

IPRS and Co-pending Patent Litigation

By Bill Oldach & Lauren Kickel

Formulate the best plan of attack to invalidate the patent

How to Navigate Them Successfully

Your long-time client, Quality Structural Parts, has just been sued in the United States District Court for your locality, regarding Quality's recent introduction of its XCELENT™ flanges. Quality's larger competitor, Amalgamated MultiNational, Inc. ("Amalgamated"), claims that the XCELENT flanges infringe a patent that Amalgamated owns and seeks both damages and an order enjoining Quality from making and selling these products. Knowing Quality – and the judge to whom your case has been assigned -- as well as you do, and having a team of top-notch litigators working with you, several of whom have patent litigation experience, you are confident that your firm is the right choice to assist Quality in defending this action.

Your close contact at Quality is its GC, Joe Viality. Joe tends to agree that your firm is the right one, but wants to discuss with you the best strategy for handling the matter; his engineers have advised that the Amalgamated patent's claims appear to be so broad that a finding of infringement is likely. Joe's goal, therefore, is to formulate the best plan of attack to invalidate the patent, including how to do so most cost-efficiently, and how to stay or slow-walk the litigation.

Both you and Joe are generally familiar with the Patent Trial and Appeal Board ("PTAB" or the "Board") as established by the America Invents Act ("AIA"), which was passed in 2011, and the *inter partes* review ("IPR") process set forth in 35 U.S.C. §§ 311-319, and 37 C.F.R. §§ 42.100-.123. (You are also aware that the AIA provides for another type of proceeding governed by the PTAB called post grant review ("PGR"), but those proceedings are available only against a patent in the first nine months after it issues, a time that has

already passed as to Amalgamated's patent.) In addition, you are aware that practice before the PTAB requires that one be admitted to practice generally before the U.S. Patent Office, and your firm does not have any such practitioners. Quality has a long-standing relationship with Peter Process Patent Law ("PPPL"), a very small local patent law boutique that has prosecuted patents for Quality, including in the flange area, and you propose to Joe that you represent Quality in the litigation while PPPL prepares and files an IPR against the Amalgamated patent.

Joe is somewhat hesitant; PPPL is a very small firm, and does not have much IPR experience. Moreover, Joe is aware that the protective orders entered in patent cases such as this often include prosecution bars, which in this case would prevent PPPL from engaging in prosecution activities for Quality in the flange field in the event that PPPL has access to confidential information of Amalgamated in the course of the litigation. Although you believe that you can wall PPPL off from such information that you will learn in the course of the litigation, Joe is wary of doing anything that could impinge on PPPL's ability to prosecute forthcoming applications for Quality's latest flange developments.

Meanwhile, Joe has also been approached by Large and Larger LLP, a national firm with no connection to your area but renowned for its patent litigation and PTAB practices. Because Large and Larger does not otherwise do patent work for Quality, they are not concerned with the impact of a prosecution bar, and they claim that because they can handle both the litigation and the IPR, Quality will realize cost savings due to efficiency. You and Joe suspect otherwise, with Joe advising that



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Large's pitch package has bios for multiple partners billing between \$1000 and \$1500 per hour, and a number of impressive associates, none of whom bill at less than \$600 per hour.

Instead, Joe asks you to find IPR counsel to work with at a more reasonable rate. Knowing that the goal is to invalidate the patent, and also to stay the litigation while the IPR is in process, you decide to investigate potential partners and also to look into the interplay between practice before the PTAB and district court litigation, including questions such as: What litigation factors does the PTAB consider in deciding whether to institute an IPR? When will a district court agree to stay a litigation based upon the institution – or the mere filing – of an IPR petition?

