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Hurry Up and Settle! Settling Early to Avoid PTAB Refusal to Terminate IPR

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In an *inter partes* review (“IPR”) proceeding, a petitioner challenging a patent and the patent owner often reach settlement before a final decision has been reached. Out of the 117 IPR cases that have settled to date, 45% settled even before institution of the IPR, and 55% settled after institution of the IPR trial.

If an IPR has already been instituted, the parties must request that the Patent Trial and Appeal Board (“PTAB”) terminate the proceeding under 35 U.S.C. § 317, which provides that an IPR “shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.” The parties must file a written settlement agreement with the PTAB under 35 U.S.C. § 317(b) and 37 C.F.R. § 42.74(b), along with a request to treat the agreement as business confidential information if necessary. See 37 C.F.R. § 42.74(c).

Once the parties file the request to terminate, if the merits have yet to be decided, the PTAB must dismiss the petitioner from the proceeding, but retains discretion as to whether to dismiss the proceeding with respect to the patent owner. See 37 C.F.R. § 42.74(a) (“The parties may agree to settle any issue in a proceeding, but the PTAB is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.”). When deciding whether to terminate the proceeding with respect to the patent owner, the PTAB appears to consider primarily how far along the proceeding has advanced by the time of the motion to terminate. Full briefing from both sides, even before a hearing, may be sufficient for the PTAB to refuse to terminate.

For instance, in *Blackberry Corporation and Blackberry Limited v. MobileMedia Ideas, LLC* (IPR2013-00036, Paper 64), the patent owner filed a response to the PTAB’s decision to institute the IPR proceeding, the petitioner filed a reply to the response, and an oral hearing was held. The PTAB decided that, because the issues for trial had already been fully briefed, the PTAB would proceed to a final written decision. A similar result was reached in IPR2013-00016, a related *Blackberry v. MobileMedia* proceeding, despite the cancelation of the oral hearing in view of the impending settlement. See IPR2013-00016, Paper 31.

Similarly, in a Covered Business Method (“CBM”) review decision, the PTAB again refused to terminate the proceeding with respect to the patent owner, citing the advanced stage of the trial. In that case, the parties filed the joint motion to terminate after the petitioner had filed its reply brief, but before the PTAB held oral arguments. Nevertheless, the PTAB refused to terminate the proceeding with respect to the patent owner. The patent owner was still provided the opportunity to request an oral hearing. See CBM2012-00007, Paper 47.

If a proceeding is dismissed with respect to the petitioner, but proceeds with the patent owner to a final written decision, no estoppel would apply to the petitioner even if the claims are upheld. See 35 U.S.C. § 317(a) (“If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner’s institution of that inter partes review.”). No estoppel means that the petitioner can assert the same arguments against the patent owner again as a defendant in district court.

With this in mind, patent owners considering settlement should move quickly to initiate settlement negotiations with petitioners, before the issues have been fully briefed. Further, because PTAB continuation of IPR proceedings is always a possibility in spite of settlement, patent owners should consider this contingency in crafting a settlement.