

Timing Considerations When Settling Post-Grant Proceedings: How Late is Too Late?

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I. Introduction

In general, because “[t]here are strong public policy reasons to favor settlement between the parties to a proceeding,” the Patent Trial and Appeal Board (“Board”) expects that a post-grant proceeding “will terminate after the filing of a settlement agreement.”¹ Despite this stated expectation, the applicable statute and regulations give the Board discretion to proceed to a final written decision on its own, even when no petitioner remains as a participant in the proceeding.

In a handful of early cases, the Board did in fact proceed to a final written decision, despite the parties having settled and the petitioner having withdrawn from further participation. In those cases, the Board reasoned that because the proceeding had advanced to a late stage, the Board would issue a final written decision, irrespective of the parties’ settlement of their dispute. These cases have led to much uncertainty as to how late is too late to settle a post-grant proceeding. However, a review of the Board’s recent decisions suggests that the Board will typically terminate a review if the parties file a joint motion to terminate at any time prior to the oral hearing, including just a few hours before the oral hearing is scheduled.

II. Overview of Applicable Statutes and Regulations

Pursuant to 35 U.S.C. § 317(a), an instituted inter partes review “shall be terminated” with respect to any settling 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.”² The regulations specify that “[t]he parties may agree to settle any issue in a proceeding, but the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.”³

III. Timing of Motion to Terminate Does Not Affect Termination Until the Very Latest Stages of Review

As exemplified by the cases discussed below, the earlier the parties settle, the more likely it is that the Board will terminate.

A. Requesting Termination Prior to Institution or Substantive Briefing

In the easiest case, the Board will grant a motion to terminate where the parties settle before the Board issues a decision on institution. We have found no cases in which the Board did not terminate at this stage. Similarly, the Board will grant the motion to terminate if the parties jointly move to terminate shortly after institution, but before submitting any substantive briefing. Again, we have found no cases in which the Board did not terminate at this stage.

When parties move to terminate during the briefing period, but before all briefing has been completed, the Board, again, will likely terminate. For example, in *Itron, Inc. v. Certified Measurement, LLC*, the Board terminated the review after the patent owner submitted its response but before the petitioner submitted its reply.⁴ The Board explained that it could not proceed to review the patent because the record was not fully developed.⁵

B. Early Cases Requesting Termination at an Advanced Stage of the Proceeding

A few early cases suggested that the Board would not grant a motion to terminate a review once the review had reached an advanced stage, i.e., all briefing had been completed and an oral hearing was scheduled for the near future. For example, in

Interthinx, Inc. v. CoreLogic Solutions, LLC, the parties filed a joint motion to terminate less than one week before the oral hearing.⁶ The Board noted that the “matter was briefed fully and ready for oral hearing at the time the parties moved to terminate.”⁷ The Board terminated the review with respect to the settling petitioner, but proceeded to determine the patentability of the claims “in view of the advanced stage of the proceeding.”⁸

In another early case, the parties jointly moved to terminate the day before the oral hearing was scheduled, when the “trial issues had been briefed fully.”⁹ The Board again declined to grant the motion to terminate the review “in view of the advanced stage of this proceeding.”¹⁰

Notwithstanding these early cases, the Board appears to have retreated from its position on the termination of proceedings at a late stage, at least with respect to those proceedings that have not reached the oral hearing, as illustrated by two decisions from 2014. In *Medline Industries, Inc. v. Paul Harman AG*,¹¹ and *Volusion, Inc. v. Versata Software, Inc.*,¹² the parties requested authorization to file motions to terminate. In *Medline*, the parties made the request two days before the oral hearing, and in *Volusion*, the request was made one day before the oral hearing. In both cases, the parties filed their motions after the scheduled date for the oral hearing. In *Medline*, the Board did not hold the oral hearing, but in *Volusion*, the Board held the oral hearing without the participation of the petitioner. And, in both cases, the Board decided that it was “appropriate,” despite the late stage of the proceeding, to terminate without a final written decision.¹³

C. More Recent Cases Requesting Termination at an Advanced Stage of the Proceeding

The Board has not backtracked on the trend to terminate proceedings even at very advanced stages, and continues to do so.¹⁴ In another case, *Brinkman Corp. v. A&J Manufacturing, LLC*, about a week before the oral hearing the parties informed the Board of their intent to settle and requested adjournment of the hearing. The Board adjourned the hearing and terminated upon the joint motion of the parties, which was filed three days after the oral hearing had been scheduled. The Board explained that termination “conserves the Board’s resources, promotes efficiency, and minimizes unnecessary costs.”¹⁵

In yet another case, *Micro Motion, Inc. v. Invensys Systems, Inc.*, the Board terminated following a motion to terminate filed the day before the oral hearing.¹⁶ The Board agreed with the parties that continuing a review after the parties settled would waste judicial resources and discourage settlement by decreasing certainty.¹⁷

D. Cases Requesting Termination After the Oral Hearing

The Board’s discretion to terminate a review ends once it has decided the merits of the case.¹⁸ Therefore, parties

moving to terminate following the oral hearing run the risk that the Board has already decided the merits and will refuse termination. For example, in *Apple Inc. v. OpenTV, Inc.*, the parties moved to terminate five weeks after the oral hearing in each of three parallel IPR proceedings.¹⁹ The Board refused to terminate because although “the panel has not yet issued a Final Written Decision in any of these proceedings, the panel deliberated and decided the merits of each proceeding before the requests were filed.”²⁰

