

## Factors Favoring Early Settlement of Post-Grant Proceedings

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The same strong public policies favoring settlement of patent disputes before federal courts also encourage settlement of post-grant proceedings (PGPs) before the Patent Trial and Appeal Board (PTAB). Patent disputes are often complex, time consuming, and costly; settlement can offer a compromise that reduces costs for all parties, conserves judicial and private resources, and promotes good will. But additional factors, such as the public's reliance on a patent owner's public statements in the PGP, are pressuring patent owners not only to reach settlement, but also to reach settlement earlier in PGPs.

Traditionally, patent owners have wagered against settlement until a negative outcome becomes more apparent, such as after an institution decision granting a petition for PGP. Or a patent owner may even prefer to wait until after oral hearing before reaching a settlement in order to get a better sense of where the PTAB may lean on the issue of validity or patentability. But in waiting to settle until at a later stage of a dispute, patent owners take multiple risks that can affect the value and scope of the patent at issue. For example, by waiting until after oral hearing to settle a PGP, a patent owner risks that the PTAB will deny a motion to terminate the proceedings in favor of issuing a final written decision of unpatentability. Furthermore, statements a patent owner makes on the record regarding claim construction or the prior art before termination of a PGP may amount to prosecution disclaimer. So even if the patent owner avoids a determination of validity or patentability by settlement, the public record left behind often has statements regarding claim scope and the prior art that can detrimentally affect the scope and value of the patent at issue.

### **PTAB Generally Favors Settlement**

The PTAB favors settlement early in PGPs, yet does not favor settlement throughout the lifetime of the dispute. Early in the proceeding, the PTAB recognizes that there are “strong public policy reasons to favor settlement between the parties to a proceeding.”<sup>1</sup> The PTAB offers to facilitate settlement discussions and

even indicates that it has the option of requiring settlement discussions.<sup>2</sup> In many instances, the PTAB acknowledges that a proceeding should terminate after the filing of a settlement agreement. Yet, the same discussion indicates that the PTAB will *not* allow termination if it has already decided the merits of the proceeding.<sup>3</sup>

The patent owner takes great risks to delay settlement until the later phases of a PGP. Even if the parties agree to settle any issue in the proceeding, the PTAB “is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.”<sup>4</sup> Such an approach to settlement and termination of proceedings can impact inter partes review (IPR), post-grant review (PGR), and derivation proceedings, and was also characteristic of interference proceedings.<sup>5</sup>

### **Parties in PGP Assume PTAB Will Terminate Proceedings after Settlement**

Generally, the PTAB and the parties expect that a proceeding will terminate after the parties file a joint motion to terminate the PGP, along with a copy of the settlement agreement.<sup>6</sup> Such papers should include:

1. an explanation of why termination is appropriate—“[f]or example, the joint motion should include a section discussing the effect of termination on the public’s interest”;<sup>7</sup>
2. the identity of all parties in any related district court case involving the patent at issue in the proceeding sought to be terminated;<sup>8</sup>
3. the identity of any related proceedings currently before the U.S. Patent and Trademark Office, including the case numbers of any pending related PGR;<sup>9</sup>
4. the current status of each such related case with respect to each party to the litigation;<sup>10</sup> and
5. “whether, and to what extent, each party will continue to participate in this proceeding, if the joint motion to terminate is not granted.”<sup>11</sup>

### **PTAB Has Continued Proceedings Even after Settlement**

In many cases, the PTAB will terminate the proceeding, especially if the parties have not completed briefing or participated in an oral hearing. Even if the parties settle their dispute and file a joint motion for termination in accordance with the criteria described above, the PTAB may still decide to continue the proceeding in order to serve the public interests. Patent owners should seek to avoid this, if at all possible.

Settlements after oral hearing provide the greatest risk to patent owners. In a number of cases, the PTAB has denied motions to terminate once the proceeding has been fully briefed and oral hearing has been conducted.<sup>12</sup> Among other factors, the PTAB has cited its desire to continue proceedings when other district court cases involving the patent at issue existed.<sup>13</sup> The PTAB has also continued proceedings when other related PGPs exist.<sup>14</sup> In some of these cases, the PTAB has held that the claims were unpatentable,<sup>15</sup> but in others, the PTAB has found that the petitioner had not shown by a preponderance of the evidence that the claims were unpatentable.<sup>16</sup>

