

Reproduced with permission from BNA's Patent, Trademark & Copyright Journal, 88 PTCJ 1632, 10/24/2014.
Copyright © 2014 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>

PATENTS

In this fourth installment in a series of Bloomberg BNA Insights by attorneys at Ropes & Gray LLP addressing PTAB-related subjects, the authors look at the incidence and timing of settlements during IPR and CBM proceedings and analyze the PTAB's decisions to continue even after settlement.

The Timing of Settlements in Post-Grant Proceedings



BY GABRIELLE E. HIGGINS AND CAROLYN L. REDDING

In the current landscape of patent litigation where Inter Partes Reviews and Covered Business Method challenges are becoming more and more prevalent, parties often settle the litigation and seek to terminate the related IPR or CBM proceedings. In fact, the U.S. Patent and Trademark Office reports that 251 IPRs and 30 CBMs have terminated as a result of settlement, whereas only 133 IPRs and 16 CBMs have reached final

IP litigation partner Gabrielle E. Higgins, counsel of record in numerous inter partes reviews proceedings, and IP litigation associate Carolyn L. Redding (both of Silicon Valley) are members of Ropes & Gray's post-grant Patent Office trial practice. The authors thank Marta Belcher for her contribution to this article.

written decision—that's roughly *twice* as many settlements as final written decisions.¹

Typically, settlements between the petitioner and patent owner result in termination of the post-grant proceeding. But, in a few instances, the Patent Trial and Appeal Board has only *partially* granted a joint motion for termination due to settlement, and proceeded to final written decision.

In this article, we evaluate the phase in which IPRs and CBMs are being terminated due to settlement and look at those few instances where the PTAB proceeded to final written decision despite settlement.

Timeline Breakdown of Settlements

While the PTO tracks the number of IPR and CBM proceedings that have terminated as a result of settlement, it does not report on *when* in the proceedings such settlements take place. For this reason, we studied the proceedings where the parties filed a joint motion to terminate due to settlement and plotted the stage in the proceedings where the settlements occurred.

For IPRs, we reviewed 253 decisions on joint motions to terminate.² The green dots in Figure 1 indicate the joint motions to terminate that the PTAB granted entirely (as to both the petitioner and the patent owner), and the red dots are the joint motions to terminate that the PTAB granted *in part* (only with respect to the petitioner). The dots are placed in the timeline at the phase of the proceeding where the termination due to settlement occurred.

¹ See http://www.uspto.gov/ip/boards/bpai/stats/100914_aia_stat_graph.pdf (as of Oct. 9, 2014).

² Our statistics are current as of Oct. 9, 2014.

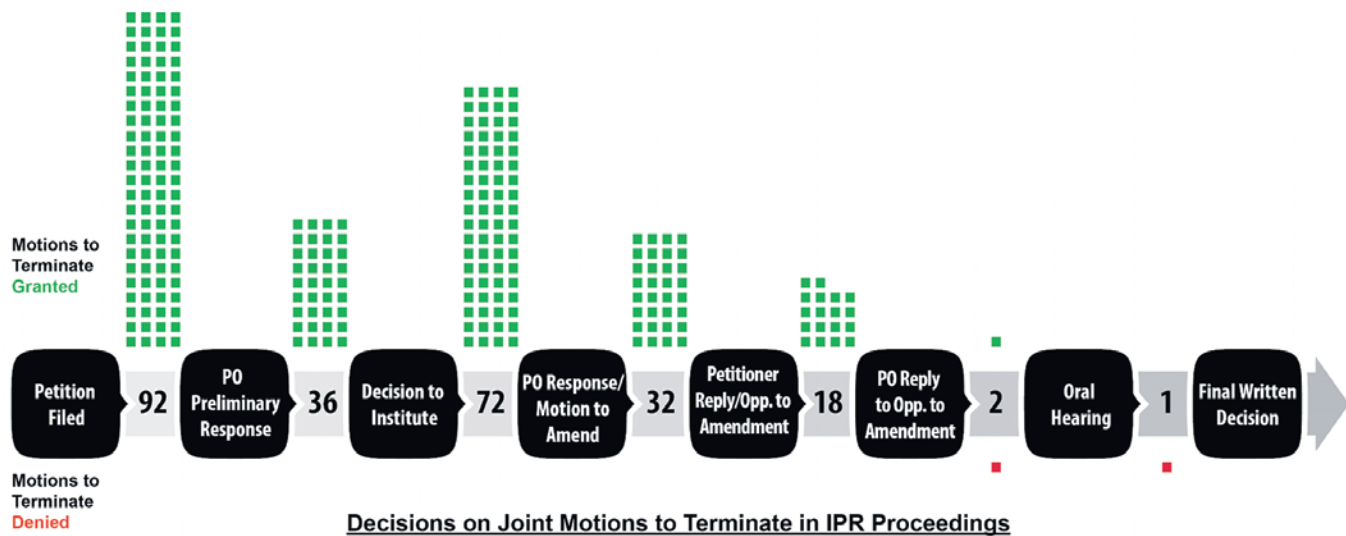


Figure 1.