Before diving into the deep end, you decide to do refresh your knowledge of the PTAB generally and IPRs specifically. The PTAB is an adjudicative body within the United States Patent and Trademark Office (“USPTO”) under the supervision of the Director of the USPTO and made up primarily of administrative patent judges (“APJ”), each of whom must be a “person of competent legal knowledge and scientific ability” 35 U.S.C § 6(a)). The Director designates panels of three APJs, based upon their areas of expertise, to hear IPR proceedings. Thus, APJs with a chemical background hear chemical cases, those with a computer background hear cases on patents dealing with computers and related technology, and so forth.

An IPR is an adversarial trial proceeding to determine the patentability of one or more claims within a patent. A petition to institute an IPR can only be filed after nine months have passed since the patent was issued or, if a PGR was instituted, once the PGR proceedings are terminated. The only allowable grounds for an IPR are those arising under 35 U.S.C. §§ 102 and 103 (anticipation and obviousness, respectively), and “only on the basis of prior art consisting of patents and printed publications.” 35 U.S.C. § 311(b). Given that Quality's engineers have indicated that the claims of Amalgamated's patent are extremely broad, you think the likelihood that such prior art exists is high. It looks like an IPR will work for Joe and Quality.

Meanwhile, because Quality has been served with Amalgamated's complaint asserting patent infringement, the time bar of 35 U.S.C. § 315(b) comes into play. This section provides that an IPR may not be instituted if the petition seeking review is filed more than one year after the petitioner (or a real party in interest or privy of the petitioner) has been served with a complaint alleging infringement. As Quality was served only last week, you know that you are well within the allowed time frame, but you have heard that the earlier an IPR petition is filed the better, so as to avoid a discretionary denial by the PTAB. Section 314(a) of the U.S. Patent law provides that the Director “may not authorize an [IPR] to be instituted” unless it is shown that there is a reasonable likelihood that one or more claims of the patent will be found unpatentable. There is no provision stating that the Director ever “shall” or “must” institute an IPR; the Director's authority to institute an IPR is discretionary.

So, you wonder, how will the fact that Quality has been sued for infringement affect the chances of Quality's IPR petition being instituted, and what factors will influence the Board's institution decision? Relatedly, how will your IPR filing affect whether you can obtain a stay of the district court litigation before your judge?

The answer to the first question turns on the discretionary denial mentioned above. In a scenario where parallel litigation is ongoing, the Board utilizes a six-factor test to determine if it will deny institution of an otherwise meritorious petition. This test was set forth in *Apple Inc. v. Fintiv, Inc.*, Case IPR2020-00019, Paper 11 (Mar. 20, 2020) (made precedential May 5, 2020) and has since become the standard in the PTAB's decision whether to exercise discretionary denial. These factors, known as the *Fintiv* factors, are applied on a case-by-case basis in scenarios when litigation with the same parties and the same patents has already begun. The *Fintiv* factors are as follows:

1. Whether the court granted a stay or whether evidence exists that one may be granted if an IPR is instituted;
2. Proximity of the court's trial date to the projected statutory deadline for the PTAB's final written decision;

3. The investment in the parallel proceeding by the court and the parties;
4. The overlap between issues raised in the petition and in the parallel proceeding;
5. Whether the petitioner and the defendant in the parallel proceeding are the same party;
6. Whether other circumstances impact the PTAB's exercise of discretion, including the merits.

Fintiv, Paper 11, at 6-16.

As with most factor-based legal tests, no single factor is usually dispositive. Instead, the PTAB “takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review.” *Id.* at 6. Evaluating these factors preliminarily against your current situation, you realize that there are lot of unknowns, but paying attention to them now, you can hope to shape how the district court case proceeds, and to increase the chance that the Board will institute the IPR that will be filed on Quality's behalf.



