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## *Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter*

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

PUBLIC COMMENT VERSION



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Patent Litigation Best Practices (WG10)*

OCTOBER 2014 PUBLIC COMMENT VERSION

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## *Preface*

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Welcome to the Public Comment Version of The Sedona Conference Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter, 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 that brings together leading jurists, lawyers, experts, academics, and others, at the cutting edge of issues in the areas of antitrust law, complex litigation, and intellectual property rights, in conferences and mini-think tanks called Working Groups, to engage in true dialogue, not debate, in an effort 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 over 200 active members representing all stakeholders in patent litigation. To develop this Parallel USPTO Proceedings Chapter, the core drafting team held numerous conference calls over the past year, and the draft 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.

The 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: Michael Morin, Robert M. Asher, Steven Auvil, Joseph Lucci, John W. McIlvaine III, Teresa Stanek Rea, Michael T. Rosato, and Karen E. Keller. In addition, I thank volunteers James Alex, Anthony W. Brooks, and, in particular, J. Derek McCorquindale for their assistance and contributions to this effort.

The Working Group was also privileged to have the benefit of candid comments by several judges with extensive patent litigation experience, including the Honorable Joy Flowers Conti, the Honorable Faith S. Hochberg, and the Honorable Barbara M.G. Lynn, who are serving as the WG10 Judicial Advisors for this ongoing endeavor to draft all of the Chapters of this Commentary. 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.

Working Group Series output is first published in draft form and widely distributed for review, critique, and comment, including in-depth analysis at Sedona-sponsored conferences. Following this period of peer review, the draft publication is reviewed and revised by the Working Group, taking into consideration what is learned during the public comment period. Please send comments to [info@sedonaconference.org](mailto:info@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 2014

## *Foreword*

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The work of the WG10 drafting team on this Parallel USPTO Proceedings Chapter has been primarily focused to date on the issue from the perspective of district court litigation and the development of best practices that should be considered by the litigants or the district courts.<sup>1</sup> However, through this process, it has become apparent to the team that improvements in the proceedings and development of best practices also need to be made specific to the proceedings before the Patent Trial and Appeal Board (PTAB) as well. Even more importantly, efforts should be made to better integrate the proceedings before the PTAB and the district courts so as to achieve the goals of the Leahy-Smith America Invents Act of developing an effective alternative to court litigation, and of overall simplification of the process. It is the current intent of WG10 to develop such best practices in a future Chapter.

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

Michael Morin  
Chapter Editor

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<sup>1</sup> There has been essentially no federal court case law in connection with the United States Patent and Trademark Office (USPTO) post-grant proceedings to date. As such, the Working Group provides little commentary at this time concerning any best practices for managing such parallel USPTO post-grant procedures.

## *Table of Contents*

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Parallel USPTO Proceedings Best Practices “At a Glance” .....	vi
I. Introduction.....	1
A. The New Post-Grant Procedures.....	1
1. <i>Inter Partes</i> Review (IPR).....	2
2. Post-Grant Review (PGR).....	3
3. Covered Business Method Review (CBM) .....	3
B. The New Post-Grant Procedures Run in Parallel to and Often in Conflict with Federal Court And International Trade Commission Proceedings .....	4
II. Limited Discovery.....	6
A. Categories of Discovery Available in Post-Grant Proceedings .....	6
1. Routine Discovery .....	6
2. Additional Discovery.....	7
B. Standards for Obtaining Additional Discovery.....	7
C. Available Volunteer Discovery Mechanisms .....	8
D. Protective Orders.....	9
III. Stays of Concurrent District Court Litigations .....	11
A. Early Considerations, Disclosures, and Agreements.....	11
B. Considerations on Motions to Stay.....	15
1. Considerations Regarding Simplification of Issues for Trial .....	15
2. Considerations Regarding Timing of Stay Request .....	17
3. Considerations Regarding Undue Prejudice .....	22
C. After Grant of a Stay .....	24
IV. Estoppel.....	26
A. Estoppel Standards of the Three Main Post-Grant Proceedings.....	26
1. <i>Inter Partes</i> Review (IPR) Estoppel .....	26
2. Post-Grant Review (PGR) Estoppel.....	26
3. Covered Business Method Review (CBM) Estoppel .....	27
B. Impact of Post-Grant Proceeding Estoppel Standards on Litigation Strategy.....	27
V. Claim Construction Considerations with Regard to Parallel Proceedings.....	30
VI. Conclusion: Development of Best Practices for the Collaborative Resolution of Patent Disputes through both the Federal Courts and the USPTO/PTAB Working in Concert. ....	32

# *Parallel USPTO Proceedings Best Practices*

## *“At a Glance”*

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Best Practice 1 – Parties should be familiar with the limited categories of discovery available in post-grant proceedings.....	6
Best Practice 2 – Parties seeking additional discovery in a post-grant proceeding should be able to identify the material sought with particularity and make a required showing why additional discovery should be granted.....	7
Best Practice 3 – Parties seeking more expansive discovery should explore whether each side may desire and might benefit from certain discovery beyond what is normally permitted by the PTAB, and if so, then the parties should consider utilizing the voluntary discovery mechanisms available in post-grant proceedings.....	8
Best Practice 4 – Litigation counsel should not be barred from litigating patentability in the PTAB.....	9
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; parties; claims; defenses; instituted, pending, or forthcoming PTAB review petitions involving the patents-in-suit; and any timing or jurisdictional issues that may arise.....	11
Best Practice 6 – The district court should consider asking a number of key questions relevant to stay determinations for all patent cases at the earliest stage possible in the litigation.....	11
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.....	12
Best Practice 8 – The patentee should disclose as early as possible to the district court an intent to amend any asserted claims in post-grant proceedings.....	13
Best Practice 9 – Parties should disclose as early as possible to the district court the real party-in-interest to PTAB proceedings, and any and all parties in privity.....	13
Best Practice 10 – Parties to joint defense groups should confer as early as possible about which defendants, if any, will be petitioning for an IPR proceeding, and if moving for a stay of the district court litigation, should agree to be estopped on any ground that is raised or that could reasonably be raised before the PTAB in order to maximize the chances of obtaining a stay.....	14
Best Practice 11 – Parties seeking a litigation stay should demonstrate to the district court how any potential estoppels will simplify the issues.....	15
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.....	16
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 be estopped on any ground actually raised and adjudicated in exchange for granting the stay.....	16
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.....	17
Best Practice 15 – If PTAB review has been initiated before the filing of a district court infringement action on the claims, the court may consider such timing as weighing in favor a stay.....	18

Best Practice 16 – A litigation stay request after a CBM proceeding has already been instituted may weigh in favor of a stay. ....	18
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 should consider denying without prejudice so that the party can re-file its request if and when institution occurs.....	20
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.....	21
Best Practice 19 – If a party requests a litigation stay, the district court should consider ruling on the motion as soon as possible, and look favorably on stay requests made early in the litigation. ....	21
Best Practice 20 – If a party requests a litigation stay, the district court should consider denying the stay if <i>Markman</i> proceedings are substantially complete, or if discovery is already closed. ....	22
Best Practice 21 – A potential of a loss of evidence over time may weigh against a stay, but the risk must be demonstrated and not otherwise preventable.....	22
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. ....	23
Best Practice 23 – If the parties are direct competitors, this may weigh against a stay due to potential prejudice to the patentee.....	23
Best Practice 24 – A post-grant proceeding that will likely require an extended amount of time to fully resolve the issues may weigh against a stay.....	24
Best Practice 25 – At the conclusion of any post-grant proceeding, 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.....	24
Best Practice 26 – Upon lifting a stay of litigation, the district court may consider a conference with the parties to evaluate the case going forward. ....	25
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.....	25
Best Practice 28 – Parties considering post-grant proceedings should consider the extent of the estoppel created by each type of post-grant proceeding. ....	26
Best Practice 29 – Parties should consider foregoing PGR and IPR proceedings to avoid the risk of being estopped for unasserted invalidity theories that reasonably could have been raised. ....	27
Best Practice 30 – Those with a potential interest in the outcome should evaluate if they would likely be considered to be a real party-in-interest or in privity with the petitioner. ....	28
Best Practice 31 – Parties to a joint defense group or an indemnitor-indemnitee relationship should consider the potential of estoppel to apply to the other parties notwithstanding their lack of direct participation in the post-grant proceeding.....	29
Best Practice 32 – The patent owner should strive for a single claim construction in the district court and in the PTAB for both validity and infringement purposes so that the claim construction can be consistently asserted in both forums. ....	30



# 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”) review proceedings instituted by the Leahy-Smith America Invents Act (AIA) have become the avenues of choice for practitioners looking to challenge the validity of patents. As of October 16, 2014, 1,394 *inter partes* review (IPR) petitions have been filed for FY2014 (beginning October 1, 2013), far surpassing the 514 proceedings filed in FY2013. The number of covered business method review (CBM) petitions filed so far in FY2014 (193) has already surpassed the total from FY2013 (48).<sup>2</sup> The bar’s enthusiasm for PTAB review proceedings is evident, and these proceedings will likely continue to grow in popularity. The vast majority of the petitions filed are related to one or more concurrently litigated patents in district courts, leading to situations where a patent is challenged in two forums simultaneously.