In another case, the parties jointly moved to terminate prior to the oral hearing, but had not yet finalized the settlement.²¹ Instead, in their motion, the parties told the Board that they were nearing a settlement.²² The Board denied the motion because the settlement agreement was not finalized.²³ The parties finalized their settlement and renewed their motion to terminate eight days after the oral hearing was held.²⁴ The Board denied that motion because it had already “substantially decided the merits of the proceeding.”²⁵

And in another case, the Board agreed to terminate the review with respect to the petitioner but proceeded to issue a final written decision when the parties moved to terminate almost two months after the oral hearing, “in view of the advanced stage of this proceeding.”²⁶

The Board has also refused to terminate proceedings upon a motion to terminate filed after the oral hearing, not because it had already decided the merits, but for other reasons. In *Yahoo! Inc. v. CreateAds LLC*,²⁷ the parties moved to terminate two weeks after the oral hearing. The Board denied the motion “in view of the advanced stage of these proceeding[s] and the number of existing district court cases involving the ’320 patent.”²⁸ The district court cases had been stayed pending the decision in the inter partes review.²⁹

As illustrated by these cases, parties seeking termination after the oral hearing risk that the Board will still proceed with the review. However, the risk is not absolute, and the Board will sometimes terminate a review even after the oral hearing has been held when it has “not yet decided the merits of the proceeding.”³⁰

However, in a decision in which the Board agreed to terminate after oral argument because it had not yet reached a decision, the Board warned that “[g]oing forward, parties should not expect the Board to freely terminate proceedings if settlement is reached so close to the statutory deadline for a final written decision.”³¹ According to the Board, since it had not yet reached a decision on the merits, it was required to terminate with respect to petitioner Mitsubishi.³² The Board explained that because of the resources that had been expended, the public interest in reaching a decision on the validity of the challenged patent was very high.³³ However, because other reviews with different petitioners concerning the same patent were at very similar stages, the Board agreed to terminate the proceeding.³⁴

IV. Conclusion

Despite a few early decisions, the Board will generally terminate a review upon a joint motion by the parties following settlement at any time before the oral hearing. However, this is not a certainty following the oral hearing, since the Board sometimes will proceed to issue a final written decision if it has substantially decided the merits of the proceeding or for other reasons.

(Endnotes)

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¹ Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768 (Aug. 14, 2012).

² See also 35 U.S.C. § 327 (discussing settlement of post-grant review and covered business method review proceedings).

³ 37 C.F.R. § 42.74(a).

⁴ IPR2015-00570, Paper 28 (PTAB Feb. 16, 2016).

⁵ *Id.* at 3.

⁶ CBM2012-00007, Paper 47 (PTAB Nov. 12, 2013).

⁷ *Id.* at 2.

⁸ *Id.*

⁹ *Blackberry Corp. v. MobileMedia Ideas LLC*, IPR2013-00016, Paper 31, at 3 (PTAB Dec. 11, 2013).

¹⁰ *Id.* at 3.

¹¹ IPR2013-00173, Paper 44 (PTAB Mar. 26, 2014).

¹² CBM2013-00018, Paper 52 (PTAB Jun. 17, 2014).

¹³ *Medline*, IPR2013-00173, Paper 44, at 2; *Volusion*, CBM2013-00018, Paper 52, at 2.

¹⁴ See, e.g., *TRW Auto. U.S. LLC v. Magna Elecs. Inc.*, IPR2015-00436, Paper 32 (PTAB Feb. 22, 2016) (terminating after all briefing had been completed, but before the oral argument had been scheduled).

¹⁵ *Brinkman Corp. v. A&J Mfg., LLC*, IPR2015-00056, Paper 26, at 2 (PTAB Dec. 21, 2015).

¹⁶ *Micro Motion, Inc. v. Invensys Sys., Inc.*, IPR2014-00167, Paper 52 (PTAB Mar. 31, 2015).

¹⁷ *Id.* at 2.

¹⁸ See 35 U.S.C. § 317(a); 35 U.S.C. § 327(a).

¹⁹ See, e.g., IPR2015-00969, Paper 27 (PTAB Aug. 30, 2016).

²⁰ *Apple Inc.*, IPR2015-00969, Paper 29, at 4 (PTAB Sept. 10, 2016).

²¹ *See Kinetic Techs, Inc. v. Skyworks Solutions, Inc.*, IPR2014-00690, Paper 37 (PTAB May 27, 2015).

²² See *id.*

²³ See *id.*, Paper 43, at 2-3 n.1 (PTAB Oct. 19, 2015).

²⁴ See *id.* (referencing Paper 39).

²⁵ *Id.*, Paper 43, at 20-21.

²⁶ *Blackberry Corp.*, Paper 64, at 3 (PTAB Jan. 21, 2014).

²⁷ IPR2014-00200, Paper 38 (PTAB Feb. 16, 2015).

²⁸ *Id.*, Paper 40, at 2 (PTAB Feb. 26, 2015).

²⁹ *Id.*

³⁰ *Clio USA, Inc. v. Procter & Gamble Co.*, IPR2013-00438, Paper 57 (PTAB Oct. 31, 2014) (terminating where parties filed joint motion to terminate close to three months after oral hearing). See also *TRW Auto. U.S. LLC v. Magna Elecs., Inc.*, IPR2014-01499, Paper 27 (PTAB Feb. 22, 2016) (terminating where parties filed joint motion to terminate two months after oral hearing).

³¹ *Mitsubishi Plastics, Inc. v. Celgard, LLC*, IPR2014-00524, Paper 67, at 3 (PTAB Aug. 31, 2015).

³² See *id.* at 2.

³³ See *id.* at 3.

³⁴ See *id.* at 3-4.