As can readily be seen in the chart, the greatest number of settlements have occurred very early in the IPR process—after the IPR petition was filed and before the decision to institute. Indeed, a total of 128 settlements happened even before PTAB institution, suggesting that IPRs can be a powerful tool in leveraging settlement. The next most prevalent phase for settlement was in the three-month period following the decision to institute, prior to the patent owner’s response and/or motion to amend. Seventy-two IPR proceedings terminated due to settlement at this phase.

Figure 2 provides the corresponding data for CBM proceedings. There have been far fewer CBMs than IPRs and, accordingly, fewer joint motions to terminate. As with IPRs, the CBM data shows that the most common time for settlement is directly following the filing of the CBM petition. Twenty CBM proceedings terminated due to settlement prior to the patent owner filing a preliminary response. Four CBMs terminated due to settlement between the patent owner’s preliminary response and the decision on institution, and three terminated between the decision to institute and the patent owner’s response/motion to amend.

PTAB Proceeding Even After Settlement

As these figures show, the PTAB generally grants joint motions to terminate (the green dots), but in a few instances the PTAB only granted the joint motion to terminate with respect to the petitioner and proceeded to final written decision (the red dots).

The AIA’s explicit settlement provisions for IPR and CBM proceedings provide that, in general, a post-grant proceeding “instituted under this chapter 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.”³ These provisions further provide that, “If no petitioner remains in the post-grant review, the Office may terminate the post-

grant review or proceed to a final written decision.”⁴ The PTAB has interpreted these statements as mandating termination of the petitioner, while allowing the PTAB to maintain the proceeding with regard to the patent owner. The PTAB often states, “the Board is not a party to the settlement and may independently determine any question of patentability.”⁵

Of the 253 decisions on joint motions to terminate IPR proceedings, the PTAB has granted the joint motion to terminate in 251 proceedings. In the other two proceedings, the PTAB terminated only with respect to the petitioner and continued to final written decision.

In one of these two proceedings, *BlackBerry v. MobileMedia (-00036)*, the oral hearing had already taken place before the parties’ joint motion to terminate. The PTAB stated, “in view of the advanced stage of this proceeding, rather than terminate this proceeding, the Board will proceed to a final written decision.”⁶

In the other instance where the PTAB declined to fully grant a joint motion to terminate in an IPR proceeding, *BlackBerry v. MobileMedia (-00016)*, the patent owner did not file a patent owner response and, instead filed a motion to amend, cancelling all of the claims at issue and proposing substitute claims. The petitioner filed its reply to the motion to amend, and the parties filed a joint request to cancel the oral hearing. In the parties’ joint request to terminate due to settlement, the patent owner requested that the Board enter the pending motion to amend and the petitioner did not oppose. The PTAB stated that, “the issues for trial had been briefed fully” and “in view of the advanced stage of this proceeding, rather than terminate this proceeding, the Board will proceed to a final written decision.”⁷

⁴ *Id.*

⁵ 37 CFR § 42.74; see, e.g., IPR2013-00432, paper 19 at 2 (March 21, 2014).

⁶ *BlackBerry Corp. v. MobileMedia Ideas LLC*, IPR2013-00036, Paper 64 at 3 (Jan. 21, 2014). The PTAB later terminated the proceeding without reaching a final written decision on the merits. IPR2013-00036, paper 65 (March 7, 2014).

⁷ *BlackBerry Corp. v. MobileMedia Ideas LLC*, IPR2013-00016, paper 31 at 3 (Dec. 11, 2013).

³ 35 U.S.C. § 317(a) (applies to IPRs); 35 U.S.C. § 327(a) (applies to CBMs).

