sup> *Id.* at 1005.

<sup>145</sup> *Ambato Media, LLC v. Clarion Co.*, No. 2:09-cv-242-JRG, 2012 U.S. Dist. LEXIS 7558, at \*5 (E.D. Tex. Jan. 23, 2012) (“[W]hen a case is stayed, ‘witnesses may become unavailable, their memories may fade, and evidence may be lost while the PTO proceedings take place.’”) (citation omitted); *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 U.S. Dist. LEXIS 2286, at \*24–25 (E.D. Tex. Jan. 8, 2014), *rev’d*, 759 F.3d 1307 (Fed. Cir. 2014) (“The possibility of witness loss is heightened in this case because certain identified witnesses are of an advanced age.”).

<sup>146</sup> 759 F.3d at 1319.

these individuals are in ill health.”<sup>147</sup> Moreover, according to the Federal Circuit, while advanced age or ill health remains a factor to be considered, “the prejudice can be reduced, when necessary, by preserving the testimony.”<sup>148</sup>

Such concerns are further attenuated given PTAB review deadlines. Formerly, USPTO reexamination proceedings could take many years (and thus stays may have lasted as long), but PTAB proceedings lessen the risk of evidence loss since they must be completed by statute within 12-18 months.

**Best Practice 22 – If the lack of full and complete discovery may unduly prejudice a party before the PTAB on critical issues, this may weigh against a stay.**

Discovery is more restricted at the PTAB. Parties are only entitled to discovery before the PTAB where it is agreed upon, specifically contemplated as routine under the rules, or granted by motion.<sup>149</sup> Realistically, the statutorily mandated pace of the proceedings makes additional discovery difficult. Some have argued that this reduces a patent owner’s ability to refute certain patentability challenges such as obviousness, particularly since some of the best evidence of secondary considerations can be discovery-intensive, as it likely resides with the opposing party.

A court may consider denying a stay and allowing discovery to continue in a parallel district court if it deems that undue prejudice may result. Information uncovered through the discovery process in district court may be relevant in the PTAB proceedings and admissible there within one month of trial.<sup>150</sup> Article III courts, however, may understandably be wary of being used to generate discovery for co-pending litigation in another forum, and will likely guard against such abuses of process.

**Best Practice 23 – If the parties are direct competitors, this may weigh against a stay due to potential prejudice to the patentee.**

While there is a preference for efficient and expedient carriage of justice in any legal dispute, including patent infringement litigation, delay may be particularly prejudicial when the parties are competitors in the market. In considering the third prong of the stay analysis, courts often look to whether the litigants are direct competitors, determining that competitors should not be delayed in establishing their right to exclude infringers.<sup>151</sup> Courts have even considered lost market share and

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<sup>147</sup> *Id.*

<sup>148</sup> *Id.*

<sup>149</sup> *See supra* Section II (Limited Discovery).

<sup>150</sup> 37 C.F.R. §§ 42.123, 42.223.

<sup>151</sup> *Davol, Inc. v. Atrium Med. Corp.*, No. 12-958-GMS, 2013 U.S. Dist. LEXIS 84533, at \*19 (D. Del. June 17, 2013) (denying stay and finding that “Davol will suffer undue prejudice should it be forced to continue competing with Atrium’s accused products without being permitted to advance its infringement claims”); *Avago Techs. Fiber IP (Singapore) Pte. Ltd. v. IPtronics Inc.*, No. 10-CV-02863-EJD, 2011 U.S. Dist. LEXIS 82665, at \*16 (N.D. Cal. July 28, 2011) (“Staying a case while [harm in the marketplace] is ongoing usually prejudices the patentee that seeks timely enforcement of its right to exclude.”); *Heraeus Electro-Nite Co. v. Vesuvius USA Corp.*, No. 09-2417, 2010 U.S. Dist. LEXIS 1887, at \*3 (E.D. Pa. Jan. 11, 2010) (“[C]ourts have been reluctant to grant stays where, as here, the parties are direct competitors.”).

revenue an “irreparable injury” that weighs heavily against a stay delaying the outcome of infringement proceedings.<sup>152</sup>

In *VirtualAgility*, however, the Federal Circuit found that evidence of direct competition must be clear, and it alone may not necessarily tip the scales in favor of a stay, partly because there, “[a] stay will not diminish the monetary damages to which [the patent owner] will be entitled if it succeeds in its infringement suit—it only delays realization of those damages and delays any potential injunctive remedy. . . . Although this is not dispositive, we note that [the patent owner] did not move for a preliminary injunction . . . .”<sup>153</sup> While the potential for delay in enforcing a right to exclude is usually not enough on its own to establish prejudice sufficient to deny a stay,<sup>154</sup> evidence that the parties are direct competitors generally weighs against granting a stay.

**Best Practice 24 – A post-grant proceeding that will likely require additional time to fully resolve the issues may weigh against a stay.**

The time limits prescribed by the AIA for PTAB reviews are between 12 and 18 months (one year plus a possible six months for good cause, or as needed in the case of joinder). Only a handful of district courts and the USITC are typically that fast. But courts should bear in mind that there is occasionally pre-institution delay, joinder may delay scheduling, and after the PTAB’s final written opinion, the AIA also contemplates an optional request for rehearing period, followed by a direct appeal to the Federal Circuit, with an average time to final disposition of ten to twelve months, which may be extended through procedural mechanisms.<sup>155</sup> While estoppel for IPR and PGR proceedings attaches with the PTAB’s written decision,<sup>156</sup> the average post-grant proceedings will not be fully resolved for two to three years, something the courts may consider in considering whether to stay.

