

Tips For Dealing With Competing IPR And ITC Deadlines

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This is the fourth article in WilmerHale's series of Expert Analysis pieces concerning post-grant issues. It was preceded by ["Lessons From Inter Partes Review Denials,"](#) ["When Inter Partes Review Meets Hatch-Waxman Patents"](#) and ["Claim Constructions In PTAB Vs. District Court."](#)

Inter partes review proceedings continue to gain in popularity among accused infringers because they provide an expedited decision on the validity of patent claims by a panel of skilled Patent Trial and Appeal Board judges for a limited cost. For parties that are litigating in the U.S. International Trade Commission under Section 337, the existence of a co-pending IPR proceeding can give rise to competing deadlines, and potentially conflicting outcomes, with a variety of strategic consequences. This article explores the intersection of IPR and ITC practice, and provides some suggestions to help avoid pitfalls.



James Dowd

Comparison of IPR and ITC Timelines

ITC Timeline

The ITC is authorized to investigate patent infringement as an unfair trade practice in conjunction with the importation of goods and other articles. Patent enforcement proceedings at the ITC are governed by 19 U.S.C. § 1337 and 19 C.F.R. Part 210, and begin when a patent owner files a complaint alleging that certain imported articles of a named respondent (or group of respondents) “infringe a valid and enforceable United States Patent.”[1] The complaint must also allege the existence of a “domestic industry” that exploits the patented invention,[2] and address the impact that granting the requested relief would have on the “public interest.”[3] When a complaint is filed, the commission will commence a thirty-day “preinstitution proceeding” during which it reviews the allegations and determines whether or not to institute an investigation.[4]

If the investigation is instituted, the respondents will then have 20 days to answer and raise any defenses (including invalidity and noninfringement).[5] The commission will assign an administrative law judge to preside over the investigation, and within 45 days after institution the ALJ will set both a schedule and a “target date of completion of the investigation.”[6]

The ALJ’s schedule will include deadlines for fact discovery (typically three or four months after institution), expert discovery (typically one month later), and other events in the case, and will set a date for a hearing on the merits of the parties’ claims and defenses (typically seven or eight months after institution). The schedule may provide for a claim

construction hearing during fact discovery, or more typically will have the parties address claim construction through pre- and post-hearing briefs.

Following the hearing, the ALJ will issue an initial determination on the merits, including any claim construction rulings, approximately 12 months after institution. The ALJ's ID will then be subject to review by the full commission, which may accept additional briefing and evidence, resulting in a final determination — typically issued within 16 months after institution.[7]

If the commission finds for the respondent, its determination is final and immediately appealable to the Federal Circuit.[8] If the commission finds for the patentee, its determination is the subject to a 60-day presidential review period during which the United States Trade Representative will examine the public interest implications of an exclusion order, among other factors, and may veto the determination.[9] Typically, the 60-day period expires without USTR action, at which time the commission's determination can be appealed to the Federal Circuit.[10]

As this summary demonstrates, ITC Section 337 actions are fast-paced and comprehensive proceedings that address all aspects of infringement, validity, and potentially other patent defenses.

IPR Timeline

Inter partes reviews are more limited in scope, but have an expedited schedule that is similar to ITC Section 337 actions. In particular, IPRs were created by the Leahy-Smith America Invents Act, and are limited only to addressing whether a patent's claims are invalid as either anticipated or obvious in view of "prior art consisting of patents or printed publications." [11] IPRs are conducted before the Patent Trial and Appeal Board of the United States Patent and Trademark Office, which by statute must complete its final determination of the IPR within 12 months after institution.[12]

Consistent with the statute, the PTO has issued rules governing the typical timeline for IPRs.[13] Within three months after an IPR petition is filed, but before the decision on institution, the patent owner may at its election file a preliminary response addressing the subject matter raised in the petition. The PTAB will then consider the petition, and any response, and issue its decision on institution within six months after the petition was first filed.

If an IPR is instituted, the patent owner has three months to file its response and any motion to amend the claims in light of the issues that the PTAB addressed in its decision to institute the IPR. The petitioner challenging the patent's validity then has one month to file its reply and opposition to the motion to amend the claims, and the patent owner will have one more month after that to file its reply to the opposition to the motion to amend the claims. The PTAB will hold an oral hearing, if one is requested, eight months after institution. It will then issue its final written decision 12 months after institution.[14] IPR proceedings usually address claim construction issues at two points. First, the board will provide preliminary constructions of claim terms in its decision on institution. Second, it will provide its final constructions of the claim terms in the final written decision.