As the PTAB and district court judges have been confronted with such parallel proceedings, a number of issues have arisen largely from the different standards that the two use when construing the claims and also the different scope of discovery that each forum permits to occur. As a consequence, a number of courts have struggled with deciding issues of stay and subsequent estoppels. The new post-grant procedures are intended to be a less expensive alternative to district court litigation, but in addressing motions to stay parallel district court proceedings, a number of courts have expressed concerns as to whether the new post-grant procedures will resolve all patentability issues or just delay the patent holder’s day in court and its ability to obtain relief. However, if the PTAB proceeding and any appeal therefrom is completed first and all the asserted patent claims are cancelled, then the district court should dismiss the infringement action, as contemplated by *Fresenius USA, Inc. v. Baxter Int’l, Inc.*<sup>3</sup> The Federal Circuit’s recent determination that a still pending infringement action is moot upon 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>4</sup>

Also, as the PTAB has been developing its procedures, a number of issues have been in flux. For example, how will the PTAB decide what claims it will actually consider in the proceeding and what scope of discovery it will permit? As time and experience progress, there may well be changes to a number of aspects of the proceedings. Such changes will necessitate this WG10 drafting team to revisit this Chapter on a regular basis. At the same time, it is critical that practitioners familiarize themselves with the latest rulings of the PTAB and also the interplay between district court litigation and PTAB proceedings.

## A. THE NEW POST-GRANT PROCEDURES

Under the AIA, the former Board of Patent Appeals and Interferences (BPAI) was renamed the PTAB, effective September 16, 2012. The AIA created three main additional proceedings by which the validity of patents can be challenged after they have been issued (i.e., granted) by the USPTO: *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 criticisms directed at the patent system leading to the passage of the AIA. To address concerns that resolving patent disputes in the district courts takes too long, the AIA instituted a rapid time frame for completing the post-grant proceedings, mandating that they be resolved within one year from institution and six months more upon a showing of

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<sup>2</sup> Patent Trial and Appeal Board AIA Progress Statistics (as of 10/21/14), [http://www.uspto.gov/ip/boards/bpai/stats/aia\\_statistics\\_09\\_04\\_2014.pdf](http://www.uspto.gov/ip/boards/bpai/stats/aia_statistics_09_04_2014.pdf) (last visited Oct. 21, 2014).

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

<sup>4</sup> *See id.*; *infra* Secs. III.A. & B.2 (discussing potential implications of the *Fresenius* holding).

good cause.<sup>5</sup> To attempt to address concerns 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 at trial any arguments that could reasonably have been brought before the PTAB.<sup>6</sup> However, the PTAB often will not consider and address all claims raised by petitioner; this can create significant issues for the district court when considering issues of estoppel after the PTAB proceeding.

The specific features in the three new post-grant proceedings are described below.

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

IPRs are available to contest the patentability of all patents, 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>7</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 patent issuance, and only if a PGR has not been instituted.<sup>8</sup> An IPR petition is limited to patentability challenges on only 35 U.S.C. § 102 invalidity and § 103 obviousness grounds, and unlike invalidity challenges brought in district court litigation, patentability challenges raised in an IPR petition are limited to patents and printed publications.<sup>9</sup>

Any party other than the patent owner may file a petition for an IPR, as long as the petitioner has not previously filed a civil action challenging the validity of the patent.<sup>10</sup> However, a one-year time-bar limitation attaches if the petitioner has been served with a complaint alleging infringement.<sup>11</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 akin to a typical USPTO prosecution. By contrast, the IPR procedure was put into place to provide a less expensive forum for challenging the patentability of the claims of a patent while still providing the challenger with some discovery and a form of hearing more analogous to a trial than the old *inter partes* reexamination procedure. IPRs also involve motions practice, and the “trial phase” concludes with a hearing before a panel of Administrative Patent Judges.

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<sup>5</sup> When the petition is filed, it can take six months before the PTAB formally institutes the proceeding. The one-year time period starts from the date of institution. See 35 U.S.C. §§ 316(a)(11), 326(a)(11).

<sup>6</sup> *Id.* §§ 315(e)(2), 325(e)(2).

<sup>7</sup> See American Inventors Protection Act of 1999 (AIPA), 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>8</sup> 35 U.S.C. § 311(c)(1). An exception to this rule, however, 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. Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, § 3(n)(1), 125 Stat. 284 (Sept. 16, 2011). An IPR may also be filed after the termination of a PGR. 35 U.S.C. § 311(c)(2). For patents examined under the pre-AIA first-to-invent rules, regardless of when filed, the complementary PGR proceedings are not available, so IPRs are permitted in the first nine-month period and thereafter for these patents. AIA § 3(n)(1).

<sup>9</sup> 35 U.S.C. § 311(b).

<sup>10</sup> *Id.* §§ 311(a), 315(a)(1).

<sup>11</sup> *Id.* § 315(b).

## 2. Post-Grant Review (PGR)

Unlike IPR petitions, PGR petitions must be filed within the first nine months after the issue date of a patent.<sup>12</sup> While in an IPR only § 102 novelty and § 103 obviousness issues can be raised, a PGR petition also may raise § 101 patentable subject matter and § 112 specification grounds, effectively encompassing all statutory grounds for invalidity.<sup>13</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, public use, etc.<sup>14</sup> Furthermore, 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, this provides a greater opportunity to alleged or potential infringers should they earlier file any such post-grant proceedings. 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 AIA patents that have been granted. But as discussed below, the broader potential grounds for invalidity available for PGR might also serve as a deterrent, because the broader scope also means broader potential estoppel.<sup>15</sup>

Any person may file a PGR petition aside from the patent owner.<sup>16</sup> Additionally, 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>17</sup> 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.<sup>18</sup>

Just two PGR petitions have been filed as of October 2014, as PGRs are only available for so-called AIA patents having an effective filing date on or after March 16, 2013.<sup>19</sup>

## 3. Covered Business Method Review (CBM)

The CBM transitional program was included in the AIA to specifically address a class of patents perceived to be “anathema to the protection the patent system provides.”<sup>20</sup> With this overarching purpose, CBMs can be broadly used to challenge “covered business method” patents on any of §§ 101, 102, 103, and 112 grounds, except for the best mode requirement and for § 102(e) prior art references.<sup>21</sup> The AIA defines a “covered business method” patent as “a patent that *claims* a method or corresponding apparatus for performing data processing . . . , except that the term does not include patents for technological inventions,” and the USPTO

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<sup>12</sup> *Id.* § 321(c).

<sup>13</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.

<sup>14</sup> Except for the best mode requirement. *Id.* §§ 282(b)(2)–(3), 321(a).

<sup>15</sup> *See infra* Sec. IV (Estoppel).

<sup>16</sup> 35 U.S.C. § 321(a).

<sup>17</sup> *Id.* § 325(a)(1).

<sup>18</sup> *Id.* § 325(2).

<sup>19</sup> There are currently only two PGRs on record, both pending: *LaRose Indus., LLC and Toys “R” Us-Delaware, Inc. v. Choon’s Design, Inc.*, PGR2014-00008, Paper No. 1 (PTAB filed Aug. 5, 2014) (petition still pending, no response filed); and *Accord Healthcare, Inc. v. Helsinn Healthcare S.A. and Roche Palo Alto LLC*, PGR2014-00010, Paper No. 1 (PTAB filed Sept. 2, 2014) (petition still pending, no response filed).

<sup>20</sup> 157 Cong. Rec. S1053 (Mar. 1, 2011) (statement of Sen. Schumer).

<sup>21</sup> *See*, 35 USC §321(b); *see e.g.*, *Meridianlink, Inc. v. DH Holdings, LLC*, CBM2013-00008, paper 24 (P.T.A.B. Sept. 13, 2013).

adopted this definition in the Final Rules.<sup>22</sup> The PTAB is still fleshing out exactly what is included in the definition of “covered business method,” and while there has been some guidance on the topic, this threshold is likely to 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 under the challenged patent.<sup>23</sup> Additionally, the petitioner must not have filed a civil action challenging the validity of the patent for which the petitioner seeks review.<sup>24</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>25</sup>

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

As is apparent from the timing constraints discussed above, it is not at all uncommon for a PTAB proceeding to run concurrently with a district court litigation and/or a U.S. International Trade Commission (USITC) section 337 unfair trade practice proceeding involving the same patent(s). In situations like these, where invalidity is determined in multiple forums, conflicting outcomes are possible.

This phenomenon is explained in part by the different standards used by the various tribunals in the construction of patent claims and in determining invalidity or unpatentability. In U.S. district court and USITC proceedings, patent claims are construed according to the *Phillips* framework<sup>26</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 has decided to construe claims according to the “broadest reasonable interpretation” (BRI) standard. 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>27</sup> Due to the potentially dispositive effect of a PTAB proceeding, the rapid time frame for completing these proceedings (one year from institution and six months more if good cause exists), and the estoppel provisions in the AIA, many district courts have been receptive to granting litigation stays in light of a copending PTAB proceeding.

There are other differences between PTAB proceedings and district court or USITC proceedings, such as the extent of permissible discovery. Several of these differences are discussed in various sections below. Also, discovery obtained in the district court or the USITC in the related litigation, though clearly relevant, may not be usable in the PTAB due to restrictions in the protective order entered in the district court or the USITC.

The AIA includes several estoppel provisions for PTAB proceedings, which may have significant effects on copending district court litigations. These estoppel provisions restrict petitioners from re-litigating the same grounds of invalidity in different forums, including both district court litigations and other PTAB proceedings. For PGR and IPR proceedings, estoppel attaches to any grounds supporting a holding that the claims should be held to be unpatentable that were raised or reasonably could have been raised in a

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<sup>22</sup> AIA, Pub. L. No. 112-29, § 18(d)(1), 126 Stat. 284 (Sept. 16, 2011) (emphasis added); 37 C.F.R. § 42.301(a).

<sup>23</sup> AIA § 18(a)(1)(B).

<sup>24</sup> *Id.* § 18(a)(1).