Yet even before oral hearing, the PTAB has felt equipped and motivated to continue the proceeding after settlement.<sup>17</sup> In *Interthinx v. CoreLogic*, the PTAB continued a proceeding after submission of the written record, but prior to oral hearing, stating: “In view of the advanced stage of the proceeding, rather than terminate the proceeding, the Board will proceed to a final written decision.”<sup>18</sup> In this case, the petitioner ended its involvement in the proceeding, but the patent owner presented arguments in favor of patentability at a single-party oral hearing. The PTAB then held the claims unpatentable.<sup>19</sup> Perhaps the PTAB felt even more confident moving forward because it was considering ruling that the claims were unpatentable. As another possibility, the PTAB may have continued the proceeding because it noted ongoing litigation concerning the patent.<sup>20</sup> Patent owners must keep in mind that there is no safe harbor,

even before oral hearing. Potentially motivated by a number of factors—from general “public interest,” to related proceedings, to its own investment of time and resources—the PTAB can still continue the PGP. Parties have attempted to request that the PTAB vacate its final written decision in instances where the patent owner and petitioner have settled after written decision. The PTAB has refused to vacate its final written decision, citing public policy concerns and concluding that “the public interest lies in not having claims which have been proven unpatentable remain in an issued patent, whether or not all disputes between two parties to a law suit with regard to that patent have been resolved.”<sup>21</sup>

Once briefing has been completed, whether the parties have held an oral hearing or not, the PTAB may be very reluctant to terminate the proceedings with respect to the patent owner.

### **Relationship to Other Cases**

In *Mitsubishi v. Celgard*, the PTAB granted a motion to terminate an IPR despite complete briefing and an oral hearing only because other IPRs involving the same patent were still pending.<sup>22</sup> In this case, the patent has not escaped PTAB scrutiny, suggesting that the PTAB considered termination of the proceeding equivalent to releasing only the petitioner because related cases would allow for further participation from the patent owner and evaluation of the claims of the patent at issue.

While termination of the proceeding at this stage may conserve some judicial resources, we cannot ignore the fact that substantial resources—both on the part of the [PTAB], as well as the parties—have been invested in this matter. Rather than waste these expended resources, it would not be unreasonable at this point to proceed to final written decision, thereby providing the parties and the public with certainty on the ground of unpatentability pending in this trial. Going forward, parties should not expect the [PTAB] to freely terminate proceedings if settlement is reached so close to the statutory deadline for a final written decision. On the particular facts of this case, however, we determine that termination . . . is appropriate. As the parties note, there are three other pending, instituted inter partes review trials involving the . . . patent, covering all of the claims at issue in this trial.<sup>23</sup>

Thus, in this scenario, the PTAB has, in theory, only released the petitioner, not the patent owner, because other IPRs locked the patent and patent owner within the jurisdiction of the PTAB. Yet, as discussed above, at least one panel refused to terminate a proceeding because it was making determinations in related cases and wanted to conserve administrative resources by deciding all similar issues at once.<sup>24</sup>

Therefore, we do not recommend placing any reliance on whether there are other PGPs that have been filed or instituted, because the PTAB does not appear to make decisions in this regard consistently.

### **Strategies for Decreasing Risk**

In some instances, patent owners have been able to avoid a continuation of the PGP despite a late-filed joint motion to terminate; however, the circumstances of these cases are rare, and the PTAB appears hesitant to terminate proceedings late in settlement. And, as discussed above, such decisions do not necessarily follow a consistent pattern. If a patent owner wishes to preserve the right to settle *and terminate* the proceeding, it should do so as early as possible.

PGPs have been terminated at slightly earlier points in the proceeding, more easily and without harsh warnings that the PTAB provided in *Mitsubishi*. In one recent case, the PTAB terminated an IPR even though a patent owner response had been filed, noting that no final hearing had been conducted.<sup>25</sup>

Another recent case was also terminated where the PTAB had instituted a proceeding, the patent owner had filed a response, but the petitioner had not yet filed its reply.<sup>26</sup> The PTAB seems much more motivated to terminate proceedings when briefing has not been completed. Thus, patent owners interested in settlement should do so as early and quickly as possible, so as to increase the chances that the PTAB will release both the patent owner—and its patent—from the PGP, not simply the petitioner. Waiting to settle until later in the proceeding puts the effectiveness of that settlement in jeopardy.