Courts note that “waiting for the administrative process to run its course” often “risks prolonging the final resolution of the dispute and thus may result in some inherent prejudice to the plaintiff.”<sup>157</sup>

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<sup>152</sup> See *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 U.S. Dist. LEXIS 2286, at \*18–20 (E.D. Tex. Jan. 9, 2014), *rev’d*, 759 F.3d 1307 (Fed. Cir. 2014) (“Given that the patentee ‘could lose market share—potentially permanently—during the stay, . . . while the alleged infringer continues to sell the competing products,’ such loss constitutes an irreparable injury not compensable by money damages.” (citation omitted)).

<sup>153</sup> *VirtualAgility*, 759 F.3d at 1307, 1318–19.

<sup>154</sup> *Neste Oil Oyj v. Dynamic Fuels, LLC*, No. 12-662-GMS, 2013 WL 424754, at \*2 (D. Del. Jan. 31, 2013) (finding that “the potential for delay does not, by itself, establish *undue* prejudice,” and that concerns about direct competitiveness were not persuasive in that case); *Capriola Corp. v. LaRose Indus., LLC*, No. 8:12-cv-2346-T-23TBM, 2013 U.S. Dist. LEXIS 65754, at \*4–6 (M.D. Fla. Mar. 11, 2013) (staying litigation notwithstanding that the parties directly competed in the market).

<sup>155</sup> Rehearing is also an option under the regulations at 37 C.F.R. § 42.71(d)(2).

<sup>156</sup> *Id.* § 42.73(d).

<sup>157</sup> See *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 494 (D. Del. 2013).

While this potential for delay “by itself” does not tend to establish undue prejudice, it could be an important consideration.<sup>158</sup>

### C. AFTER GRANT OF A STAY

**Best Practice 25 – Throughout any post-grant proceeding, and especially at its conclusion, the parties to a stayed litigation should meet and confer to reassess settlement positions, the terms for having the stay lifted, and the means to streamline the case going forward.**

If a district court grants a stay, it is likely because the court recognized that it would efficiently simplify issues for the court. Courts have articulated the potential benefits of USPTO review, such as: (1) all prior art presented to the court at trial will have been first considered by the USPTO with its particular expertise; (2) many discovery problems relating to the prior art can be alleviated; (3) if the patent is declared invalid, the suit will likely be dismissed; (4) the outcome of the reexamination may encourage a settlement without further involvement of the court; (5) the record of the reexamination would probably be entered at trial, reducing the complexity and the length of the litigation; (6) issues, defenses, and evidence will be more easily limited in pretrial conferences; and (7) the cost will likely be reduced both for the parties and the court.<sup>159</sup> If and when the district court action is set to resume—and the court will have to decide whether this is appropriate immediately after the PTAB’s final written decision or whether it will continue the stay pending the Federal Circuit appeal—the parties should be in a position to identify the ways in which the PTAB proceedings have narrowed the case and evaluate whether settlement has become a possibility.

Courts have even requested or ordered, in considering joint motions to stay, additional party stipulations establishing “measures to streamline the litigations when, and if, the stay is lifted after the CBMP Reviews are completed.”<sup>160</sup> For example, in *Blue Calypso Inc. v. Groupon, Inc.*, the stipulations included (1) requiring the parties to be bound by the estoppel provisions applicable to CBM reviews; (2) requiring a joint motion to lift the stay within one week of the final PTAB decision, if claims remain; (3) requiring a meet and confer within one week of the stay lifting to discuss outstanding discovery and motions to compel on an expedited basis; (4) requiring Rule 30(b)(6) witnesses to be deposed within seven weeks of the stay lifting; and (5) requesting an expedited schedule for trial within eight months of the stay lifting.<sup>161</sup> To maximize the likelihood of a stay, parties may want to consider agreeing to these or other procedures to streamline the case if and when a stay is lifted after PTAB proceedings.<sup>162</sup> Such a strategy seems useful in light of the fact that settlement is now possible and encouraged in reviews before the PTAB (unlike in the former

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<sup>158</sup> *Neste Oil*, 2013 WL 424754, at \*2 (finding that “the potential for delay does not, by itself, establish *undue* prejudice”); *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 WL 94371, at \*7 (E.D. Tex. Jan. 9, 2014), *rev’d*, 759 F.3d 1307 (Fed. Cir. 2014).

<sup>159</sup> *See Neste Oil*, 2013 WL 424754, at \*4; *In re Body Sci. LLC Patent Litig.*, No. 1:12-md-2375-FDS, 2012 WL 5449667, at \*2–3, 6 (D. Mass. Nov. 2, 2012) (granting stay of four consolidated cases pending *ex parte* reexamination of patents-in-suit).

<sup>160</sup> *See, e.g., Blue Calypso, Inc. v. Groupon, Inc.*, No. 190 at 1, 6:12-cv-486-MHS (E.D. Tex. Jan. 16, 2014).

<sup>161</sup> *Id.* at 1–2.

<sup>162</sup> *Id.*

reexaminations) so there are additional chances for movement toward settlement between the parties.

**Best Practice 26 – Upon lifting a stay, the district court may consider a conference with the parties to evaluate the case going forward.**

Upon lifting the stay, the court may find it helpful to understand what impact the PTAB proceedings had on claims and construction, and what the parties still intend to assert. If and when the district court action is set to resume, the court should inquire about the PTAB proceedings, the estoppel that results, the further discovery needs of the parties, and the likely schedule going forward, and evaluate whether settlement is likely.

Given the delay to the litigation process that is inherently imposed by staying the proceedings until completion of a parallel PTAB proceeding, upon lifting the stay, the court may want to consider implementing an expedited schedule.

