

PTAB Strategies and Insights

May 2021



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The PTAB Strategies and Insights newsletter provides timely updates and insights into how best to handle proceedings at the USPTO. It is designed to increase return on investment for all stakeholders looking at the entire patent life cycle in a global portfolio.

This month we cover:

- How the Board is weighing the *Fintiv* factors for IPR petitions;
- Whether forum selection clauses can prohibit IPRs; and
- How the Federal Circuit is starting to clarify Section 325(e)(2) estoppel in district court litigation.

We welcome feedback and suggestions about this newsletter to ensure we are meeting the needs and expectations of our readers. So if you have topics you wish to see explored within an issue of the newsletter, please reach out to me.

Best,

Jason D. Eisenberg

Editor & Author:



Jason D. Eisenberg
 Director
jasone@sternekessler.com

Author:



Deborah Sterling, Ph.D.
 Director
dsterling@sternekessler.com

Author:

Author:

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Jon E. Wright

Director

jwright@sternekessler.com



Renia Zervos

Associate

azervos@sternekessler.com

HOW THE BOARD IS WEIGHING THE *FINTIV* FACTORS - A TALE OF THREE PETITIONS

By: [Deborah Sterling, Ph.D.](#)

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By: [Jason D. Eisenberg](#) and [Renia Zervos](#)

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We have seen that decisions to institute an *inter partes* review (IPR) when the challenged patent is part of a parallel proceeding have become rare recently in light of the *Fintiv* factors. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 5–6 (P.T.A.B. Mar. 20, 2020) (precedential).

This article will explore three IPR petitions filed alongside concurrent district court and ITC proceedings. Two were denied under the *Fintiv* factors, but one was instituted. We compare and contrast the Board's analysis of the *Fintiv* factors for insight as to what led to the different outcomes.

Background

To set the stage, RAI Strategic Holdings, the parent company of R.J. Reynolds, filed both a District Court complaint and an ITC Section 337 complaint against Philip Morris over its IQOS® heated tobacco stick product. In turn, Philip Morris filed IPR proceedings against some of the asserted patents.

Petitions 1 and 2 against '123 Patent

Philip Morris filed a first IPR (IPR2020-00019) against U.S. Patent No. 9,901,123. The Board exercised its discretion under 35 U.S.C. § 314, and denied institution after analyzing the *Fintiv* factors. Yet five months later, the Board instituted Philip Morris's second petition (IPR2020-01602) against the same patent after analyzing the same *Fintiv* factors.

So what differed between the two petitions to allow the Board to come to different outcomes on institution?

It appears the decisions turned on a lack of overlap in the challenged claims and in the invalidity arguments between the PTAB case and the ITC investigation, which the Board found compelling. Particularly when compounded with the "strong" merits of the IP case:

<i>Fintiv</i> factor	Institution denied (IPR2020-00019)	Institution granted (2020-01602)
Existence or likelihood of stay	Neutral	neutral

Proximity of trial date to final written decision	+	+
Investment in parallel proceedings	-	+
Overlap in issues raised	+	-
Are the parties the same?	+	+
Other circumstances including merits	+	-

(+ indicates factor found to favor exercising discretion; - indicates found to not favor exercising discretion)

We can see from the above that the differences in investment in and overlap between the parallel proceedings and the merits of the petitions are what differed between the proceedings and likely led to the difference in outcome. So we ask ourselves - how did the overlap between the claims and arguments at issue differ between the two IPR proceedings such that it flipped the outcome?

When Philip Morris filed its earlier unsuccessful petition (IPR2020-00019), RAI had asserted the '123 Patent in both district court and at the ITC. In addition, Philip Morris' Grounds challenged the same claims and used the same prior art as asserted in the ITC proceeding. Under these facts, the Board found the merits of these Grounds weak. Weighing the overlap between proceedings and lack of strength on the merits with the other *Fintiv* factors, the Board denied institution.