### **Early Settlement Also Prevents Further Prosecution History Estoppel**

Early settlement also provides other advantages. Just like statements during prosecution, statements during PGPs can haunt the patentee. This provides an additional motivation for patent owners to settle PGPs early. Combined with the risk that the PTAB could continue a PGP even after settlement, patentees should carefully consider the impact of their own further statements on the record regarding the claimed invention.

The Federal Circuit has long held that statements made during reexamination form part of the prosecution history that courts should consider in claim construction.<sup>27</sup> Following the dictate that “[c]laim language . . . must be read consistently with the totality of the patent’s applicable prosecution history,”<sup>28</sup> district courts have tuned into statements that patentees have made during PGPs.

In 2014, in *Pragmatus v. Yahoo!*, the Northern District of California considered the patentee’s own statements in an inter partes review when evaluating claim construction.<sup>29</sup> Yet it disregarded the PTAB’s claim construction, stating:

[T]his Court owes no deference to the PTAB’s claim construction done as part of an inter partes review. Ultimately, what is important here is not what the PTAB said about the claim term . . . but rather *what [the patentee] said* about the term in the proceedings before the PTAB and whether any disavowal or estoppel argument may be asserted based thereon. Under Federal Circuit law, comments made by a patent holder during inter partes reexamination proceedings can limit claim scope. The same should be true now that inter partes review, rather than inter partes reexamination, is in effect.<sup>30</sup>

Even though the PTAB evaluates claims using the broadest reasonable interpretation (BRI) standard and the district court considers claim construction de novo, patent owners should not place too much weight on the fact that the district court will disregard the PTAB’s claim construction, because their own statements can present as great of a risk to claim construction at the district court.

The Northern District of California has maintained this position in a number of cases, even though PGPs are “technically an adjudicative proceeding rather than an examination.”<sup>31</sup> In *Evolutionary Intelligence v. Sprint Nextel*, the district court stated: “The IPR proceedings will also add to the [p]atent’s prosecution history. Prosecution history is an important part of the intrinsic record relevant to claim construction.”<sup>32</sup> In *Abyus Networks v. Apple*, another Northern District of California case, the court concluded: “[T]his distinction is confirmed by [the patent owner’s] preliminary responses to [the alleged infringer’s] inter partes review petitions of the . . . patent and the PTAB’s adjudication of the petition. In this regard, [the patent owner’s] statements are akin to a prosecution disclaimer. Under that doctrine, [t]he patentee is held to what he declares during the prosecution of his patent.”<sup>33</sup>

Even though district courts can ignore the PTAB's claim construction per se, if patent owners settle later in the proceeding, they risk making statements that will further narrow the scope of their claims. District courts will examine a patent owner's PGP statements during the claim construction process in later district court actions. Presumably, such statements could even impact later PGP challenges from a new petitioner.

### **Conclusion**

Patent owners considering settlement of PGPs should settle at their earliest possible opportunity to reduce the risk that (1) the PTAB will continue the proceeding, even after excusing the petitioner; and (2) the patent owner itself will make statements that negatively impact claim construction at later district court actions.

On balance, the PTAB should take every measure to favor early settlement, as that offers the most efficient way to settle patent disputes. Nevertheless, in some instances, public policy should strongly favor the invalidation of very weak patents through PGPs in order to enhance overall patent quality. Thus, the PTAB should retain some flexibility to continue a proceeding when the interests of justice for the public require it, but should exercise restraint in doing so. After all, if a patent's weakness has been sufficiently demonstrated by a petitioner's filings, the petition alone (or the petition in combination with an institution decision) will impact the aggressiveness of the patent owner in enforcing the patent and will also impact licensing economics.

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### **Endnotes**

1. Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768 (Aug. 14, 2012).
2. *Id.*
3. *Id.*
4. 37 C.F.R. § 42.74(a).
5. *See* 35 U.S.C. §§ 317(a) (IPR); 327(a) (PGR); 135(e) (derivation); *see also* 35 U.S.C. § 135(c) (1982) (interference).
6. Aptwater, Inc. v. Thinkvillage-Kerfoot, LLC, No. IPR2014-00132, Paper No. 17, at 2 (P.T.A.B. June 10, 2014).