**Best Practice 27 – The district court should consider issuing a detailed written decision on any stay motion, and seek to have opinions published such that they are available to the public as this area of law develops.**

Many stay orders to date have been made from the bench and lack written opinions. As this is a new and important area of law, additional guidance and analysis from Article III courts are critical to developing the law. For instance, in *NFC Technology, LLC v. HTC America, Inc.*, the court issued an opinion granting a motion to stay and provided a very detailed analysis of the factors, the developing case law, and the standards to consider.<sup>163</sup> This type of reasoned guidance helps increase certainty for the bar and leads to more predictable results, resulting in a net benefit to the parties in litigation.

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<sup>163</sup> No. 2:13-cv-01058-WCB, 2015 WL 1069111, at \*5 (E.D. Tex. Mar. 11, 2015) (Bryson, J., sitting by designation).

## V. Estoppel

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A risk to the petitioner in pursuing a post-grant challenge before the PTAB is the potential estoppel that arises from an adverse decision of the Board. It is important to understand the estoppel risk and also understand what actions can be taken to minimize any unintentional forfeiture of invalidity arguments.

### A. ESTOPPEL STANDARDS OF THE THREE MAIN POST-GRANT PROCEEDINGS

**Best Practice 28 – Parties considering post-grant proceedings should consider the extent of the estoppel created by each type of post-grant proceeding.**<sup>164</sup>

#### 1. *Inter Partes* Review (IPR) Petitioner Estoppel

In an IPR that results in a final written decision, the petitioner, or the real party-in-interest or privy of the petitioner, is estopped in other USPTO proceedings, district court litigation, and U.S. International Trade Commission (USITC) proceedings from asserting any ground of invalidity that the petitioner raised or reasonably could have raised during the IPR, applied on a claim-by-claim basis.<sup>165</sup> An IPR, however, extends only to grounds of invalidity based on patents or printed publications under 35 U.S.C. §§ 102 and 103.<sup>166</sup> Thus, any grounds based on §§ 101 and 112 or any grounds based on public use, prior sale, or prior invention under §§ 102 and 103 remain intact for assertion in concurrent or subsequent district court litigation or USITC proceedings.

Note also that estoppel applies only to those grounds that were raised or that reasonably could have been raised in an IPR that “results in a final written decision under section 318(a).”<sup>167</sup> Under § 318(a), a final written decision is issued in IPRs that have been instituted and are not dismissed. Thus, if an IPR petition is not granted or is dismissed before a final written decision is rendered, grounds of invalidity asserted during the IPR remain available for assertion in district court litigation and USITC proceedings.

#### 2. Post-Grant Review (PGR) Petitioner Estoppel

In a PGR that results in a final written decision, the petitioner, and any real parties-in-interest or privies of the petitioner, are estopped in other USPTO proceedings, district court litigation, and USITC proceedings from asserting any ground of invalidity that the petitioner raised or reasonably could have raised during the PGR, applied on a claim-by-claim basis.<sup>168</sup> Unlike IPR, any ground of

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<sup>164</sup> Although this WG10 Parallel USPTO Proceedings Chapter focuses on litigation and post-grant proceedings, estoppels are also created with respect to other proceedings (both post-grant and patent prosecution) in the USPTO.

<sup>165</sup> 35 U.S.C. § 315(e)(2).

<sup>166</sup> *Id.* § 311(b).

<sup>167</sup> *Id.* § 315(e)(1).

<sup>168</sup> *Id.* § 325(e)(2).

invalidity that could be raised under § 282(b)(2) or (3), including §§ 101, 102, 103, and 112 (but not best mode or obviousness-type double patenting), may be asserted in a PGR.<sup>169</sup> Given the broad scope of PGR and the “raised or reasonably could have raised” estoppel, parties instituting a PGR run the risk of forfeiting many available grounds of invalidity.

### 3. Covered Business Method Review (CBM) Estoppel

In a CBM resulting in a final written decision, the petitioner and any real parties-in-interest are estopped in district court litigation and USITC proceedings from asserting any ground of invalidity that the petitioner raised during the CBM, applied on a claim-by-claim basis.<sup>170</sup> Since the estoppel resulting from CBM proceedings extends only to those positions actually raised, parties do not run the same risk of forfeiting invalidity positions withheld from the CBM as they do with IPRs and PGRs.

With some exceptions, CBM proceedings are generally treated and employ the same standards and procedures as PGR proceedings.<sup>171</sup> Like PGR proceedings, a petitioner may raise grounds of invalidity under § 282(b)(2) or (3), including §§ 101, 102, 103, and 112, although it excludes § 102(e) prior art challenges.<sup>172</sup> However, since estoppel in concurrent or subsequent district court litigation and USITC proceedings applies only to grounds actually “raised” during the CBM, as opposed to those that “reasonably could have been raised,” the petitioner does not forfeit all invalidity grounds it may have available to it. Thus, a CBM may be the most attractive option for a party that has been sued or threatened with suit in a district court or USITC proceeding, provided the patent-in-suit is CBM eligible.

Section 325(e)(1), dictating estoppels relating to other proceedings before the USPTO, is not excluded from Section 18’s outline for CBM proceedings.<sup>173</sup> Accordingly, like for PGR, the petitioner in a CBM that results in a final written decision on a claim, or the real party-in-interest or privy of the petitioner, may not request or maintain a proceeding before the USPTO with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that CBM.

A chart accompanying this writing, entitled USPTO Post-Grant Proceedings Used to Challenge the Patentability of a Patent, summarizes the scope of petitioner estoppels created by the various post-grant proceedings currently available.<sup>174</sup>

### 4. Patent Owner Estoppel

Patent owners likewise face estoppel risks. A patent owner is estopped from taking action inconsistent with an adverse judgment in a post-grant proceeding, including obtaining a patent claim that is patentably indistinct from a finally refused or cancelled claim, or amending its specification or

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<sup>169</sup> *Id.* § 321(b).