<sup>25</sup> AIA, Pub. L. 112-29, 125 Stat. 284, 330 § 18(a)(1)(D); *see also infra* Sec. IV (Estoppel).

<sup>26</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

<sup>27</sup> *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, CBM2012-00001, Paper 70 at 7–19 (PTAB June 11, 2013).

proceeding. For CBM proceedings, the estoppel provisions are narrower, only barring grounds actually raised in the proceeding.

The estoppel provisions of the new PTAB proceedings are much more relevant to copending district court litigation than the old estoppel provisions for *inter partes* reexaminations. This is due to the time at which estoppel attaches. Under the old rules, a party to an *inter partes* reexamination is only estopped from re-litigating grounds of rejection once all appeals are exhausted, a process that could take several years. By contrast, PTAB estoppel attaches once the PTAB reaches a final written decision adverse to the petitioner, whereas a patent owner subject to an adverse ruling issued by a district court is not bound to that result until its appeals are exhausted.

Since claim construction in the PTAB adheres to the familiar BRI standard, this can cause tension with the district courts that apply the “plain and ordinary meaning” standard. Petitioners and patent owners may thus find themselves dealing with two sets of differently construed claims for the same patent. These topics are treated in greater detail below.

## II. *Limited Discovery*

The statute, the procedures developed by the United States Patent and Trademark Office (USPTO), and the early published decisions by the Patent Trial and Appeal Board (PTAB) have made it clear that the scope of discovery in these post-grant proceedings is very limited.<sup>28</sup>

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

The PTAB has historically found “soft” arguments, such as secondary considerations of nonobviousness, unavailing and has denied motions to compel discovery of information that does not meet the strictly observed nexus requirement, e.g., for proving commercial success.<sup>29</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: either “routine” or “additional.”<sup>30</sup>

#### 1. Routine Discovery

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

- (1) All exhibits cited in a paper or in testimony;<sup>31</sup>
- (2) Cross-examination of affidavit testimony;<sup>32</sup> and

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<sup>28</sup> See, e.g., *Bloomberg Inc. v. Markets-Alert Pty. Ltd.*, CBM2013-00005, Paper No. 32 at 2–3 (PTAB 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.”).

<sup>29</sup> See, e.g., *Microsoft Corp. v. Proxyconn, Inc.*, IPR2012-00026, IPR2013-00109, Paper No. 32 (PTAB 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>30</sup> 37 C.F.R. § 42.51(b).

<sup>31</sup> *Id.* § 42.51(b)(1)(i).

<sup>32</sup> *Id.* § 42.51(b)(1)(ii).

(3) Relevant information inconsistent with a position advanced by the party before the PTAB.<sup>33</sup>

In most cases, the majority of routine discovery obtainable by direct request of the parties falls under the second category of routine discovery, i.e., cross-examination of affidavit testimony in the form of a deposition of the affiant.<sup>34</sup> Copies of exhibits relied upon (i.e., the first category of routine discovery) are produced by virtue of the mechanisms utilized in filing papers (e.g., petition and motion materials, together with cited exhibits). The third category, i.e., discovery of information inconsistent with a position taken, is generally treated by the PTAB and parties as invoking a duty of disclosure, rather than a separate basis for seeking material from the other party.

## 2. Additional Discovery

The parties may agree to, or, more commonly, move the PTAB to compel, “additional” discovery beyond that which is authorized as “routine” discovery.<sup>35</sup>

### B. STANDARDS FOR OBTAINING ADDITIONAL DISCOVERY

Other than by agreement between the parties, a party seeking additional discovery must move the PTAB to compel such discovery.<sup>36</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>37</sup>

While the PTAB considers the “interests of justice” standard to be slightly higher than the “good cause” standard, to date, the PTAB’s overriding posture for additional discovery requests in any type of post-grant proceeding is to be conservative in granting such requests. The PTAB’s general practice of denying requests for additional discovery is consistent with, if not required by, Congress’s intent under the AIA for all post-grant proceedings to be completed within strict statutory timelines (i.e., one year for all post-grant proceedings for IPRs, for PGRs, and transitional CBMs).<sup>38</sup>

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

The PTAB’s conservatism in granting additional discovery requests is evident through the body of decisions on motions to compel additional discovery. At the outset, the PTAB elucidated in *Garmin* that the scope of routine discovery of information inconsistent with a position<sup>39</sup> does not include broad discovery requests that have a possibility of returning such inconsistent information, but instead “is narrowly directed to specific

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<sup>33</sup> *Id.* § 42.51(b)(1)(iii).

<sup>34</sup> *Id.* § 42.51(b)(1)(ii).

<sup>35</sup> *Id.* § 42.51(b)(2)(i).

<sup>36</sup> *See id.*

<sup>37</sup> *See id.*; *see also id.* § 42.224; *Bloomberg Inc. v. Markets-Alert Pty. Ltd.*, CBM2013-00005, Paper No. 32 at 2–3 (PTAB May 29, 2013).

<sup>38</sup> *See* 37 C.F.R. §§ 42.100(c), 42.200(c), 42.300(c); *Bloomberg*, 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>39</sup> *See* 37 C.F.R. § 42.51(b)(1)(iii).

information known to the responding party to be inconsistent with a position advanced by that party in the proceeding.”<sup>40</sup> Such broad discovery requests are categorized as “additional discovery,” and are evaluated on their merits by the PTAB using the following five-factor test to determine whether they should properly be denied:

- (1) Just a possibility and mere allegation that something useful will be found, rather than narrowly tailored and specific;
- (2) Directed to privileged information, such as the other party’s litigation positions and underlying basis;
- (3) Cumulative or could be generated or reasonably assembled without the discovery request;
- (4) Not easily understandable, whether by volume or complexity; and
- (5) Overly burdensome to answer, the burden including financial, temporal, or administrative burdens.<sup>41</sup>

Following *Garmin*, the PTAB has consistently applied the five-factor test in IPRs to reject discovery requests that do not name specific things (e.g., particular documents), especially if such requests are so broad as to amount to “fishing expeditions.”<sup>42</sup>

### C. AVAILABLE VOLUNTEER DISCOVERY MECHANISMS

**Best Practice 3 – Parties seeking more expansive discovery should explore whether each side may desire and might benefit from certain discovery beyond what is normally permitted by the PTAB, and if so, then the parties should consider utilizing the voluntary discovery mechanisms available in post-grant proceedings.**

Prior to the filing of any preliminary response with the PTAB, and therefore prior to the PTAB’s institution decision, the parties may agree to take discovery of specific types of information as “mandatory initial disclosures.”<sup>43</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>44</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.

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<sup>40</sup> *Garmin Int’l, Inc. v. Cuozzco Speed Techs. LLC*, IPR2012-00001, Paper No. 26 at 4 (PTAB Mar. 5, 2013).

<sup>41</sup> *See id.* at 6–7.

<sup>42</sup> *See also Bloomberg*, CBM2013-00005, Paper No. 32 (applying the similar five-factor test in evaluating a motion for additional discovery in the CBM context); *Corning Inc. v. DSM IP Assets B.V.*, IPR2013-00043, Paper No. 27 (PTAB June 21, 2013) (denying Requests 2 and 3 for lack of specificity); *Microsoft Corp. v. Proxycorn, Inc.*, IPR2013-00026, IPR2013-00109, Paper No. 32 (PTAB Mar. 8, 2013) (denying all requests).

<sup>43</sup> 37 C.F.R. § 42.51(a).

<sup>44</sup> *See id.* § 42.51(a)(2).



The USPTO has provided a Trial Practice Guide to advise the public on the general framework of the regulations implementing the AIA trial procedures.<sup>45</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>46</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 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>47</sup>

A survey of post-grant petitions filed to date indicates that mandatory initial disclosures are uncommon. One possible reason is that there may be little incentive for a party to agree to provide more discovery than what would be ordered by the PTAB. Another reason for their infrequent use may be the parties' disinterest in front-loading and freely providing discovery prior to actual institution of trial, especially in view of the limited nature of discovery after trial begins. However, there may be exceptions, in particular where each party desires additional information beyond what the PTAB typically allows. For example, even though the patentee may generally not be incentivized to volunteer discovery in post-grant proceedings, when the patentee seeks discovery on potentially inconsistent positions taken by the accused infringer in different proceedings and on secondary conditions of nonobviousness, there is the potential for a negotiated voluntary disclosure of discovery between the parties. In these instances, discovery related to such grounds may be inevitable, and mandatory initial disclosures may afford parties more efficient discovery at later stages of the proceeding.

#### D. PROTECTIVE ORDERS

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

It has become more common for protective orders in patent litigations to impose a bar against participation in patent prosecution.<sup>48</sup> As recently noted in *Versata Software Inc. v. Callidus Software Inc.*, 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. Accordingly, that court ordered the parties to operate under a limited prosecution bar regarding all reexaminations, IPRs, and any other PGR proceedings.

Thus, one theory 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 at the party's products. The relevance of this consideration in practice, however, may be of more limited application to AIA post-grant proceedings since the ability to amend claims is limited. One type of restriction is that claim broadening is not permitted in the amendment process. In many cases, claim amendments are not pursued by a patent owner. Thus, there may be instances where the reasons for barring participation in prosecution, reexamination, or an AIA post-

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<sup>45</sup> See Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756–73 (Aug. 14, 2012).

<sup>46</sup> See *id.* at 48,761 et seq.

<sup>47</sup> See *id.*

<sup>48</sup> Order, *Versata Software, Inc. v. Callidus Software, Inc.*, No. 1-12-cv-00931 (D. Del. June 19, 2014) (Robinson, J.).

grant proceeding based on a risk of using confidential information during the amendment process are not present in a particular AIA post-grant proceeding.