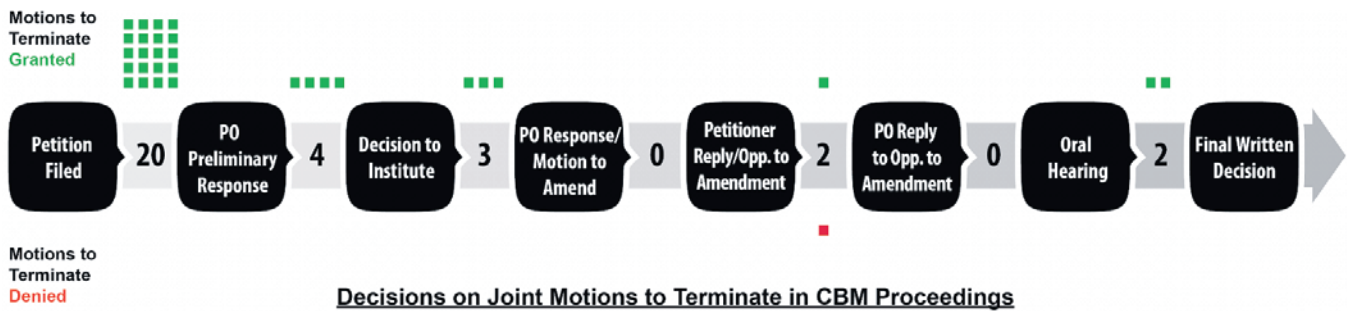


Figure 2.

By contrast, in another case where the parties were ready for oral hearing when they filed the joint motion to terminate, the PTAB granted the joint motion to terminate in its entirety. In *Apex v. Resmed*,⁸ the matter was fully briefed (including patent owner's motion to amend) when the parties filed their joint motion to terminate. After filing the joint motion to terminate, the patent owner filed a request for oral argument "to preserve the issue should the Board not grant the motion to terminate in its entirety." The PTAB granted the motion to terminate in its entirety "because we have not yet decided the merits of this proceeding, and the record is not yet closed."⁹

While both the *Blackberry* (-00016) and *Apex* proceedings were in the same procedural stage, one distinguishing factor is that in *Blackberry* (-00016), the patent owner had cancelled the claims at issue, filed a motion to amend proposing new claims, and sought grant of the motion to amend by agreement with petitioner. The fact that there were proposed new claims in *Blackberry* (-00016) may have contributed to the PTAB's decision to continue to final written decision in that case.

The PTAB has also declined to terminate a CBM proceeding in its entirety. In *Interthinx v. CoreLogic*, the matter was fully briefed and ready for oral hearing when the parties moved to terminate.¹⁰ The PTAB noted that the patent at issue in *Interthinx* was still at issue in a pending district court case, which no longer involved *Interthinx*. The PTAB declined to terminate with respect to patent owner stating, "In view of the advanced stage of the proceeding, rather than terminate

the proceeding, the Board will proceed to a final written decision."¹¹

By contrast, in *Volusion v. Versata*, the PTAB had already conducted oral argument, but terminated the proceeding entirely despite ongoing litigation between Versata and a third party concerning some of the same claims at issue in the CBM proceeding.¹² One distinguishing factor between *Interthinx* and *Volusion* is that in *Interthinx* the third party in the ongoing litigation with *CoreLogic* filed a CBM proceeding concerning some of the same patent claims at issue in the *Interthinx* CBM proceeding.¹³ By contrast, the third party in the ongoing litigation with Versata had not filed an IPR or CBM.¹⁴

Summary

In sum, the data shows that parties are settling most frequently very early in post-grant proceedings—just after the petitions are filed. In addition, the PTAB appears highly likely to grant joint motions to terminate early in the proceedings, with only a few instances of denial occurring late in the proceedings.

The decisions on joint motions to terminate thus far provide data points revealing the factual circumstances that may lead the PTAB to grant a joint motion to terminate entirely or to grant the motion in part and proceed to final written decision with respect to the patent owner.

⁸ *Apex Medical Corp. v. Resmed Ltd.*, IPR2013-00512, paper 39 (Sept. 12, 2014).

⁹ *Id.* at pp. 2-3.

¹⁰ *Interthinx v. CoreLogic Solns.*, CBM2012-00007.

¹¹ CBM2012-00007, paper 47 at 2 (Nov. 12, 2013).

¹² *Volusion Inc. v. Versata Software Inc.*, CBM2013-00018, paper 52 at 2 (June 17, 2014).

¹³ See CBM2014-00027.

¹⁴ CBM2013-00018, paper 52 at p. 2.