In contrast, by the time Phillip Morris filed its second petition (IPR2020-01602), Philip Morris had narrowed its invalidity arguments in the ITC proceeding, such that the challenged claims and Grounds at issue in the IPR petition did not overlap at all with those in the ITC case. And Patent Owner argued that Philp Morris' actions in changing its invalidity defense at the ITC demonstrated "pure and utter gamesmanship" that "violates the spirit, if not the rule of *Fintiv*." But the Board, nonetheless, found the lack of overlap compelling: "[Philip Morris'] decision to limit its ITC invalidity case to claims and grounds that are not at issue in this proceeding mitigates to some degree concerns of duplicative efforts between the ITC and the Board, and mitigates any concerns about potentially conflicting decisions." The Board also found the merits of the arguments more compelling in the second petition.

Petition 3 against the '915 Patent

The Board made a similar decision in January 2021, when it instituted IPR of a different RAI patent that was also involved in the same ITC proceeding (IPR2020-01094; U.S. Patent No. 9,930,915). In that IPR case, the Board again was swayed by a lack of overlap, this time only of arguments. While the claims at issue in each proceeding overlapped, the invalidity arguments did not. At the ITC, Philip Morris' invalidity grounds relied on prior-art products—a challenge that cannot be reasonably raised in an IPR—whereas the IPR grounds were based on patents and printed publications. Again, the Board found that this difference between challenges “mitigates any concerns of duplicative efforts between the ITC and the Board, as well as concerns about potentially conflicting decisions.” The merits of the prior art printed publications also weighed in favor of institution.

Take Away

These decisions to institute an IPR when filed in parallel with an ITC proceeding seemed to turn heavily on the lack of overlap between proceedings—whether claims, arguments, or both. So Petitioners and Patent Owners need to heed their guidance. For example, differences between the arguments and claims in parallel proceedings, or a lack thereof, can be persuasive in an overall weighing of *Fintiv* factors and a decision on institution.

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CAN FORUM SELECTION CLAUSES PROHIBIT IPRs?

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*New Vision Gaming*ⁱ touches on an interesting forum-selection issue currently before the Federal Circuit in at least one other case. The issue is the enforceability of a forum-selection clause in an agreement between parties that attempts to prohibit the filing of an *Inter Partes* Review (IPR) petition. New Vision and SG Gaming, Inc. mutually agreed in their patent license agreement that if “any dispute” arose, jurisdiction would be “exclusive” in the appropriate federal or state court in the state of Nevada. After a dispute arose, New Vision filed suit in the federal district court in Nevada, and SG Gaming filed in the PTAB the IPR petitions at issue in this appeal. The Board refused to respect the forum selection agreement and proceeded to final written decision on the petitions.

Whether the forum-selection clause is enforceable turns on the dual public-private nature of the patent right.

On the one hand, patents grant to inventors (or their assignees) a private property right to exclude others from using the claimed invention, as well as the right to assign and license those rights as they see fit. Under the private-right theory, private parties should have the freedom to enter into agreements that restrict the forum in which disputes surrounding the patent may be brought, which could potentially exclude the PTAB as a forum. On the other hand, patents also serve a public purpose in stimulating innovation, and the patent grant also binds the public. Under the public-right theory, courts have occasionally struck-down private agreements that go too far, including agreements that frustrate the invalidation or cancellation of wrongfully issued patents. Perhaps the most famous example is the Supreme Court’s decision in *Lear v. Adkins*ⁱⁱ, which held that licensee estoppel cannot absolutely prohibit a patent licensee from challenging the validity of a licensed patent.

In *New Vision Gaming*, the patent owner New Vision appealed two covered-business method review final-written decisions invalidating two of its patents. The decisions also denied New Vision’s proposed substitute claims as being patent ineligible under 35 U.S.C. § 101. On appeal, New Vision sought relief under *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) cert granted No. 19-1458, which it was entitled to do because *Arthrex* issued after the Board’s final-written decisions and after New Vision sought Board rehearing. New Vision also cited the non-precedential *Dodocase VR, Inc. v. MerchSource, LLC*, 767 F. App’x 930 (Fed. Cir. 2019) and argued that the IPRs should be removed from the PTAB based on an agreed choice of forum. SG Gaming, and the Director of the Patent and Trademark Office as intervenor, both argued that the Board’s rejection of the choice of forum is an unreviewable

“institution” decision, citing *Thryv, Inc. v. Click-To-Call Technologies, LLP*, 140 S. Ct. 1367 (2020).