Given this Working Group's discussion of the need for consistency in arguments to the PTAB and the courts,<sup>49</sup> it is important that counsel in each forum pursue non-conflicting positions. Therefore, parties should take care to limit any prosecution bar to patent prosecution and reexaminations. 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>49</sup> See *infra* Sec. V, Best Practice 32.

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

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With the advent of the new Patent Trial and Appeal Board (PTAB) review proceedings, it has become commonplace for accused infringers to file petitions to the PTAB for post-grant reviews (PGRs) or *inter partes* reviews (IPRs) after the patentees have instituted patent infringement actions in the district courts, and for the petitioner to file a motion to stay the district court litigation pending the outcome of the post-grant proceedings. There is no 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 and balance in reaching this determination, which ultimately will be case-specific.<sup>50</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; parties; claims; defenses; instituted, pending, or forthcoming PTAB review petitions involving the patents-in-suit; and any timing or jurisdictional issues that may arise.**

The decision of whether to grant a stay of an infringement litigation requires a fact-intensive inquiry, so parties should give the court all information relevant to such a determination.<sup>51</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 circumstances described in *Fresenius*.<sup>52</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—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>53</sup>

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

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<sup>50</sup> The win rate for IPR stay movants when opposed in district court has fluctuated from year to year, but sits at about 65% from August 2012 to October 2014. For CBM stay requests it is slightly higher.

<sup>51</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 information provided as soon as practicable.

<sup>52</sup> *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 2295 (2014); *see supra* nn.3-4 and accompanying text.

<sup>53</sup> Opinion and Order at 25–26, *Va. Innovation Scis., Inc. v. Samsung Elecs. Co.*, No. 2:12-cv-00548 (E.D. Va. May 2, 2014) (Davis, J.) (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. 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. . . .”).

In view of the increasing prevalence of post-grant proceedings, the court should, for all patent cases, consider asking early on a number of key questions relevant to a proper stay determination, including:

- (1) Whether *all* of the asserted claims in the patents-in-suit have been instituted by the PTAB for review, or will be included in forthcoming petitions for review;
- (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; and
- (4) Whether, upon conferring with the district court, the parties agree or disagree that a stay of the district court litigation is in the interests of both parties.

Staying or not staying an existing district court litigation is squarely within the court's discretion, 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>54</sup> In exercising this discretion, courts must weigh the competing interests of the parties and attempt to maintain an even balance.<sup>55</sup> It has long been recognized that courts may, depending on the facts of the case, stay judicial proceedings pending reexamination of a patent.<sup>56</sup> This also applies in the context of PTAB proceedings post-AIA.

The foregoing questions provide a preliminary assessment of whether parallel PTAB proceedings are envisioned, which claims may be implicated, the scope and standard of review to be employed, and the parties and arguments that may eventually be estopped. The court should seek information as early as possible if timing and jurisdictional issues are foreseeable under circumstances described in *Fresenius*.<sup>57</sup> Moreover, the parties should explain how the "broadest reasonable interpretation" (BRI) standard employed by the PTAB will potentially impact the claims at issue, 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 joint stipulations can be made for a stay of district court litigation. This encourages full and frank dialogue with opposing counsel regarding parallel PTAB proceedings. The considerations of stays by the district courts include "whether a stay would unduly prejudice . . . the nonmoving party."<sup>58</sup> While agreement of the parties will not be dispositive, the problems underlying the third prong of the stay analysis—undue prejudice—are greatly

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<sup>54</sup> *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936).

<sup>55</sup> *Id.* at 254–55.

<sup>56</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>57</sup> *Fresenius*, 721 F.3d 1330 (holding that pending infringement suit must be dismissed as moot upon USPTO finding of unpatentability during reexamination).

<sup>58</sup> *See Order Granting Joint Motion to Stay Litigation Pending CBM Patent Review, Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-cv-00486 (E.D. Tex. Jan. 16, 2014) (granting a stay in a trial with many defendants, given nine listed stipulations all parties agreed to).

reduced if all parties can agree to a stay of the district court litigation.<sup>59</sup> 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 a full agreement cannot be reached for all issues, the parties nonetheless benefit from discussing and resolving whatever issues they can.

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

Under the AIA, patentees have a limited ability to amend claims during post-grant proceedings by a one-for-one substitution. Typically, the patent owner would do so by filing a motion in conjunction with the patent owner's response (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 patentability over the prior art.

While effecting post-grant amendments in PTAB proceedings has proven difficult in practice, 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, 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 desire to assess the likelihood of such amendments succeeding and consider weighing this in the stay analysis in order to prevent wasted effort on claims subject to change.

**Best Practice 9 – Parties should disclose as early as possible to the district court the real party-in-interest to PTAB proceedings, and any and all 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>60</sup> or (2) the petitioner or the real party-in-interest filed a civil action challenging the validity of a claim of the patent before filing the petition for IPR.<sup>61</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 the real party-in-interest and those in privity is essential to determine whether the PTAB proceedings are even available and whether they are likely to be instituted. It is also critical in determining the reach of the attached estoppel.

A petition, upon its filing at the PTAB, must by rule identify all real parties-in-interest.<sup>62</sup> But identifying to the court all such parties and privies early on in the litigation prevents gamesmanship and improper prolongation of the window to seek PTAB proceedings.<sup>63</sup>

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<sup>59</sup> *See id.*

<sup>60</sup> 35 U.S.C. § 315(b).

<sup>61</sup> *Id.* § 315(a)(1).

<sup>62</sup> *Id.* §§ 312(a)(2), 322(a)(2).

<sup>63</sup> *Cf. In re MCM Portfolio, LLC*, 554 F. App'x 944 (Fed. Cir. 2014) (denying writ of mandamus *without prejudice* where MCM sought relief from institution on privity grounds).

**Best Practice 10 – Parties to joint defense groups should confer as early as possible about which defendants, if any, will be petitioning for an IPR proceeding, and if moving for a stay of the district court litigation, should agree to be estopped on any ground that is raised or that could reasonably be raised before the PTAB in order 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. The district court should know before substantial resources are expended whether the defendants reasonably foresee parallel proceedings, and which parties will pursue them at the PTAB. The accused infringers should therefore come to this decision as early as possible in the litigation.

In any event, would-be petitioners have only one year from the infringement complaint to file for IPR review before the PTAB, so it is in the interest of all codefendants to initiate such discussions sooner rather than later. Early collaboration will also allow the parties to identify the most important claims in the case and prepare those invalidity defenses that they believe will most likely be successful and beneficial to a full or partial resolution of the litigation.

Codefendants should understand that if fewer than all parties petition for PTAB proceedings, this could weigh against a subsequent request for a stay of the district court proceedings.<sup>64</sup> A joint motion to stay from all codefendants further ensures that each accused infringer consents to staying the district court litigation pending PTAB proceedings, and that the district court will not be subject to piecemeal motions, requests, or oppositions.

Accused infringers that do not participate before the PTAB are not precluded under 35 U.S.C. §§ 315(e)(2) and 325(e)(2) from eventually reasserting invalidity contentions once considered and rejected by the PTAB. In order to maximize the chances of obtaining a litigation stay, codefendants should not intentionally split across the diverse Article I and Article III forums in order to have “two bites at the apple,” with some defendants challenging the validity before the PTAB and others avoiding estoppel to invalidate the same claims on the same grounds in district court.

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>65</sup>

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<sup>64</sup> *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST, 2012 U.S. Dist. LEXIS 186322, at \*6–7 (“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.”).

<sup>65</sup> Compare Opinion and Order at 7, *Intellectual Ventures II v. Huntington Bancshares Inc.*, No. 2-13-cv-00785 (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. Inv., LLC v. Research Now, Inc.*, No. 2-13-cv-00962 (E.D. Tex. June 10, 2014) (Gilstrap, J.) (“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 Order Conditionally Granting Motion to Stay Pending *Inter Partes* Review at 9, *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, No. 5-13-cv-04513 (N.D. Cal. Feb. 28, 2014) (Whyte, J.) (“[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)).

## B. CONSIDERATIONS ON MOTIONS TO STAY

The AIA does not mandate a specific standard for deciding whether to stay an already filed district court litigation in view of a parallel PGR or IPR proceeding. Rather, the stay analysis is derived from decisional law, 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 considering stays for covered business method review (CBM) proceedings, the test is statutorily prescribed, using the first three considerations above and adding a fourth prong: “whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.”<sup>66</sup> While nothing precludes consideration of the fourth prong in a stay analysis for IPR and PGR proceedings, and in certain circumstances this may be deemed appropriate, it is only *required* for stay requests related to CBMs under the terms of the AIA.

Regarding the fourth prong in considering stays during CBM proceedings, the district court in *VirtualAgility* recognized that not much guidance had been given and found that it overlapped considerably with the first prong.<sup>67</sup> But the Federal Circuit recently 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>68</sup>

### 1. Considerations Regarding Simplification of Issues for Trial

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

The common first prong—simplification of the issues and streamlining for trial—is enhanced by the potential for broad estoppels in the district court litigation once the PTAB issues its final written decision.<sup>69</sup> In IPR and PGR proceedings, all participating parties will be estopped from asserting in district court (or the USITC) any defense that was raised or reasonably could have been raised before the PTAB.<sup>70</sup> In CBM proceedings, parties are estopped from later raising defenses that were actually raised and adjudicated through a final PTAB written decision.

Parties seeking a stay should be prepared to demonstrate that the district court proceedings will be simplified by the PTAB’s review, including any estoppel effect therefrom. Conversely, the court should be informed

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<sup>66</sup> AIA, Pub. L. No. 112-29, § 18(b)(1)(D), 126 Stat. 284 (Sept. 16, 2011).