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7. *Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, No. IPR2013-00373, Paper No. 15, at 2 (P.T.A.B. Jan. 13, 2014).
  8. *See Heartland Tanning, Inc. v. Sunless, Inc.*, No. IPR2014-00018, Paper No. 26, at 2 (P.T.A.B. July 28, 2014); *Aptwater*, No. IPR2014-00132, Paper No. 17, at 2.
  9. *Heartland*, No. IPR2014-00018, Paper No. 26, at 2.
  10. *Id.*
  11. *Blackberry Corp. v. Wi-LAN USA, Inc.*, No. IPR2013-00126, Paper No. 27, at 3 (P.T.A.B. Oct. 17, 2013).
  12. *See, e.g., Kinetic Techs., Inc. v. Skyworks Solutions, Inc.*, No. IPR2014-00690, Paper No. 43, at 2–3 n.1, 20–21 (P.T.A.B. Oct. 19, 2015) (denying motion to terminate because “the settlement was not concluded until after the oral hearing and we had substantially decided the merits of the proceeding”).
  13. *Yahoo! Inc. v. CreateAds LLC*, No. IPR2014-00200, Paper No. 40, at 2 (P.T.A.B. Feb. 26, 2015).
  14. *Apple Inc. v. Smartflash LLC*, No. CBM2015-00015, Paper No. 49, at 6 (P.T.A.B. Nov. 4, 2015) (denying Smartflash authorization to file motions to terminate CBMs with respect to a specific claim, stating: “There is a public interest in resolving the issues raised by these challenges because the record is fully developed. Moreover, we are making determinations in related cases involving similar issues and argument. Administrative resources will be conserved by resolving all the similar issues at once.”).
  15. *Yahoo!*, No. IPR2014-00200, Paper No. 42 (P.T.A.B. Apr. 29, 2015); *Blackberry Corp. v. MobileMedia Ideas LLC*, No. IPR2013-00016, Paper No. 32 (P.T.A.B. Feb. 25, 2014).
  16. *Kinetic Techs.*, No. IPR2014-00690, Paper No. 43, at 2–3 n.1, 20–21.
  17. *Interthinx Inc. v. CoreLogic Solutions LLC*, No. CBM2012-00007, Paper No. 47, at 2 (P.T.A.B. Nov. 12, 2013).
  18. *Id.*
  19. *Interthinx*, No. CBM2012-00007, Paper No. 58 (P.T.A.B. Jan. 30, 2014).
  20. *Interthinx*, No. CBM2012-00007, Paper No. 47, at 2.
  21. *Salesforce.com, Inc. v. VirtualAgility, Inc.*, No. CBM2013-00024, Paper No. 52 (P.T.A.B. Nov. 24, 2014).
  22. *Mitsubishi Plastics, Inc. v. Celgard, LLC*, No. IPR2014-00524, Paper No. 67, at 3 (P.T.A.B. Aug. 31, 2015).
  23. *Id.*
  24. *Apple Inc. v. Smartflash LLC*, No. CBM2015-00015, Paper No. 49, at 6 (P.T.A.B. Nov. 4, 2015).
  25. *Sony Corp. v. Tessera Inc.*, No. IPR2012-00033, Paper No. 46, at 2 (P.T.A.B. Dec. 20, 2013).
  26. *CB Distributions, Inc. v. Fontem Holdings 1 B.V.*, No. IPR2014-01529, Paper No. 41 (P.T.A.B. Dec. 7, 2015).
  27. *Grober v. Mako Prods., Inc.*, 686 F.3d 1335, 1341 (Fed. Cir. 2012) (“When a patentee makes a ‘clear and unmistakable disavowal of scope during prosecution,’ a claim’s scope may be narrowed under the doctrine of prosecution disclaimer. Statements made during reexamination can also be considered in accordance with this doctrine.” (citation omitted)).
  28. *Biovail Corp. Int’l v. Andrx Pharm., Inc.*, 239 F.3d 1297, 1301 (Fed. Cir. 2001) (relying on earlier application file history).
  29. *Pragmatus AV, LLC v. Yahoo! Inc.*, No. C-13-cv-1176 EMC, 2014 WL 1922081 (N.D. Cal. May 13, 2014).
  30. *Id.* at \*5 (citations omitted).
  31. *See, e.g., Alyus Networks, Inc. v. Apple Inc.*, No. 13-cv-04700-EMC, 2016 WL 270387, at \*5 n.1 (N.D. Cal. Jan. 21, 2016).
  32. *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, No. C-13-04513, 2014 WL 4802426, at \*4 (N.D. Cal. Sept. 26, 2014).
  33. *Alyus Networks*, 2016 WL 270387, at \*5.