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As to the first factor, the court has not ordered a stay yet, but you anticipate moving for one upon filing the IPR petition, which will likely take at least two to three months to prepare. Key to this factor is researching what track record your judge has on issuing stays generally, as well as whether they have previously dealt with stay motions in connection with IPR proceedings. Some judges, particularly in cer-



tain patent litigation-heavy districts, such as the Eastern and Western Districts of Texas, the District of Delaware, and the Northern District of California, are well versed in patent cases and move them along expeditiously, making them less likely to grant stay motions. Other judges where patent cases are filed less often, and especially if the judge recently came from a state court where patent cases are not tried, may be more receptive to such motions. You will want to note here how judges

respond to stay motions filed upon the *filing* of an IPR petition, and how they rule when the Board has *instituted* a petition, which usually occurs about six months after the petition is filed. Some judges will not grant a stay on the filing of a petition but will deny the motion without prejudice to refile if the IPR is instituted. See *Fintiv* at 6-7 (citing *Abbott Vascular, Inc. v. FlexStent, LLC*, IPR2019-00882, Paper 11 at 30-31). The more likely a stay is to be granted, the less likely that the Board

will deny institution, to avoid duplication of effort.

The second factor weighs the likely date that the Board will resolve the IPR versus the date when trial has been set. The more likely it is that the IPR will be resolved before the trial, the more likely that the IPR will be instituted. Under 35 U.S.C. § 316(a)(11), an IPR proceeding is to be completed no later than one year after it is instituted, and institution is to be determined about six months after the petition is filed.



Assuming it will take a few months to prepare a petition, a defendant could have somewhere around two years from the filing of a complaint against it until the date when an IPR might be resolved. How does this compare to your trial date? If there are no complications, such as an unruly motion to dismiss or issues regarding service of one or more defendants, by the time the IPR petition is ready to file, the court may have already issued a scheduling order that has a trial setting. Absent that, public statistics on the median time to trial for the various district courts can give you a good idea of when your case is likely to be tried. The farther out the trial date, the less likely the Board would deny institution.

The third factor is somewhat of an inverse of the second. It asks not how soon a trial is to occur, but rather how much the parties and court have already invested in the litigation. If, at the time the IPR has been filed, or will be instituted, the parties will have already spent substantial time and resources on the case, institution becomes less likely. For example, in districts where patent cases move particularly quickly compared to other districts, the court may already have required parties to make certain disclosures and to produce voluminous documents early in the litigation, as well as to begin the claim construction process, potentially scheduling a claim construction hearing before a petition can be filed. On the other hand, in cases where an answer has yet to be filed due to a pending motion to dismiss, or a scheduling order has not yet been entered, the par-

ties and court will have invested fewer resources and institution is more likely.

One particular aspect of the third factor that bears emphasis is the timing of when the plaintiff must identify the specific patent claims it is asserting against the defendant under the scheduling order, if one has been entered. Typically, a defendant will want to see which claims of the patent are being asserted so that it can ensure that those claims are included in its IPR petition (unless the defendant has decided that it will be attacking all the claims). Infringement contentions accompanying the identification may also provide insight into how the plaintiff is construing the claims, which can aid in the preparation of the petition. Thus, the Board will often acknowledge that petitions filed within a reasonable time after the receipt of an identification of asserted claims do not run afoul of this factor. See *Fintiv*, Paper 11 at 11 and n.20.

The fourth factor focuses on the degree to which the issues in the IPR and the litigation will overlap. Where they do, *Fintiv* states that this weighs against institution. *Id.* at 12. In order to overcome this, petitioners can stipulate that they will not argue the invalidity of the asserted claims in the litigation on the same grounds as those that were or could reasonably have been raised in the IPR. The Board held in *Sotera Wireless, Inc. v. Masimo Corp.*, No. IPR2020-01019, Paper No. 12 at 18-19 (P.T.A.B. Dec. 1, 2020), that this will weigh heavily against a discretionary denial.

The Board in *Fintiv* stated that the fifth factor would weigh against denial of institution if the petitioner in the IPR is unrelated to a defendant in a parallel litigation. *Fintiv*, Paper 11 at 13. However, this does not necessarily mean that if the parties are the same, this factor weighs against institution. Instead, where the parties are the same, the fifth *Fintiv* factor can be said to be neutral. See *Kranos Corp. d/b/a Schutt Sports v. Apalone, Inc.*, No. IPR2020-00501, Paper No. 13 at 13-14 (P.T.A.B. July 16, 2020).