<sup>67</sup> *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 U.S. Dist. LEXIS 2286, at \*27–28 (E.D. Tex. Jan. 8, 2014).

<sup>68</sup> *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2014-1232, slip op. at 11 (Fed. Cir. July 10, 2014).

<sup>69</sup> Upon institution, a PTAB final written decision on patentability will likely issue, unless there is an early settlement.

<sup>70</sup> 35 U.S.C. §§ 315(e), 325(e).

about what claims and defenses will remain untouched depending on the type of proceeding pursued and the grounds and references instituted for PTAB review.

**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>71</sup> In *VirtualAgility*, where a stay during CBM proceedings was at issue, the Federal Circuit noted that on the facts of the case, “the PTAB expressly determined that *all* of the claims are more likely than not unpatentable.”<sup>72</sup> The court accordingly stated that

The 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 Salesforce 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>73</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 of district court proceedings because it will be less likely to simplify the issues in the infringement litigation. The district court may also seek to understand, from a merits perspective, the extent to which the PTAB review will overlap with the copending case, including the statutory grounds instituted and the prior art references identified.

**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 be estopped on any ground actually raised and adjudicated in exchange for granting the stay.**

Courts have frequently sought codefendant agreement to enhance the estoppel effect of the PTAB proceedings, conditioning stays on the willingness of parties to be estopped from asserting any invalidity contention actually raised and finally adjudicated in the PTAB proceedings.<sup>74</sup>

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<sup>71</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 Neste Oil’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.”).

<sup>72</sup> *VirtualAgility*, No. 2014-1232, slip op. at 13.

<sup>73</sup> *Id.* at 14; see also *Benefit Funding Systems LLC v. Advance America Cash Advance Centers Inc.*, Nos. 2014-1122, -1124, -1125, slip op. at 4, 8 (Fed. Cir. Sept. 25, 2014) (“[T]here is a likelihood then that all of the asserted claims will be invalidated.”) (citation omitted).

<sup>74</sup> See, e.g., *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST, 2012 U.S. Dist. LEXIS 186322, at \*6–7 (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 Order Conditionally Granting Motion to Stay Pending *Inter Partes* Review at 8–9, *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, No. 5-13-cv-04513 (N.D. Cal. Feb. 28, 2014) (conditionally granting a non-petitioner defendant’s motion to stay pending IPR contingent upon the



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 because the estoppel effect as to parties will be less broad and less likely to simplify the issues under the first factor of the analysis.<sup>75</sup>

## 2. Considerations Regarding Timing of Stay Request

### **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>76</sup> However, an automatic stay ensues under the statute if the petitioner files a declaratory judgment action of invalidity (but not a 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>77</sup>

The statute establishes the automatic stay under circumstances where courts tend to favor granting a stay already, e.g., likely simplification as validity estoppels are created; very early in the district court litigation with virtually no resources expended or schedules set; little worry about marketplace prejudice to the patent owner since there was no infringement asserted yet; and likely no evidence of gamesmanship, etc.

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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, Dkt. 303-3 at 9 (N.D. Cal. Aug. 20, 2014) (J. Davila) (conditioned a third-party stay on the defendants' agreement "to be bound as if they themselves had filed the relevant IPR petitions").

<sup>75</sup> See *Semiconductor Energy Lab.*, 2012 U.S. Dist. LEXIS 186322, at \*6–7 ("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 Memorandum and Order, *e-Watch Inc. v. Avigilon Corp.*, No. H-13-0347 (S.D. Tex. Nov. 15, 2013) (granting stay pending related litigation IPR proceedings with Mobitix, but awaiting determination as to whether Avigilon should be estopped under § 315 of the AIA from asserting any § 102/103 arguments that reasonably could have been raised by Mobitix, or estopped on only the grounds actually raised in the related IPR by Mobitix).

<sup>76</sup> 35 U.S.C. §§ 315(a)(1), 325(a)(1).

<sup>77</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).

**Best Practice 15 – If PTAB review has been initiated before the filing of a district court infringement action on the claims, the court may consider such timing as weighing in favor 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>78</sup> In such circumstances, where the PTAB proceedings are already well underway, the court may decide that the process should play out before any district court resources are expended on the civil action, and a stay is likely to be favored.

In such cases, and whenever a stay is granted, the parties should plan on providing the court with relevant updates regarding the ongoing PTAB proceedings. This is not just a courtesy to the district court judge that granted a stay of litigation, but provides valuable information in aid of 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 if no longer deemed efficient or equitable.<sup>79</sup> Accordingly, parties should regularly update the district court of important happenings in parallel proceedings so that it can properly manage these ongoing interests.

**Best Practice 16 – A litigation stay request after a CBM proceeding has already 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>80</sup>

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<sup>78</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 defendant because it filed for IPR one week prior to the plaintiff filing its complaint and because the IPR was already in progress).

<sup>79</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.”).

<sup>80</sup> See, e.g., Oral Order, *Benefit Funding Sys. LLC v. U.S. Bancorp*, No. 1:12-cv-00803 (D. Del. Oct. 25, 2013) (granting stay); *Zillow, Inc. v. Trulia, Inc.*, No. 2:12-cv-01549, 2013 WL 5530573 (W.D. Wash. Oct. 7, 2013) (same); Stipulation and Stay Order, *D’Agostino v. Mastercard Inc.*, No. 1:13-cv-00738 (D. Del. Oct. 4, 2013) (same); Memorandum and Order Re: Stay, *EZShield, Inc. v. Harland Clarke Corp.*, No. 1:13-cv-00001 (D. Md. Sept. 3, 2013) (granting-in-part stay); Docket Entry 157, *DH Holdings, LLC v. Meridian Link, Inc.*, No. 1:08-cv-05127 (N.D. Ill. July 31, 2013) (granting stay); Order on Pending Motions, *Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-cv-00486 (E.D. Tex. July 19, 2013) (denying stay with leave to re-file pending institution); Order Granting Stay, *Pi-Net Int’l, Inc. v. Citizens Fin. Grp., Inc.*, No. 1:12-cv-00355 (D. Del. June 21, 2013) (granting stay); Order, *Versata Software, Inc. v. Volusion, Inc.*, No. 1:12-cv-00893 (W.D. Tex. June 20, 2013) (same); Joint Stipulation and Order to Stay Pending Covered Business Method Review, *AvMarkets, Inc. v. LinkedIn Corp.*, No. 1:13-cv-00230 (D. Del. June 13, 2013) (same); Stipulation and Order to Stay Pending Covered Business Method Review, *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, at \*1 (W.D. Pa. June 6, 2013) (same); Motion to Stay, *CoreLogic Solutions, LLC v. Collateral I, LLC*, No. 2:10-cv-00132 (E.D. Tex. Mar. 6, 2013) (same); *Progressive Cas. Ins. Co. v. Allstate Ins. Co.*, No. 1:11-cv-00082, 2013 WL 1662952, at \*3 (N.D. Ohio Apr. 17, 2013) (same); Order, *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.14 (D. Del. 2013) (same); *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 U.S. Dist. LEXIS 2286 (E.D. Tex. Jan. 8, 2014) (denying stay); Order Granting Joint Motion to Stay Litigation Pending CBM Patent Review at 1, *Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-cv-486-MHS (E.D. Tex. Jan. 16, 2014) (granting stay).

The CBM transitional program was to “provide a cheaper, faster alternative to district court litigation over the validity of business-method patents.”<sup>81</sup> The CBM proceeding is 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 PTO due to a lack of the best prior art.”<sup>82</sup> These patents are typically for methods directed to financial services and must lack technological inventions.

The trend favoring stays in this context 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>83</sup> This additional factor was purportedly designed to tilt the scales towards a stay.<sup>84</sup> According to the legislative history, the fourth factor was taken from an unpublished 2006 patent case from the District of Colorado, wherein a stay was granted for USPTO reexamination, despite being only three months from trial.<sup>85</sup>

The legislative history has suggested to many district courts that Congress intended for CBM litigations to benefit from stays.<sup>86</sup> At least one court, however, denied a stay in the CBM context, noting that “[t]his Court is mindful that Congress did not provide an automatic stay provision for the transitional program,” and that it still requires an analysis of *all* the stay factors.<sup>87</sup> The Federal Circuit recently issued its merits opinion on interlocutory appeal,<sup>88</sup> however, finding that the stay should have been granted during the CBM proceedings.<sup>89</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>90</sup>

Regarding the timing factor, the court 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>91</sup>

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<sup>81</sup> 157 Cong. Rec. S1360, S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer).

<sup>82</sup> *Id.* at S1364.

<sup>83</sup> AIA, Pub. L. No. 112-29, § 18(b)(1)(D), 126 Stat. 284 (Sept. 16, 2011).

<sup>84</sup> *Market-Alerts*, 922 F. Supp. 2d at 496; *Progressive*, 2013 WL 1662952, at \*8; *SightSound Techs.*, 2013 WL 2457284, at \*3.

<sup>85</sup> *Broad. Innovation, L.L.C. v. Charter Commc’ns, Inc.*, No. 03-2223, 2006 WL 1897165 (D. Colo. July 11, 2006).

<sup>86</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); Order at 3, *Versata Software, Inc. v. Volusion, Inc.*, No. 1:12-cv-00893 (W.D. Tex. June 20, 2013) (stating that Congress intended that “a stay [pending CBM review] should only be denied in extremely rare instances”); *Progressive Cas. Ins. Co. v. Safeco Ins. Co. of Ill.*, No. 1:10-cv-01370, 2013 WL 1662952, at \*3 (N.D. Ohio Apr. 17, 2013) (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>87</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) (denying stay during CBM proceedings).