<sup>170</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(D).

<sup>171</sup> *Id.* § 18(a)(1).

<sup>172</sup> *Id.* § 18(a)(1)(C).

<sup>173</sup> *Id.* § 18(a)(1)(A).

<sup>174</sup> *See infra* Appendix A.



drawings in such a way that they were denied during the proceeding.<sup>175</sup> This can have a poison-pill effect on pending continuations or related post-grant proceedings.

## B. IMPACT OF POST-GRANT PROCEEDING ESTOPPEL STANDARDS ON LITIGATION STRATEGY

**Best Practice 29 – Parties should consider, where appropriate, forgoing PGR and IPR proceedings to avoid the risk of being estopped from raising unasserted invalidity theories that they “reasonably could have raised” in the PGR or IPR.**

The deadlines for taking advantage of PGR and IPR proceedings (9 months from issuance for PGR and 1 year from service of an infringement complaint for IPR) often require potential petitioners to make an early decision regarding the choice of forum (district court vs. PTAB) for validity challenges, and there are pros and cons to each. Technically trained Administrative Patent Judge panels, statutorily-mandated speedy resolution, and a lower standard of proof (preponderance versus clear and convincing evidence) at the PTAB often make PGR and IPR more attractive vehicles for challenging issued patents than raising those same arguments before a district court judge or jury. At the same time, the PTAB often discards what it views as “redundant” challenges, potentially limiting a petitioner to a single or at most two grounds on which a claim will be reviewed, and the PTAB does not always choose the strongest ground. In addition, there remains uncertainty as to what validity challenges may be estopped by a final written decision of the PTAB because the petitioner “reasonably could have raised” them in the PTAB proceeding.

As of the time of the writing of these Best Practices, the “reasonably could have raised” language contained in the PGR and IPR estoppel statutes is not clearly defined, and there is limited guidance on what positions parties considering these proceedings may be estopped from asserting.<sup>176</sup>

According to the legislative history, the “reasonably could have raised” language was intended to relax the “raised or could have raised” *inter partes* reexamination standard. Specifically, Senator Kyl commented: “The present bill also softens the could-have-raised estoppel that is applied by *inter partes* review against subsequent civil litigation by adding the modifier ‘reasonably.’ . . . Adding the modifier ‘reasonably’ ensures that could-have-raised estoppel extends only to that prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.”<sup>177</sup> Accordingly, case law concerning the accessibility of prior art may provide some guidance.<sup>178</sup>

Senator Kyl’s comments suggest that if additional prior art is expected to be uncovered after institution of the IPR or PGR, or if the parties otherwise anticipate developing new invalidity theories at a later date, then the petitioner runs the risk of forfeiting such newly developed positions

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<sup>175</sup> 37 C.F.R. § 42.73(d)(3).

<sup>176</sup> 35 U.S.C. § 315(e)(2).

<sup>177</sup> 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

<sup>178</sup> *Id.*

<sup>178</sup> See, e.g., *In re NTP, Inc.*, 654 F.3d 1279 (Fed. Cir. 2011); *Bruckelmyer v. Ground Heaters, Inc.*, 445 F.3d 1374 (Fed. Cir. 2006); *In re Cronyn*, 890 F.2d 1158 (Fed. Cir. 1989); *In re Hall*, 781 F.2d 897 (Fed. Cir. 1986).

if based on prior art that a skilled searcher conducting a diligent search reasonably could have been expected to discover.

The “reasonably could have raised” estoppel may be a greater concern in PGR, as compared to IPR, given the broader scope of available challenges<sup>179</sup> and the potential that the best prior art may not be identified within the first nine-months from issuance. Therefore, if the timing allows, one might choose to wait out the nine months and file an IPR instead. Assuming a broad interpretation of the “reasonably could have raised” estoppel, parties may choose to avoid both PGR and IPR proceedings, especially where potential petitioners are likely to rely solely on invalidity challenges based on printed publications or patents under §§ 102 and 103 at the district court and feel the district court affords a better venue than the Board. On the other hand, petitioning for IPR may be prudent if a party is confident in litigating its invalidity theories under §§ 101 and/or 112 since IPR estoppel does not extend to invalidity theories developed under those sections.

In an early case interpreting the IPR estoppel statute, the Central District of California held that the estoppel did not apply to § 103 invalidity defenses relying on a combination of printed prior art and physical machine prior art because the physical machine prior art could not have been presented in the adjudicated IPR.<sup>180</sup> After the final written decision in the IPR determined that the defendants failed to show that the challenged claims were unpatentable, the plaintiff moved to strike the defendants’ § 103 invalidity defenses, arguing that the defendants raised or reasonably could have raised these arguments in the IPR and, therefore, were estopped from raising them in the litigation. While the defendants’ § 103 invalidity defenses relied on six prior art references that were either used in the IPR proceeding or a prior reexamination proceeding, each of the obviousness grounds also relied on a physical machine prior art that the defendants argued they could not have presented in the IPR because it is neither a patent nor a printed publication. The plaintiff argued that even though the machine could not be presented, the defendants could have put forward an owner’s manual for the machine, which the defendants had in their possession at the time of the IPR. The court found that the estoppel did not apply because the physical machine discloses features claimed in the patent-in-suit that are not included in the manual and, as such, the physical machine is “a superior and separate reference.”<sup>181</sup> This decision highlights the complicated analysis that will often be required of district courts asked to apply the estoppel provisions arising from adjudicated post-grant proceedings.