Finally, the sixth factor has been the subject of varying interpretations. Two years after the *Fintiv* decision, Director Vidal issued a memorandum advising that the Board would not use the *Fintiv* factors to deny institution of an IPR if the peti-

tion presented “compelling evidence of unpatentability,” Memorandum from PTO Director to PTAB, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation at 2 (June 21, 2022). However, in a later matter in which the Director intervened, *Commscope Technologies LLC v. Dali Wireless, Inc.*, IPR2022-1242, Paper 23 (Feb. 27, 2023) (precedential), the Director made clear that the question of whether a petition presents “compelling” merits should be addressed only if the first five *Fintiv* factors would otherwise favor discretionary denial of the petition. *Id.* at 4-5. Otherwise, the Board should not undertake a compelling merits inquiry.

Now that you understand how the PTAB will address the institution question presented by the IPR petition, you turn your attention to whether you can stay the litigation once the petition is filed, or at least instituted.

Because Article III of the Constitution invests in the district courts the inherent power to stay proceedings “pending resolution of parallel actions in other courts,” district courts throughout the country have the discretion resolve the issue of whether or not to stay litigation during an IPR (or other PTAB proceeding) differently. *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936). Although each court has discretion, most district courts generally use a factor-based test to decide whether to grant a stay or not. The following three non-dispositive factors are those that most district courts consider:

1. Whether discovery is complete and whether a trial date has been set;
2. Whether a stay will simplify the issues in questions and trial of the case; and
3. Whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party.

Lighting Sci. Grp. Corp. v. Nicor, Inc., No. 6:16-cv-1087-ORL-37GJK, 2017 U.S. Dist. LEXIS 70270, *6-7 (M.D. Fla. May 9, 2017). The first factor is about whether or not the litigation proceedings have proceeded to a point where a stay would not be favorable in the eyes of the court. Generally, a stay is considered appropriate if the litigation is in the early stages and little to no discovery has taken place. *Wonderland Switz. AG v. Britax Child Safety, Inc.*, No. 0:19-cv-

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02475-JMC, 2020 U.S. Dist. LEXIS 226315, at *9 (D.S.C. Dec. 2, 2020). You find that if claim construction briefing has occurred or similarly, a *Markman* hearing (a hearing during which opposing sides present evidence that their claim construction is “correct”), the likelihood that this factor weighs on the side of a stay is low. *Id.* at *9-10. Quality has just been sued and you’ve filed an unopposed motion for an extension to file an Answer. Your motion has not been decided, but you’re confident it will be. Either way, it’s so early in the game you don’t think this factor will be an issue for Quality.

Courts across the country are varied in their decisions to stay based upon the current state of the IPR at the time of the motion.

The second factor, like most decisions in law, is entirely case- and fact-specific. In many situations granting a stay and allowing the IPR proceedings to finish in their entirety will completely “dispose of the entire litigation.” *Id.* at *5 (quoting *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1314 (Fed. Cir. 2014)). Similarly, a stay may be beneficial by resolving certain issues that could no longer be brought before the court. *Id.* For example, an IPR petitioner may not later assert, in a district court action, claims of invalidity on any grounds raised, or that could have reasonably been raised, during the IPR. 35 U.S.C. § 315(e)(2).