The panel majority (Judges Moore and Taranto) vacated the final written decisions and remanded the cases to the PTAB for further proceedings consistent with *Arthrex* without addressing the forum selection clause. In dissent, Judge Newman argued that “the forum question requires resolution, for if the parties are committed to a Nevada forum instead of the PTAB, there is no basis for new PTAB proceedings on remand.” Judge Newman argued that the court should have resolved the forum selection issue before requiring a new trial by a new Board. She also argued that the issue was reviewable, notwithstanding *Thryv*, because the decision to disregard the forum selection clause cuts to “Board’s ‘conduct’ in declining to adhere to the parties’ contracted forum and not the institution decision.”

Though the majority in *New Vision Gaming* ducked the issue in view of *Arthrex*, whether or not a forum-selection clause is enforceable in PTAB proceedings may yet be resolved soon. For example, the issue is currently pending before the Federal Circuit in Court in *Kannuu Pty. Ltd. v. Samsung Electronic Co. Ltd.*, Appeal No. 2021-1638, which has generated dueling amicus briefs from two different groups of law professors. We will continue to monitor this important issue as it develops. In the meantime, parties should pay close attention to forum-selection clauses and their wording. Moreover, patent owners in PTAB proceedings should preserve arguments for an appeal if there is a chance a forum-selection clause could terminate a post-grant challenge.

ⁱ *New Vision Gaming & Development, Inc. v. SG Gaming, Inc.* (FKA Bally Gaming) ([Fed. Cir. May 13, 2021](#)).

ⁱⁱ 395 U.S. 653 (1969).

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Olaplex raised Section 325(e)(2) estoppel in a letter to the Federal Circuit during appeal. *Olaplex, Inc. v L'Oréal USA, Inc.*, Case No. 2020-1282, Slip Op. at 23-25 (Fed. Cir. May 6, 2021). The Board issued its FWD July 30, 2019, but Olaplex waited to raise estoppel until March 10, 2021 after the Federal Circuit affirmed the Board's FWD. *Id.*; see *L'Oréal USA, Inc. v. Olaplex, Inc.*, 844 F. App'x 308, 311-312 (Fed. Cir. 2021). L'Oréal argued waiver and untimeliness. *Olaplex*, at 23. The Court held that Congress did not set forth a requirement for when to raise estoppel in litigation and prior decisions did not address waiver in this context, e.g., where further fact finding was not necessary to render a decision. *Id.* at 23-25. Although estoppel could have been raised earlier, the Court concluded Olaplex did not waive estoppel, the estoppel issue did not require additional fact finding, and the delay did not prejudice L'Oréal. *Id.*

With regards to written description, the Federal Circuit noted L'Oréal chose a post grant review (PGR), which allows for these types of challenges. *Olaplex*, at 26; see also *id.* at 24 (distinguishing *Network-1 Techs., Inc. v. Hewlett-Packard Co.*, 981 F.3d 1015 (Fed. Cir. 2020) which held 35 U.S.C. § 315(e)(2) did not bar Hewlett-Packard from raising challenges in court where it could not have raised those challenges in the inter partes review it had joined). L'Oréal argued that estoppel did not apply because the district court issued a claim construction after the PGR petition was filed. *Id.* at 26. The Court disagreed because the claim construction did not affect the written description to warrant L'Oréal raising written description during litigation and not in its PGR petition. *Id.* The Court held that L'Oréal was well aware of the possibility of different constructions between forums, and Congress would have contemplated that possibility but did not address that in the statute as an exception to estoppel. *Id.* Nothing prevented L'Oréal from raising the written-description challenge in its PGR petition.

Finally, with regards to obviousness, L'Oréal argued it used different prior art in the PGR and district court. *Id.* The Court found, just like claim construction, use of different prior art was inherent in the two-forum problem and Congress would have known that. *Id.* at 26-27. Thus,

just because L'Oréal used different art that alone should not justify an exception to the estoppel provision without severely weakening its effect. *Id.* L'Oréal was estopped because the additional obviousness grounds raised in the district court could have reasonably been raised in the PGR. *Id.* at 27.

[i] Cases 2020-1382, 2020-1422, 2020-1689, and 2020-1690 (Fed. Cir. May 6, 2021) (non-precedential).

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