**Best Practice 30 – Potential estoppels arising from PGR, CBM, and IPR proceedings should be considered claim-by-claim.**

The estoppels resulting from a final written decision in a post-grant proceeding apply on a claim-by-claim basis.<sup>182</sup> As such, estoppels apply only to instituted claims. Estoppels do not apply to claims for which PGR, CBM, or IPR is not instituted, even if those non-instituted claims were challenged

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<sup>179</sup> 35 U.S.C. §§ 321(b), 325(e)(2).

<sup>180</sup> *Star Envirotech Inc. v. Redline Detection LLC*, No. 8:12-cv-01861-JGB-DFM, 2015 WL 4744394 (C.D. Cal. January 29, 2015).

<sup>181</sup> *Id.* at \*5.

<sup>182</sup> *See, e.g.*, 35 U.S.C. § 315(e)(2) (“The petitioner in an *inter partes* review of a claim . . . may not assert . . . that *the claim* is invalid.” (emphases added)).

in the petition.<sup>183</sup> Thus, if only some of the asserted claims from a district court litigation are instituted and adjudicated by the PTAB, any resulting estoppel will apply only to those claims, and not to the invalidity theories advanced with respect to any remaining claims.<sup>184</sup>

For example, in *Dell Inc. v. Electronic and Communications Research Institute*,<sup>185</sup> the PTAB found a subsequent challenge by the same petitioner on the same claims estopped, where a final written decision was entered in the prior challenge. The Board noted that “the differences in how the references have been asserted in these proceedings have no weight on our determination of whether the grounds raised in the instant Petition could have been raised in the [prior] IPR.”<sup>186</sup> At the same time, the Board found that the estoppel did not apply to two of the challenged claims in the second IPR because while those two claims had been challenged in the first IPR petition, trial was not instituted as to those claims.<sup>187</sup> The second petition was nevertheless denied as barred under 36 U.S.C. § 315(b) because it was filed more than a year after the petitioner was served with an infringement complaint, and the Board denied the petitioner’s motion for joinder.<sup>188</sup>

Where a PGR, CBM, or IPR proceeding is instituted by the Board with respect to a particular claim on some, but not all, of the proposed grounds for that claim, the estoppel analysis is further complicated. The Board has discretion to “authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim” and “the Board may deny some or all grounds for unpatentability for some or all of the challenged claims.”<sup>189</sup> Petitions presenting multiple grounds of rejection for the same claim that do not specify a meaningful distinction between the proposed grounds risk rejection by the Board of one or more grounds as redundant.<sup>190</sup>

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<sup>183</sup> *Westlake Services, LLC v. Credit Acceptance Corp.*, No. CBM2014-00176, Paper No. 28 at 2 (P.T.A.B. May 14, 2015).

<sup>184</sup> *See e.g.*, *National Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.*, No. 1:12-cv-00773-SS (W.D. Tex. Dec. 2, 2013) (holding that IPR estoppel does not apply where the petition was denied by the PTAB); *Westlake Services, LLC v. Credit Acceptance Corp.*, No. CBM2014-00176, Paper No. 28 at 5 (P.T.A.B. May 14, 2015) (where prior CBM proceeding was instituted and adjudicated on only some of the claims of the challenged patent, a subsequent CBM petition challenging the remaining claims was not estopped).

<sup>185</sup> No. IPR2015-00549, Paper No. 10 (P.T.A.B. March 26, 2015). The PTAB applied a similar approach in *Alcohol Monitoring Sys., Inc. v. Soberlink, Inc.*, No. IPR 2015-00556, Paper No. 7 at 7 (P.T.A.B. July 16, 2015) (“In IPR-577, in the Final Written Decision issued under 35 U.S.C. § 318(a), the panel held that claims 1-5, 9-11, 15-17, 21, and 22 are unpatentable. IPR-577 FWD, 35. Accordingly, Petitioner is estopped from maintaining the instant proceeding as to claims 1-5, 9-11, 15-17, 21, and 22. *See* 35 U.S.C. § 315(e)(1).”).

<sup>186</sup> No. IPR2015-00549, Paper No. 10 at 5.

<sup>187</sup> *Id.* at 6.

<sup>188</sup> *Id.* at 7–8.

<sup>189</sup> 37 C.F.R. §§ 42.108(a)-(b), 42.208(a)-(b).

<sup>190</sup> *See e.g.*, *Berk-Tek LLC v. Belden Techs Inc.*, No. IPR2013-00057, Paper No. 21 at 5 (P.T.A.B. May 14, 2013) (denying rehearing of decision not to institute IPR on “redundant” unpatentability grounds); *Oracle Corp. v. Clouding IP, LLC*, No. IPR2013-00075, Paper No. 15 at 4 (P.T.A.B. June 13, 2013) (denying rehearing of decision not to institute IPR on “redundant” ground of unpatentability); *Larose Industries, LLC v. Capriola Corp.*, No. IPR2013-00120, Paper No. 20 at 3–5 (P.T.A.B. July 22, 2013) (denying rehearing of decision not to institute IPR on “redundant” unpatentability grounds).

The PTAB's rejection of a ground at the petition stage prevents the petitioner from raising that ground during a trial before the PTAB. Accordingly, one view is that the final written decision estoppel should not apply to any grounds for an instituted claim included in the petition but which the PTAB declined to institute as redundant. The contrary view is that the estoppel should apply to an instituted claim even on grounds presented in the petition but not instituted because the petitioner "reasonably could have raised" such grounds instead of the grounds that were instituted.

Future district court decisions may resolve this debate. Given that the estoppel statutes are similar, district courts may look to the PTAB for guidance in applying the estoppels.<sup>191</sup> In at least one decision, the PTAB has held that a ground denied institution by the Board as "redundant" is not a ground that a petitioner "raised or reasonably could have raised during [the] *inter partes* review" because an *inter partes* review "does not begin until the Office decides to institute review" and the Board's decision on institution "prevent[ed] Petitioner from raising that ground during the trial."<sup>192</sup> Ultimately, the Board in this IPR denied institution of the later-filed petition on substantive grounds.

