

INTELLECTUAL PROPERTY | A SPECIAL REPORT

We range widely in this look at the state of intellectual property law, beginning with the legal complications attorneys need to consider when negotiating endorsement deals with the stars. We also investigate the renewed respect being paid to the “indefiniteness” defense against business-method patents. Finally, “inter partes” review—an attempt to streamline patent disputes—may in some cases make the process more difficult.



Streamlining Bid May Complicate Patent Fights

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Starting in November 2013, the Patent Trial and Appeals Board has begun issuing final written decisions in inter partes review (IPR) proceedings. Soon, patents with surviving claims will head back to the district courts, many of which have stayed cases involving patents under IPR for the pendency of such proceedings.

Even though the expectation for most courts and litigants has been that IPR proceedings will narrow the issues to be litigated upon return—because of the potential cancellation of asserted patent claims and the estoppel provision—that may not always occur. In fact, certain cases will return to the district courts no more streamlined, and other cases will be even more complicated than before.

This article addresses a number of potential issues that may complicate proceedings at the district court when the cases resume post-IPR.

ESTOPPEL EXCEPTIONS

One of the main reasons that it is expected many cases will be simplified upon return to the district courts is the IPR estoppel provision. Under 35 U.S.C. 315(e)(2), after a final written decision has been reached by the board, a petitioner, or the real party in interest or privy of the petitioner, may not assert in the district court that a challenged claim



“is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” Since such grounds include invalidity based on prior-art patents and printed publications, it often will be the case that most invalidity defenses will be off the table at the district court, and the parties will be left to litigate only issues not related to prior art, such as infringement.

A patent owner, however, can amend claims during an IPR. And, if claims are

amended, a participant could argue that estoppel should not apply. That is because petitioners are required to include all prior art relied upon for each ground in the petition (see 37 C.F.R. 42.104(b)), and the board determines which grounds are to be included in the review in its initial determination of whether to institute the IPR (see 37 C.F.R. 42.108(a)).

For amended claims, however, there is likely no way that a petitioner “reasonably could have raised” grounds directed toward

new claim language at the time of petition filing. Thus, estoppel arguably should not apply to invalidity defenses relating to amended claims. And without estoppel, a defendant likely would be able to assert all invalidity defenses at the district court, and those cases involving amended claims likely would be no more simplified than they would have been without the IPR.

Although there is an argument that estoppel should apply because the petitioner does have the ability to raise additional prior art in response to a motion to amend, it is a patent owner's burden to prove patentability of any new limitations in such a motion, and a petitioner's ability to address additional prior art in opposition is extremely limited, which further indicates the petitioner does not assert a new "ground" in response to such a motion.

INEQUITABLE CONDUCT

Additional defenses may arise out of a party's conduct during the IPR, which may also further complicate post-IPR patent cases. For example, a patent owner's actions during the IPR may give rise to claims of inequitable conduct. To prevail on such a claim, a defendant must "prove that the applicant misrepresented or omitted material information with the specific intent to deceive the PTO." *Therasense Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011).

To do so, the defendant must show, in "a case involving nondisclosure of information, ... that the applicant made a deliberate decision to withhold a known material reference" and that the action or inaction was material. With respect to withheld prior art, "the reference may be material if it would have blocked patent issuance under the PTO's different evidentiary standards." *Id.* at 1291-92. Because the actions of an IPR participant—who owes a "duty of candor and good faith to the Office" (see 37 C.F.R. 42.11)—may influence whether the PTO affirms or cancels the challenged claims, misrepresentations or omissions of material information may give rise to an inequitable-conduct claim.

One particular situation in IPR proceedings that may lead to inequitable-conduct claims stems from a party's discovery obligations. In IPR proceedings, parties typically do not serve document requests, and instead are obligated to automatically "serve relevant information that is inconsistent with a position advanced by the party during the proceeding concurrent with the filing of the documents or things that contains the inconsistency." 37 C.F.R.

42.51(b)(1)(iii). That obligation "extends to inventors, corporate officers, and persons involved in the preparation or filing of the documents or things." Accordingly, to comply with the discovery obligations, it could be argued that a party must determine which documents are "inconsistent" with positions it is pursuing and then turn over such documents to the opposing party.

For many reasons, including the desire to prevail at the IPR, a fear of the implications of "admitting" to prior inconsistency, a refusal to consider potentially inconsistent documents, or a basis to support a position of "consistency," a patent owner may choose not to produce such documents during discovery. Without a doubt, the chances of the patent owner prevailing at the IPR without "inconsistent" documents being brought to light will increase.

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Problems may arise for the patent owner upon return to the district court, however, where the discovery obligations are much broader, and the patent owner will be forced to produce documents in response to specific document requests that it did not produce during the IPR. It is highly likely that a defendant, and possibly the district court, will take a different view on whether documents are "inconsistent" and should have been produced at the IPR. That withholding of documents, coupled with a strong argument of materiality, would have the potential to lead to a strong inequitable-conduct claim.

Even though *Therasense* strictly applies to disclosures or omissions by the patent holder to the PTO, it appears likely that such a rationale would apply to discovery obligations, which require disclosure to an opposing party who may then rely on that information in a proceeding before the PTO. Alternatively, even if inequitable conduct would be inapplicable to such discovery violations, or if a particular withholding may not be enough to reach the "materiality" standard now required

for an inequitable-conduct claim, it would appear that a defendant would have a good argument that estoppel was effectively fraudulently obtained and should not be applied.

Accordingly, particularly since estoppel can pose a significant obstacle to a defendant prevailing at the district court, assertions of such fraud-type claims may be warranted. And, rather than "simplifying" the case, courts may be left to deal with such assertions instead.

LACK OF 'PRACTICAL' ESTOPPEL

Even if the estoppel provisions apply to a defendant who files an IPR, often that patent may be asserted against a large number of defendants. But estoppel only applies to an IPR participant and its privies. So, in cases with at least one non-IPR participating defendant, or in separately filed cases that are consolidated, an estopped defendant may still effectively get the benefit of invalidity defenses presented by other defendants: if a patent is found invalid, that determination will apply to all defendants.

Although the IPR participant would give up "control" of that defense, its interests would be aligned with other defendants that can effectively present that defense on its behalf. And the case would be no more streamlined when it resumes, as the court still would be required to address all invalidity defenses, as long as there is at least one defendant not otherwise estopped.

As inter partes reviews have become an extremely popular tool for patent infringement defendants, many of these issues will soon be dealt with by the district courts. As courts work their way through these issues, it soon will be evident how effective IPRs really are as a tool for streamlining patent litigation.

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