<sup>88</sup> The right to immediate interlocutory appeal of denials of stays as a matter of statute supports the notion that stays should be favored in this context.

<sup>89</sup> *VirtualAgility Inc. v. Salesforce.com, Inc.*, No. 2014-1232, slip op. at 1 (Fed. Cir. July 10, 2014).

<sup>90</sup> *Id.* at 25–26.

<sup>91</sup> *Id.* at 18–19; *accord Benefit Funding Systems LLC v. Advance America Cash Advance Centers Inc.*, Nos. 2014-1122, -1124, -1125, slip op. at 5 (Fed. Cir. Sept. 25, 2014) (granting a stay because there had not yet been any depositions or expert discovery).

**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 should consider denying without prejudice so that the party can re-file its request if and when institution occurs.**

Even though the institution rate by the PTAB is upwards of 70% for IPRs through October 2014,<sup>92</sup> courts have frequently denied stays prior to the actual institution of the USPTO proceeding, calling it speculative and premature.<sup>93</sup> The court in *VirtualAgility* held that “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>94</sup> Noting that district courts had gone both ways on the issue, the Federal Circuit stated:

We 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>95</sup>

Courts denying stays on this ground often cite the needless delay that might occur if the PTAB proceeding is not actually instituted after so many months of waiting.<sup>96</sup> Indeed, up to six months may elapse after a PTAB petition is filed before an institution decision is made. In some courts with fast-moving dockets, six months in the life of the case is substantial. Accordingly, courts have often preferred to see that the PTAB has actually instituted a post-grant proceeding before deciding to stay the case.<sup>97</sup> Furthermore, the court may prefer to know exactly what the substantive scope of the PTAB institution decision is in weighing the stay factors.

When a party has sought a stay prematurely, courts most often deny without prejudice to re-file if and when the PTAB institutes the proceeding.<sup>98</sup> There appears to be little reason to prevent a party from moving again

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<sup>92</sup> See *supra* n.2.

<sup>93</sup> Order on Pending Motions, *Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-cv-00486 (E.D. Tex. July 19, 2013) (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 7, 2013) (denying a motion for a stay without prejudice as premature since USPTO had not yet instituted review); Order Denying Defendant’s Motion to Stay Pending *Inter Partes* Review at 6, *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SACV 12-00329 AG (C.D. Cal. May 2, 2013) (denying stay where USPTO had yet to institute IPR review); *Automatic Mfg. Sys., Inc. v. Primera Tech., Inc.*, 2013 U.S. Dist. LEXIS 66790, at \*1, \*4–6 (M.D. Fla. May 13, 2013) (same).

<sup>94</sup> *VirtualAgility*, No. 2014-1232, slip op. at 16.

<sup>95</sup> *Id.* (comparing *Intertainer, Inc. v. Hulu LLC*, No. 13-cv-5499, 2014 WL 466034, at \*1 (C.D. Cal. Jan. 24, 2014), with *Checkfree Corp. v. Metavante Corp.*, No. 12-cv-15, 2014 WL 466023, at \*1 (M.D. Fla. Jan. 17, 2014)).

<sup>96</sup> Memorandum Opinion and Order, *Dane Techs., Inc. v. Gatekeeper Sys., Inc.*, No. 0:12-cv-02730-ADM (D. Minn. Aug. 20, 2013) (denying stay prior to grant of the IPR review because the delay may have no perceivable benefit if USPTO declines review); Order Denying Motions to Stay, *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, No. 3:11-cv-06391-SI (N.D. Cal. June 11, 2013), ECF No. 198 (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) (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>97</sup> *But see* Order Denying Motions to Stay, *Ariosa Diagnostics*, No. 3:11-cv-06391-SI, ECF No. 198 (denying motion filed after institution as too late).

<sup>98</sup> See Order on Pending Motions, *Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-cv-00486 (E.D. Tex. July 19, 2013) (denying a motion for a stay as “premature” because the USPTO had yet to decide whether even to institute CBM

for a stay once the PTAB institution is perfected and its scope established, particularly if there is no hint of gamesmanship.

**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>99</sup>

After *Fresenius*, 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 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 may 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 look favorably on stay requests made early in the litigation.**

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>100</sup>

Notwithstanding that completion of discovery is an endpoint most often precluding stays, the opposite holds true as well: the earlier the stay is requested, the more likely it will weigh favorably in the stay request because fewer resources have been expended and there is a lower likelihood of gamesmanship.<sup>101</sup> Requesting stays late

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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).

<sup>99</sup> 721 F.3d at 1347 (“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.”).

<sup>100</sup> Order Denying Defendant’s Motion to Stay Pending *Inter Partes* Review at 4, *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SACV 12-00329 AG (C.D. Cal. May 2, 2013) (citation omitted).

<sup>101</sup> See *Robert Bosch Healthcare Sys., Inc. v. Cardiocom, LLC*, No. 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)

in the schedule often results 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>102</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 proceedings.”<sup>103</sup> As a practical matter, the statutory deadlines for filing most PTAB post-grant reviews will invite relatively early consideration of stays in most cases, but not always.

**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>104</sup>

### 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 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>105</sup> The Federal Circuit, however, has de-emphasized this factor as alone supporting a finding of undue prejudice. In response

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(granting stay where request was filed prior to any scheduling order and less than three months into the case); *cf.* *Semiconductor Energy Lab.*, 2012 U.S. Dist. LEXIS 186322, at \*4–5 (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. 11cv2170 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>102</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* Memorandum Opinion and Order at 4–5, *Dane Techs., Inc. v. Gatekeeper Sys., Inc.*, No. 0:12-cv-02730-ADM (D. Minn. Aug. 20, 2013) (denying stay because the defendants waited seven months into litigation before seeking IPR); Order Denying Motions to Stay at 3, *Nat’l Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.*, No. 1:12-cv-00773-SS (W.D. Tex. June 10, 2013), ECF No. 42; Order Denying Motions to Stay, *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, No. 3:11-cv-06391-SI (N.D. Cal. June 11, 2013), ECF No. 198.

<sup>103</sup> *VirtualAgility Inc. v. Salesforce.com, Inc.*, No. 2014-1232, slip op. at 17 (Fed. Cir. July 10, 2014).

<sup>104</sup> Order Denying Defendant’s Motion to Stay Pending Inter Partes Review at 4–5, *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SACV 12-00329 AG (C.D. Cal. May 2, 2013) (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>105</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) (“The possibility of witness loss is heightened in this case because certain identified witnesses are of an advanced age.”).

to such arguments in *VirtualAgility*, the court inquired: “Since when did 60 become so old?”<sup>106</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 these individuals are in ill health . . . .”<sup>107</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>108</sup>

Such concerns are further attenuated under the PTAB review deadlines. Formerly, USPTO reexamination proceedings could take many years, but some of the risk of evidence loss is lessened for the new PTAB proceedings 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.**

There is no dispute that discovery is more restricted at the PTAB. No party is entitled to discovery before the PTAB unless it is agreed upon, specifically contemplated as routine under the rules, or granted by motion.<sup>109</sup> In realistic terms, the statutorily mandated pace of the PTAB proceedings makes all additional discovery difficult. Some have argued that this negatively impacts a patent owner’s ability to refute certain validity challenges such as obviousness, particularly since some of the best evidence of secondary considerations is discovery intensive and resides with the opposing party.

A court may consider denying a stay and allowing discovery to continue in a parallel district court case if it deems that undue prejudice may result to a party. It is possible that 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>110</sup> Article III courts, however, may understandably be leery of being used to generate discovery for copending 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.**

In considering the third prong of the stay analysis, courts have frequently looked at whether the litigants are direct competitors in the marketplace and determined that the patent owner in such circumstances should not be delayed in establishing its right to exclude infringers.<sup>111</sup> Courts have even considered lost market share and revenue an “irreparable injury” that weighs heavily against a stay delaying the outcome of infringement proceedings.<sup>112</sup>

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<sup>106</sup> No. 2014-1232, slip op. at 23.

<sup>107</sup> *Id.*

<sup>108</sup> *Id.* at 23–24.

<sup>109</sup> *See supra* Sec. II (Limited Discovery).

<sup>110</sup> 37 C.F.R. §§ 42.123, 4.223 (2012).

<sup>111</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.*, C.A. 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.”).

<sup>112</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. 8, 2014) (“Given that the patentee ‘could lose market share—potentially permanently—during the stay, . . . while

In *VirtualAgility*, however, the Federal Circuit found that direct competitiveness did not necessarily tip the scales in favor of a stay, partly because in that case, “[a] stay will not diminish the monetary damages to which [VirtualAgility] 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 [VirtualAgility] did not move for a preliminary injunction . . . .”<sup>113</sup> 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>114</sup>

**Best Practice 24 – A post-grant proceeding that will likely require an extended amount of 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). Only a handful of district courts and the USITC are typically that fast. But courts should bear in mind that after the PTAB’s final written opinion, the AIA also contemplates direct appeal to the Federal Circuit, with an average time to final disposition of ten to twelve months.<sup>115</sup> While estoppel for IPR and PGR proceedings attaches with the PTAB’s written decision,<sup>116</sup> it is still conceivable that certain post-grant proceedings will not be fully resolved through appeal for two to three years, a timing issue the courts may consider in weighing the stay considerations.