**Best Practice 31 – Those with a potential interest in the outcome of a post-grant proceeding should evaluate if they would likely be considered to be a real party-in-interest or in privity with the petitioner.**

As outlined above, petitioner estoppels resulting from final written decisions in IPR and PGR extend to the real parties-in-interest and privies of the petitioner. Petitioner estoppels resulting from final written decisions in CBM extend to the petitioner's real parties-in-interest.

According to the PTAB Trial Practice Guide, a "real party-in-interest" is the "party that desires review of the patent."<sup>193</sup> This may be the petitioner or any party or parties "at whose behest the petition has been filed."<sup>194</sup> Whether a party is a real party-in-interest or a privy is highly fact-dependent.<sup>195</sup> The USPTO notes that the concept of a petition's privies is more expansive than the concept of real parties-in-interest.<sup>196</sup> The USPTO explains that the analysis should decide, among other things, whether the "relationship . . . is sufficiently close such that both should be bound by the trial outcome and related estoppels."<sup>197</sup> The legislative history explains that the "emphasis is not

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<sup>191</sup> For PGR, CBM, and IPR, the petitioner or "the real party in interest of privy of the petition" may not request or maintain a proceeding before the USPTO with respect to the same patent claim on any ground "that the petitioner raised or reasonably could have raised" during the PGR, CBM, or IPR proceeding. 35 U.S.C. §§ 315(e)(1), 325(e)(2); Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(A).

<sup>192</sup> *Apotex Inc. v. Wyeth LLC*, No. IPR2015-00873, Paper No. 8 at 5 (P.T.A.B. Sept. 16, 2015); *see also* *Shaw Industry Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016) ("The plain language of the statute prohibits the application of estoppel under these circumstances.").

<sup>193</sup> Trial Practice Guide, *supra* note 74, at 48,759.

<sup>194</sup> *Id.*

<sup>195</sup> *Id.* (citing *Taylor v. Sturgell*, 553 U.S. 880, 893–95 (2008) (listing situations where non-parties to a litigation may be bound by the outcome of issues in that litigation)).

<sup>196</sup> *See id.*

<sup>197</sup> *Id.*

on the concept of identity of parties, but on the practical situation.”<sup>198</sup> There is no “bright-line” test, but parties should consider how courts have previously viewed the terms “real party-in-interest” and “privy,” as in *Taylor*.<sup>199</sup> Factors to consider include whether a party has direction, funding, or control of the proceeding, the potential relationship to the petitioner, and the nature and degree of involvement in the chosen post-grant proceeding.<sup>200</sup>

**Best Practice 32 – Parties to a joint defense group or an indemnitor-indemnitee relationship should consider the possibility that estoppel (whether legal or practical) will apply notwithstanding their lack of direct participation in the post-grant proceeding.**

The PTAB Trial Practice Guide notes that a party belonging to a joint defense group that includes a post-grant proceeding petitioner is not sufficient to make them a privy.<sup>201</sup> The USPTO also notes that if a trade association files a petition for a post-grant proceeding, a member of the association is not, without more, a real party-in-interest or privy of the association.<sup>202</sup> But trade association or joint defense group membership may be relevant to the question of whether a party is a real party-in-interest or privy; and different facts may result in different determinations.<sup>203</sup>

Practically, any adverse decision in an IPR can make subsequent challenges to the patent in a district court proceeding more difficult, even where there is no formal estoppel. For instance, juries could be influenced where a patent withstood a post-grant challenge and could discount any subsequent attacks. Similarly, the PTAB may deny a subsequent post-grant challenge, even when filed by an unrelated party. For example, when various accused infringers file serial PGR, CBM, or IPR petitions, the USPTO may use its discretion under § 325(d) to deny subsequent petitions on the same or substantially the same prior art or arguments even where the statutory estoppel provisions may not apply.<sup>204</sup> Recall that such decisions are “final and nonappealable.”<sup>205</sup>

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<sup>198</sup> *Id.* (quoting 154 CONG. REC. S9987 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl)).

<sup>199</sup> *Id.*; see also *Taylor*, 553 U.S. at 893 n.6 (“The list that follows is meant only to provide a framework [for the decision], not to establish a definitive taxonomy.”).

<sup>200</sup> Trial Practice Guide, *supra* note 74, at 48,759–60; further discussion of “real party-in-interest” and “privy” will be provided in the forthcoming Stage Two of this Parallel USPTO Proceedings Chapter.

<sup>201</sup> *Id.* at 48,760.

<sup>202</sup> *Id.*

<sup>203</sup> *Id.*

<sup>204</sup> 35 U.S.C. §§ 315(d), 325(d).

<sup>205</sup> 35 U.S.C. §§ 314(d), 324(e).