Courts across the country are varied in their decisions to stay based upon the current state of the IPR at the time of the motion. More particularly, courts differ on granting stays when it comes to whether an IPR petition has been filed or whether the IPR has been instituted by the PTAB. *Won-*

derland Switz. AG at *5-6. Some courts will grant a stay before the PTAB has decided whether it will institute IPR. *See, e.g., Wonderland Nurserygoods v. Baby Trend, Inc.*, 2015 U.S. Dist. LEXIS 53053, at *12 (C.D. Cal. Apr. 20, 2015). In some instances, the court may grant a conditional stay dependent upon the outcome of the petition for IPR. *Evolutionary Intelligence LLC v. Yelp Inc.*, No. C-13-03587 DMR, 2013 U.S. Dist. LEXIS 178547, at *31 (N.D. Cal. Dec. 18, 2013) (The court granted a stay pending the granting of the “pending IPR petitions” but in the alternative, if the “PTO decide[d] not to grant any of the pending IPR petitions, the court [would] permit a motion to immediately lift the stay.”) In yet other situations, the court may deny a stay even if the PTAB IPR pending decision results in an IPR institution. *Endotach LLC v. Cook Med., Inc.*, No. 1:13-cv-01135-LJM-DKL, 2014 U.S. Dist. LEXIS 27802, at *12 (S.D. Ind. Mar. 5, 2014) (The court, in its decision to deny the motion to stay, noted that issues to be resolved by the IPR were narrower than those to be addressed by the litigation.)

The third factor the courts consider in a decision to stay is whether the non-moving party (in your case, Amalgamated) would be unduly prejudiced, or in the alternative, whether there would be a “clear tactical advantage to the moving party” (Quality). *Wonderland Switz. AG* at *12. A court may deny a request to stay litigation if the moving party is “unjustifiably delay[ing]” proceedings. *Id.* at *12, citing *Realtime Data LLC v. Actian Corp.*, No. 6:15-dv-463-RWS-JDL, 2016 U.S. Dist. LEXIS 77566, at *14 (E.D. Tex. June 14, 2016). This likely won’t be an issue because Quality has just been sued and Joe wants to initiate an IPR sooner than later. However, the fact that Amalgamated and Quality are direct competitors may indicate that a stay could be prejudicial to Amalgamated. “[C]ourts often find that prejudice is likely [w]here the parties are direct competitors.” *Drink Tanks Corp. v. Growlerwerks, Inc.*, No. 3:160cv-410-SI, 2016 U.S. Dist. LEXIS 91964, at *14 (D. Or. July 15, 2016), quoting *Tesco Corp. v. Weatherford Int’l, Inc.*, 599 F. Supp. 2d 848, 851 (S.D. Tex. 2009). This is because an action for stay may harm the patent owner/direct competitor who is seeking “timely enforcement of its

right to exclude.” *Drink Tanks* at *14 (citing *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.)) This may be an issue for Quality given that many courts determine that where the litigants are direct competitors, the non-moving party (Amalgamated) will be unduly prejudiced. *Id.* However, the court may find that where the plaintiff/patent owner does not seek a preliminary injunction against the alleged infringing party, this deficiency may undermine a claim of undue prejudice. *See ACQIS, LLC v. EMC Corp.*, 109 F. Supp. 3d 352, 358 (D. Mass. 2015).

Because the court will look to the totality of the circumstances in considering the weight of each factor, you feel confident that you can get the court to grant a stay, despite the fact that Amalgamated and Quality are competitors. As it stands now, it looks like the other two factors weigh in favor of a stay. First, the litigation is in its very early stages and an IPR will be prepared and filed as soon as possible. Second, based on the fact that the lawsuit against Quality is strictly based on its alleged infringement of Amalgamated flanges, and the IPR will seek to invalidate the same claims, the IPR has the potential to resolve the entire lawsuit. Based on your analysis, it looks like the likelihood of a litigation stay might be within reach.

You have also learned that there are a lot of nuances when it comes to IPR proceedings, and even more so when there is potential for the IPR to run in parallel with district court litigation. You realize that because you are running the litigation you will be working closely with the firm that will handle the IPR. Given that, you decide to go in search of a firm with successful IPR experience, within Quality’s budget, and ideally having attorneys with whom you can work closely and efficiently. You are confident that with the right partner you can deliver an excellent result for your client.