It is widely accepted 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>117</sup> While this potential for delay “by itself” does not tend to establish undue prejudice, it could be an important consideration.<sup>118</sup>

### C. AFTER GRANT OF A STAY

**Best Practice 25 – At the conclusion of any post-grant proceeding, 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 stay of the district court litigation has been granted in the first instance, it is likely because the court recognized that a simplification of issues would result and create efficiencies for the court afterward. Courts have articulated the potential benefits of USPTO review: (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

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the alleged infringer continues to sell the competing products,’ such loss constitutes an irreparable injury not compensable by money damages.” (citation omitted)).

<sup>113</sup> *VirtualAgility Inc. v. Salesforce.com, Inc.*, No. 2014-1232, slip op. at 22 (Fed. Cir. July 10, 2014).

<sup>114</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>115</sup> Rehearing is also an option under the regulations at 37 C.F.R. § 42.71(d)(2).

<sup>116</sup> 35 U.S.C. § 318(a).

<sup>117</sup> *See Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 494 (D. Del. 2013).

<sup>118</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 U.S. Dist. LEXIS 2286, at \*23–24 & n.4 (E.D. Tex. Jan. 8, 2014).



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>119</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.

Some courts have even 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 CBM Reviews are complete.”<sup>120</sup> For example, in *Blue Calypso*, 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>121</sup> In order to maximize the likelihood of a stay, parties should be amenable to such efforts to streamline the case if and when a stay is lifted after PTAB proceedings.<sup>122</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 reexaminations), so there are additional chances for movement between the parties.

**Best Practice 26 – Upon lifting a stay of litigation, 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 fully understand what impact the PTAB proceedings had on claims and construction, and what the parties intend to still assert. If and when the district court action is set to resume, the court may desire to 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 has become a possibility.

**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.

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<sup>119</sup> See *Neste Oil*, 2013 WL 424754, at \*2; *In re Body Sci. LLC Patent Litig.*, MDL 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>120</sup> See, e.g., Order Granting Joint Motion to Stay Litigation Pending CBM Patent Review at 1, *Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-cv-486-MHS (E.D. Tex. Jan. 16, 2014).

<sup>121</sup> *Id.* at 1–2.

<sup>122</sup> *Id.*

## IV. Estoppel

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The risk to the petitioner in seeking a post-grant review (PGR) is the potential estoppel that arises from pursuing this avenue for attacking a patent. It is important to fully understand the scope of the risks and also understand what actions can be taken to minimize any unintentional forfeiture of 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>123</sup>**

#### 1. *Inter Partes* Review (IPR) 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 district court litigation from asserting any ground of invalidity that the petitioner raised or reasonably could have raised during the IPR.<sup>124</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>125</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. Note also that estoppel applies only to those grounds raised or that reasonably could have been raised in an IPR that “results in a final written decision under section 318(a).” 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 dismissed before a final written decision is rendered, grounds of invalidity asserted during the IPR remain available for assertion in district court litigation.

A patent owner is estopped from taking action inconsistent with an adverse judgment in the IPR, including obtaining a patent claim that is patentably indistinct from a finally refused or cancelled claim, or amending its specification or drawings in such a way that they were denied during the proceeding.<sup>126</sup>

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

In a PGR that results in a final written decision, the petitioner, or the real party-in-interest or privy of the petitioner, is estopped in district court litigation from asserting any ground of invalidity that the petitioner

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<sup>123</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>124</sup> 35 U.S.C. § 315(e)(2).

<sup>125</sup> *Id.* § 311(b).

<sup>126</sup> 37 C.F.R. § 42.73(d)(3). Patent owner estoppel does not apply to applications or patents having a different written description. *Id.* Of course, because the availability of invalidity positions that may be raised in each of these three proceedings vary, the estoppel created by each proceeding would extend only to those invalidity positions that the petitioner would have legally been able to raise in the chosen post-grant proceeding. With respect to IPR, the estoppel in the USPTO would extend only to invalidity positions under §§ 102 and 103 based on patents or printed publications. *See* 35 U.S.C. §§ 311(b), 315(e)(1). And with respect to PGR and CBM, the estoppel in the USPTO would extend to invalidity positions under any of §§ 101, 102, 103, and 112. *See id.* §§ 321(b), 325(e)(2); Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, § 18(a)(1), 125 Stat. 284 (Sept. 16, 2011).

<sup>126</sup> 35 U.S.C. § 315(e)(2).

raised or reasonably could have raised during the PGR.<sup>127</sup> Unlike IPR, any ground of invalidity under any of §§ 101, 102, 103, and 112 may be asserted in a PGR.<sup>128</sup> Because “reasonably could have raised” has not been defined by the courts, and PGRs encompass all grounds of invalidity under any of §§ 101, 102, 103, and 112, parties instituting a PGR run the risk of forfeiting all available grounds of invalidity.

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

In a CBM that results in a final written decision, the petitioner, or the real party-in-interest or privy of the petitioner, is estopped in district court litigation from asserting any ground of invalidity that the petitioner raised during the CBM.<sup>129</sup> With some exceptions, CBM proceedings are generally treated and employ the same standards and procedures as PGR proceedings.<sup>130</sup> Like PGR proceedings, a petitioner may raise grounds of invalidity under any of §§ 101, 102, 103, and 112.<sup>131</sup> However, since estoppel in concurrent or subsequent district court proceedings applies only to grounds actually “raised” during the CBM, as opposed to those that “reasonably could have been raised,” the petitioner need not be concerned with forfeiting all invalidity grounds it may have available to it. For this reason, a CBM may be the most attractive option for a party that is or may be involved in concurrent district court litigation.

A chart, entitled USPTO Post-Grant Proceedings Used to Challenge the Patentability of a Patent, accompanying this writing summarizes the scope and estoppels created by the various post-grant proceedings currently available.<sup>132</sup>

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

**Best Practice 29 – Parties should consider foregoing PGR and IPR proceedings to avoid the risk of being estopped for unasserted invalidity theories that reasonably could have been raised.**

Since, at the time of writing these Best Practices, courts have not defined the “reasonably could have been raised” language contained in the relevant statutes in the context of PGR and IPR proceedings, there is no direct guidance on what positions parties considering these proceedings may be estopped from asserting in district court litigation.<sup>133</sup> Assuming the estoppel provisions of the statute will be interpreted broadly, parties should avoid PGR proceedings entirely with respect to invalidity positions that they would prefer to advance in litigation, because a broad interpretation might encompass any ground of invalidity under §§ 101, 102, 103, and 112 known to the petitioners that they could have reasonably included in their petitions.<sup>134</sup> The same caution applies to IPR proceedings with regard to invalidity positions based on printed publications or patents under §§ 102 and 103 that parties would prefer to advance in district court litigation. On the other hand, the institution of an IPR may be prudent if a party is confident in its invalidity theories under §§ 101

<sup>127</sup> *Id.* § 325(e)(2).

<sup>128</sup> *Id.* § 321(b).

<sup>129</sup> AIA § 18(a)(1)(D).

<sup>130</sup> *Id.* § 18(a)(1).

<sup>131</sup> *Id.* § 18(a)(1)(C).

<sup>132</sup> *See* Appendix A.

<sup>133</sup> Note, however, that estoppel resulting from a final decision in a post-grant proceeding applies on a claim-by-claim basis. *See, e.g.*, 35 U.S.C. § 315(e)(2) (“The petitioner in an inter parties review of a *claim* . . . may not assert . . . that *the claim* is invalid . . .” (emphases added)).

<sup>134</sup> *Id.* §§ 321(b), 325(e)(2).

and/or 112 since IPR estoppel does not extend to invalidity theories developed under those sections. Since the estoppel resulting from CBM proceedings extends only to those positions actually raised, parties do not run the risk of forfeiting positions withheld from the CBM.

The estoppel provisions extend to grounds that petitioners “raised or reasonably could have raised *during that inter partes [or post-grant] review.*”

An IPR or PGR commences only when the Patent Trial and Appeal Board (PTAB) decides to institute one, based on one or more proposed grounds in a petition.<sup>135</sup> The PTAB’s rejection of a ground at the petition stage is a decision preventing the petitioner from raising that ground during a trial before the PTAB. Thus, an alternative view may be that estoppel should not be adjudged to apply to grounds included in a petition, but for which the PTAB declines to institute an IPR or PGR.

However, in view of the dearth of case law available on this subject at the time of this writing, the closest guidance for interpreting the scope of estoppel may be the legislative history. In particular, “reasonably could have raised” appears to reflect a congressional intent to relax the “raised or could have raised” *inter partes* reexamination standard. Legislative history indicates that 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>136</sup> Case law concerning the accessibility of prior art may provide some guidance.<sup>137</sup>

Senator Kyl’s comments indicate that “reasonably could have raised” encompasses “prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.”<sup>138</sup> Thus, 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, the petitioner runs the risk of forfeiting any newly developed positions based on that prior art.

**Best Practice 30 – Those with a potential interest in the outcome should evaluate if they would likely be considered to be a real party-in-interest or in privity with the petitioner.**

A “real party-in-interest” is the “party that desires review of the patent.”<sup>139</sup> This may be the petitioner or the party or parties “at whose behest the petition has been filed.”<sup>140</sup> Whether a party is a “real party-in-interest” or a “privity” is a highly fact-dependent question.<sup>141</sup> The USPTO notes that the concept of a petition’s privies

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<sup>135</sup> An IPR or a PGR only come into existence if the PTAB reviews and grants grounds of rejection in a petition. *Id.* § 314(a) (“The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”); *see also id.* § 324(a).

<sup>136</sup> 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

<sup>137</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).

<sup>138</sup> 157 Cong. Rec. S1375 (statement of Sen. Kyl).

<sup>139</sup> Office Patent Trial Practice Guidance, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012).