**Best Practice 33 – The potential for remand should be considered before lifting a stay to apply PGR, CBM, and IPR estoppels where the Final Written Decision of the PTAB has been appealed to the Federal Circuit.**

PGR, CBM, and IPR estoppels attach upon a final written decision of the PTAB, prior to the consummation of any appeal.<sup>206</sup> This differs from prior *inter partes* reexamination practice, where all appeals had to be exhausted before estoppel would attach. While estoppels in *inter partes* reexamination were not likely to apply until many years after filing of the reexamination request, estoppels in PGR, CBM, and IPR will likely apply within about 16-20 months from filing.<sup>207</sup>

In practice, most final written decisions are appealed, delaying final resolution of the PGR, CBM, or IPR until anywhere from 2.5–3.5 years from filing. One possible outcome of a Federal Circuit appeal is a remand to the PTAB. For example, in *Microsoft Corp. v. Proxyconn, Inc.*, the Federal Circuit disagreed with the PTAB's claim construction and vacated and remanded the PTAB's unpatentability findings for proceedings consistent with the Federal Circuit's claim construction.<sup>208</sup> On September 1, 2015, the PTAB issued an Order in the remanded proceedings requesting that both parties submit a brief of not more than fifteen pages addressing the effect of the Federal Circuit's decision on the PTAB's Final Written Decision, specifically the vacated patentability decision.<sup>209</sup> Ultimately, the Board issued a Decision on Remand on December 9, 2015, that again concluded that the challenged claims were not patentable.<sup>210</sup>

District courts that are asked to lift a stay and apply a final written decision estoppel against an unsuccessful challenger should consider the potential for remand where the final written decision has been appealed to the Federal Circuit. Extending the stay until conclusion of the Federal Circuit appeal may be advisable, especially where a remand and subsequent reversal of the final written decision would be dispositive of all issues in the district court litigation. At the same time, the large majority of final written decisions are being affirmed by the Federal Circuit and, as such, there may be little reason for a district court to further delay the litigation.

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<sup>206</sup> 35 U.S.C. §§ 315(e)(2), 325(e)(2); Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 18(a)(1)(D).

<sup>207</sup> The PTAB is statutorily required to complete a PGR, IPR, or CBM proceeding within one year from the date that the proceeding is instituted, but that time may be extended up to six months for good cause. 35 U.S.C. §§ 316(a)(11), 326(a)(11). The PTAB must issue an institution decision within three months of the patent owner's preliminary response. 35 U.S.C. §§ 314(b), 324(c). The patent owner's preliminary response must be filed no later than three months after the notice of filing date, which typically issues about 15 days after the petition is filed. 37 C.F.R. §§ 42.107(b), 42.207(b). The patent owner may waive its preliminary response to further expedite the proceeding. 37 C.F.R. §§ 42.107(b), 42.207(b).

<sup>208</sup> 789 F.3d 1292, 1300 (Fed. Cir. 2015).

<sup>209</sup> *Microsoft Corp. v. Proxyconn, Inc.*, Nos. IPR2012–00026, IPR2013–00109, Paper No. 77 (P.T.A.B. Sept. 1, 2015).

<sup>210</sup> *Microsoft Corp. v. Proxyconn, Inc.*, Nos. IPR2012–00026, IPR2013–00109, Paper No. 80 (P.T.A.B. Dec. 9, 2015).

## *VI. Real Party-in-Interest and Privity*

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[See *The Sedona Conference Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter ("Stage Two")* (forthcoming)]

## ***VII. Efficient Handling of Multiple Parallel USPTO Proceedings***

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[See *The Sedona Conference Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter* (“*Stage Two*”) (forthcoming)]



## *VIII. Termination after Settlement*

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[See *The Sedona Conference Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter ("Stage Two")* (forthcoming)]

## *IX. Conclusion: Development of Best Practices for the Collaborative Resolution of Patent Disputes through both the Federal Courts and the USPTO/PTAB Working in Concert*

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The recommendations for best practices presented in the initial Public Comment Version of this WG10 Parallel USPTO Proceedings Chapter in October 2014 were written primarily from the perspective of federal court litigation and were directed toward practitioners and federal judges. Its recommendations were not directed specifically toward proceedings before the PTAB.

Subsequently, a new WG10 drafting team was formed to draft the next stage (“Stage Two”) of this WG10 project to include recommendations directed toward improving proceedings before the PTAB and to develop recommendations to better integrate proceedings between the federal district courts and the PTAB. The original content is being updated with this expanded focus. In addition, new issues are being addressed, including:

- identifying and resolving “real party-in-interest” and “privy” issues before the PTAB and in the courts;
- presenting evidence and protecting confidentiality in PTAB Proceedings;
- procedures and mechanisms for settlement and termination of PTAB Proceedings; and
- efficient handling of multiple parallel USPTO proceedings.

New sections resulting from this effort will be released as a separate document for public comment in the coming months.

This WG10 project is a work in progress, with the continuing goal of identifying best practices for parallel resolution of patent disputes in the courts and before the PTAB. As additional issues and recommendations are developed, this Chapter will be expanded to include the latest best practice recommendations of the drafting team and of WG10.

## *Appendix A: USPTO Post-Grant Proceedings Used to Challenge the Patentability of a Patent*

	<i>Inter Partes</i> Review (replaced <i>Inter Partes</i> Reexamination)	Post-Grant Review	Transitional Program for Covered Business Method Patents (available until September 16, 2020)	<i>Ex Parte</i> Reexamination (substantially unchanged)
Purpose	Replaced <i>inter partes</i> reexamination; new trial to review the patentability of issued claims; can be used as an alternative to litigating patent validity in federal district court	Similar to opposition procedures outside the U.S.; early review (first 9 months from issuance) of the patentability of “first-to-file” claims on any grounds that can be raised under 35 U.S.C. § 282(b)(2) or (3)	Review the patentability of asserted covered-business method patents directed to the practice, administration, or management of a financial service or product	Reopened examination of granted patent based on patents and printed publications raising issues not before the original Examiner
Requested by	A person who is not the patent owner and has not previously filed a civil action challenging the validity of a claim of the patent	A person who is not the patent owner and has not previously filed a civil action challenging the validity of a claim of the patent	Only a person who is sued or charged with infringement of a covered business method patent	Any person, including the patent owner
When Available	First-to-File Patents: after the later of 9 months after grant or termination of any post-grant review  First-to-Invent Patents: any time after grant  If the petitioner is served with an infringement complaint, petition must be filed less than one year after service	No more than 9 months after grant  (only available for First-to-File Patents)	First-to-File Patents: after 9 months since grant  First-to-Invent Patents: any time after grant	After grant
Threshold Showing	Reasonable likelihood of prevailing on at least one claim	More likely than not that at least one of the claims challenged in the petition is unpatentable, or raises an important novel or unsettled legal question	More likely than not that at least one of the claims challenged in the petition is unpatentable	Substantial new question of patentability