<sup>140</sup> *Id.*

<sup>141</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)).

is more expansive than the real party-in-interest.<sup>142</sup> The USPTO explains that the analysis should seek to determine whether the “relationship . . . is sufficiently close such that both should be bound by the trial outcome and related estoppels.”<sup>143</sup> The legislative history explains that the “emphasis is not on the concept of identity of parties, but on the practical situation.”<sup>144</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>145</sup> Factors to consider include whether a party has direction or control of the proceeding, whether a party funds the proceeding, the potential relationship to the petitioner, and the nature and degree of involvement in the chosen post-grant proceeding.<sup>146</sup>

**Best Practice 31 – Parties to a joint defense group or an indemnitor-indemnitee relationship should consider the potential of estoppel to apply to the other parties notwithstanding their lack of direct participation in the post-grant proceeding.**

The estoppels resulting from a final decision in a post-grant proceeding apply on a claim-by-claim basis.<sup>147</sup> Thus, if only some of the asserted claims from a district court litigation are the subject of a petition, any resulting estoppel may not apply to the invalidity theories advanced in the petition with respect to those remaining claims.

The USPTO notes that the simple fact that a party belongs to a joint defense group that includes a post-grant proceeding petitioner is probably not sufficient on its own to confer privy status on the party.<sup>148</sup> The USPTO also notes that if a trade association files a petition for a post-grant proceeding, a member of the association does not become a “real party-in-interest” or “privy” of the association based merely on the fact of the membership.<sup>149</sup> The fact of membership in a trade association or joint defense group is relevant, however, to the question of whether a party is a “real party-in-interest” or “privy,” and slight alterations in the specific facts of each case may result in a different conclusion.<sup>150</sup>

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<sup>142</sup> *See id.*

<sup>143</sup> *Id.*

<sup>144</sup> *Id.* (quoting 154 Cong. Rec. S9987 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl)).

<sup>145</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>146</sup> Office Patent Trial Practice Guidance, 77 Fed. Reg. 48,756, 48,759–60 (Aug. 14, 2012).

<sup>147</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)).

<sup>148</sup> 77 Fed. Reg. at 48,760.

<sup>149</sup> *Id.*

<sup>150</sup> *Id.*

## V. *Claim Construction Considerations with Regard to Parallel Proceedings*

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Prolonged periods of uncertainty hamper the businesses they affect. In the interest of enhancing economic growth, an ideal and efficient patent law system should resolve patent disputes quickly and predictably. In the United States, after the adoption of the Leahy-Smith America Invents Act (AIA), patent validity can be determined in a dual-track system—the courts and the Patent Trial and Appeal Board (PTAB). When the same parties litigate the validity of a patent in both of these forums, the rules and standards utilized for claim constructions for determining validity and patentability are likely to be different even though both routes are addressing the claims of previously issued patents. As a result, it is possible for the outcomes to be different and may be determined by a race to the finish. As demonstrated in *Fresenius*,<sup>151</sup> a patent claim may be upheld in court and on appeal as valid and infringed, but if the court proceedings are still pending with regard to damages, for example, a contrary ruling of unpatentability on the same evidence from the United States Patent and Trademark Office (USPTO) could moot the entire matter.

The PTAB utilizes a “broadest reasonable interpretation” (BRI) principle for claim construction while the courts apply the test set forth in *Phillips*.<sup>152</sup> This difference in approach to claim construction by the courts and the PTAB also can lead to particular problems where only some of the claims are considered by the PTAB and some claims remain to be handled by the court system.

In continuing the efforts of Working Group 10, the Group will be working to seek to develop proposals for the courts, the PTAB, the parties, and the legislature to conduct themselves in a manner that will promote a more efficient use of adjudicatory resources.

**Best Practice 32 – The patent owner should strive for a single claim construction in the district court and in the PTAB for both validity and infringement purposes so that the claim construction can be consistently asserted in both forums.**

The courts have long recognized the impropriety of seeking one claim interpretation for validity purposes and a different interpretation for infringement. Supreme Court Justice Bradley famously stated:

Some persons seem to suppose that a claim in a patent is like a nose of wax which may be turned and twisted in any direction, by merely referring to the specification, so as to make it include something more than, or something different from, what its words express. The context may, undoubtedly, be resorted to, and often is resorted to, for the purpose of better understanding the meaning of the claim; but not for the purpose of changing it, and making it different from what it is. The claim is a statutory requirement, prescribed for the very purpose of making the patentee define precisely what his invention is; and it is unjust to the public, as well as an evasion of the law, to construe it in a manner different from the plain import of its terms. This has been so often expressed in the opinions of this court that it is unnecessary to pursue the subject further.<sup>153</sup>

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<sup>151</sup> *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013), *cert. denied*, 134 S. Ct. 2295 (2014).

<sup>152</sup> *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

<sup>153</sup> *White v. Dunbar*, 119 U.S. 47, 51–52 (1886).

The same principle can and should be applied to the district court and the PTAB contexts. The patent owner should not be able to argue for a broader interpretation than what would be achievable in the courts so as to expand the scope of the claims. Nor should the petitioner be able to argue that the claims of an issued patent are unpatentable in an *inter partes* review (IPR) proceeding before the PTAB while the same claims may not be held invalid in a court proceeding.

To the extent a petitioner supports its arguments with the level of ordinary skill in the art or the ordinary and customary meaning that a person of ordinary skill in the art would give to a term and the general state of the art, these facts do not change simply because the standards or claim construction approaches may differ between the court and the PTAB. Therefore, expert submissions by the petitioner in court should be available for consideration by the PTAB, and submissions in the PTAB should be available for consideration by the court.

## ***VI. 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 this current WG10 Parallel USPTO Proceedings Chapter are written primarily from the perspective of federal court litigation, and are directed toward practitioners and federal judges. Its contributing editors do not include Patent Trial and Appeal Board (PTAB) judges, and its recommendations are not directed specifically toward proceedings before the PTAB.

The next stage of this WG10 project will be to expand the scope of contributors to include PTAB judges and to develop recommendations directed toward improving proceedings before the PTAB. The team will also develop recommendations to better integrate proceedings between the federal district courts and the PTAB, so as to achieve the goals of the Leahy-Smith America Invents Act of overall simplification and provide an effective alternative to court litigation. Issues to be tackled in this further stage include:

- Mitigating against incentives for a “race to the courthouse v. the PTAB,” which is contrary to the goals of the patent system;
- Best practices for effective communications between the federal courts and the PTAB engaged in any parallel proceedings with respect to scheduling and sequencing (i.e., which body will conduct claim construction first), substantive claim construction issues, etc.;
- Principles and best practices for harmonizing the claim construction process in parallel proceedings before the federal courts and the PTAB, including:
  - Better integration of the scope of discovery obtainable in the district courts and the PTAB, and the use of that discovery in parallel proceedings;
  - Estoppel issues; and
  - When the claim construction of one forum should be given “due deference” by the other forum.



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

	<b><i>Inter Partes</i> Review (replaced <i>Inter Partes</i> Reexamination)</b>	<b>Post-Grant Review</b>	<b>Transitional Program for Covered Business Method Patents (available until September 16, 2020)</b>	<b><i>Ex Parte</i> Reexamination (substantially unchanged)</b>
Purpose	New trial to review the patentability of claims; can be used as an alternative to litigating patent validity in federal district court	Review the patentability of claims on any grounds that can be raised under 35 U.S.C. § 282(b)(2) or (3)	A person who is sued or charged with infringement of a covered business method patent may petition for review of the patent	Examination of already-granted patent based on patents and printed publications
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	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 1 of the claims challenged in the petition is unpatentable, or an important novel or unsettled legal question	More likely than not that at least 1 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; but limited prior art shall apply for challenged non-first-to-file patents	Prior art patents or printed publications
Estoppel	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	Issues raised or reasonably could have been raised by the petitioner Applies in: USPTO  Petitioner may not assert that a claim is invalid on any ground that petitioner raised Applies in: District court, USITC	None
Before Whom	Patent Trial and Appeal Board	Patent Trial and Appeal Board	Patent Trial and Appeal Board	Central Reexamination Unit
Discovery/Evidence	Declaration and discovery	Declaration and discovery	Declaration and discovery	Declaration
Duration	1 to 1 ½ years	1 to 1 ½ years	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

## *Appendix B: 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 Working Group Series (“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 formed to create principles, guidelines, best practices, or other commentaries designed to be of immediate benefit to the bench and bar and to move the law forward in a reasoned and just way. Working Group output, when complete, is then put through a peer review process involving members of the entire Working Group Series including—where possible—critique 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. The impact of its first draft publication—The Sedona Principles: Best Practices Recommendations & Principles Addressing Electronic Document Production (March 2003 version)—was immediate and substantial. The Principles was cited in the Judicial Conference of the United States Advisory Committee on Civil Rules Discovery Subcommittee Report on Electronic Discovery less than a month after the publication of the “public comment” draft, and was cited in a seminal e-discovery decision of the United States District Court in New York less than a month after that. As noted in the June 2003 issue of *Pike & Fischer’s Digital Discovery and E-Evidence*, “The Principles ... influence is already becoming evident.”

The WGS Membership Program was established to provide a vehicle to allow any interested jurist, attorney, academic, consultant or expert to participate in WGS activities. Membership provides access to advance drafts of WGS output with the opportunity for early input, and discussion forums where current news and other matters of interest can be discussed. Members may also indicate their willingness to volunteer for brainstorming groups and drafting teams.

Visit the “Working Group Series” area of our website, [www.thesedonaconference.org](http://www.thesedonaconference.org) for further details on our Working Group Series and WGS membership.

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 attracted leading jurists, attorneys, academics and experts who support the mission of the organization by their participation in WGS and contribute to moving the law forward in a reasoned and just way. 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.