Anonymity	No	No	No	Yes
Submission Content	§§ 102 and 103; only on the basis of prior art patents or printed publications	Any ground relating to invalidity under §§ 101, 102, 103, and 112, except best mode, of any claim	Any ground relating to invalidity under §§ 101, 102, 103, and 112, except best mode  First-to-File Patents: only on the basis of prior art patents or printed publications  First-to-Invent Patents: all prior art	§§ 102 and 103; only on the basis of prior art patents or printed publications
Estoppel (applied on a claim-by-claim basis)	Issues raised or reasonably could have been raised by the petitioner during the <i>inter partes</i> review	Issues raised or reasonably could have been raised by the petitioner during the post-grant review	At USPTO: issues raised or reasonably could have been raised by the petitioner during the covered business method review  At District Court or USITC: issues actually raised by the petitioner during the post-grant review	None
Before Whom	Patent Trial and Appeal Board	Patent Trial and Appeal Board	Patent Trial and Appeal Board	Central Reexamination Unit
Discovery/Evidence	Declaration, deposition, and extremely limited additional discovery	Declaration, deposition, and extremely limited additional discovery	Declaration, deposition, and extremely limited additional discovery	Declaration only, no discovery
Duration	From Petition: 1 ½ to 2 years  From Institution: 1 to 1 ½ years	From Petition: 1 ½ to 2 years  From Institution: 1 to 1 ½ years	From Petition: 1 ½ to 2 years  From Institution: 1 to 1 ½ years	Many years
Appeal	Parties can appeal to Federal Circuit	Parties can appeal to Federal Circuit	Parties can appeal to Federal Circuit	Only the patentee can appeal to Board and then to Federal Circuit
Cost	Request fee: \$9,000, plus \$200 for each claim over 20  Post-Institution fee: \$14,000, plus \$400 for each claim over 15	Request fee: \$12,000, plus \$250 for each claim over 20  Post-Institution fee: \$18,000, plus \$550 for each claim over 15	Request fee: \$12,000, plus \$250 for each claim over 20  Post-Institution fee: \$18,000, plus \$550 for each claim over 15	\$12,000

# *The Sedona Conference Working Group Series & WGS Membership Program*

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**“DIALOGUE  
DESIGNED  
TO MOVE  
THE LAW  
FORWARD  
IN A  
REASONED  
AND JUST  
WAY.”**

The Sedona Conference was founded in 1997 by Richard Braman in pursuit of his vision to move the law forward in a reasoned and just way. Richard’s personal principles and beliefs became the guiding principles for The Sedona Conference: professionalism, civility, an open mind, respect for the beliefs of others, thoughtfulness, reflection, and a belief in a process based on civilized dialogue, not debate. Under Richard’s guidance, The Sedona Conference has convened leading jurists, attorneys, academics, and experts, all of whom support the mission of the organization by their participation in conferences and the Sedona Conference Working Group Series (WGS). After a long and courageous battle with cancer, Richard passed away on June 9, 2014, but not before seeing The Sedona Conference grow into the leading nonpartisan, nonprofit research and educational institute dedicated to the advanced study of law and policy in the areas of complex litigation, antitrust law, and intellectual property rights.

The WGS was established to pursue in-depth study of tipping point issues in the areas of antitrust law, complex litigation, and intellectual property rights. It represents the evolution of The Sedona Conference from a forum for advanced dialogue to an open think tank confronting some of the most challenging issues faced by our legal system today.

A Sedona Working Group is created when a “tipping point” issue in the law is identified, and it has been determined that the bench and bar would benefit from neutral, nonpartisan principles, guidelines, best practices, or other commentaries. Working Group drafts are subjected to a peer review process involving members of the entire Working Group Series including—when possible—dialogue at one of our regular season conferences, resulting in authoritative, meaningful, and balanced final commentaries for publication and distribution.

The first Working Group was convened in October 2002 and was dedicated to the development of guidelines for electronic document retention and production. Its first publication, *The Sedona Principles: Best Practices Recommendations & Principles Addressing Electronic Document Production*, has been cited favorably in scores of court decisions, as well as by policy makers, professional associations, and legal academics. In the years since then, the publications of other Working Groups have had similar positive impact.

Any interested jurist, attorney, academic, consultant, or expert may join the Working Group Series. Members may participate in brainstorming groups, on drafting teams, and in Working Group dialogues. Membership also provides access to advance drafts of WGS output with the opportunity for early input. For further information and to join, visit the “Working Group Series” area of our website, <https://thesedonaconference.org/wgs>.

# *The Sedona Conference Working Group 10 on Patent Litigation Best Practices—List of Steering Committee Members and Judicial Advisors*

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The Sedona Conference's Working Group 10 on Patent Litigation Best Practices Steering Committee Members and Judicial Advisors are listed below. Organizational information is included solely for purposes of identification.

The opinions expressed in publications of The Sedona Conference's Working Groups, unless otherwise attributed, represent consensus views of the Working Groups' members. They do not necessarily represent the views of any of the individual participants or their employers, clients, or any organizations to which they may belong, nor do they necessarily represent official positions of The Sedona Conference. Furthermore, the statements in each publication are solely those of the non-judicial members of the Working Group; they do not represent judicial endorsement of the opinions expressed or the practices recommended.

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