In summary, the IPR is an expedited proceeding on the limited grounds of invalidity in view of prior art. Both a Section 337 action and an IPR have similar timelines, but are quite different in scope. Despite this difference, if an IPR and

Section 337 action are co-pending, there are critical, strategic decisions that need to be considered which may influence outcomes in either forum.

Strategic Considerations for Co-Pending Actions

In the most likely scenario, a patent owner will file a complaint under Section 337 first, with the accused infringer filing an IPR petition as a part of its response. The patent owner may or may not file a companion district court action asserting the same patents as its Section 337 complaint (which in any event would be stayed, at the defendant's request, under 28 U.S.C. § 1659(a)).

In this section, we consider strategic considerations that flow from this case posture — starting with the question of when to file an IPR in response to a Section 337 complaint.

When to File an IPR

If the decision is made that an IPR should be filed, an equally important consideration is when to file: As soon as possible after receiving the Section 337 complaint, or near the end of the one year statutory period.[15] Both scenarios raise interesting considerations.

There may be strategic benefits to filing soon after institution of the ITC action. As an initial matter, if the petition is successful, the PTAB's decision on institution may prove valuable during the Section 337 proceedings. If the PTAB takes a favorable view on claim construction, for example, its rationale may prove persuasive in achieving a similarly favorable result at the ITC. Moreover, the PTAB's decision on institution may be persuasive evidence for the ALJ and/or commission on the merits of the prior art defense. The ALJ may be more favorably inclined to an obviousness argument, for example, if the PTAB's decision on institution found that the same argument in the IPR petition has a reasonable likelihood of invalidating the same claim. Conversely, if the ALJ upholds the claim as nonobvious, the commission may be more favorably disposed to review that determination when confronted with the PTAB's decision.

In addition, an early IPR petition creates the potential to achieve a final determination on the merits in the IPR shortly after the commission's final determination, possibly even during the 60-day presidential review period. A favorable PTAB decision may be useful information to bring to the USTR's attention when considering the appropriateness of such a remedy.

There are also potential downsides to filing early, however. An early IPR petitioner would have to articulate its prior art invalidity positions very early in the ITC proceedings — long before it would otherwise have to commit to positions, and at a time when the full scope of the art may not be completely fleshed out. Because a stayed district court action remains lurking, the estoppel consequences that stem from filing without complete knowledge of the art may be significant.

Relatedly, depending on how quickly a well-supported IPR petition can be filed, the PTAB's decision on institution may come too late to influence the ITC proceedings in any meaningful way — after post-hearing briefs have been submitted, for example. And even if PTAB's decision comes during the ITC's pre-hearing phase, the patent owner may not be required to respond in the IPR until after the ALJ's initial determination. For these reasons, early IPR filing may best be

reserved for the (relatively rare) circumstance when an ITC respondent has enough advanced notice to thoroughly investigate the prior art before the ITC makes its decision to institute the investigation.

Waiting to file an IPR petition until late in the AIA's statute of limitations period also involves a number of strategic considerations. The timing of the Section 337 action might be sufficiently aggressive to allow the ALJ to reach an initial determination on the merits (including invalidity) before the one-year deadline to file an IPR. In that case, the IPR petitioner would have the benefit of the ALJ's determination when drafting its petition. If the ALJ found the claims invalid, the IPR petitioner could use that result to strengthen its IPR petition. [16] Similarly, if the ALJ found the claims valid, the IPR petitioner could refine the IPR petition to rebut the ALJ's reasoning. In either circumstance, the determination in the Section 337 action could be used to aid in crafting a more effective IPR petition, with the objective of leveraging the PTAB's lower standard of review for invalidity.

Of course, the downside to waiting is the potential for an adverse ruling from the ITC, which may drive the parties to a settlement before the IPR has a chance to run its course. From the IPR petitioner's point of view, such a settlement would almost certainly be less advantageous than would be the case if an IPR had been instituted and the claims underpinning the ITC determination remained threatened. In addition, because delaying the IPR petition will place these two proceedings on substantially different tracks, choosing to delay prevents the IPR from having an appreciable impact on the ITC proceedings themselves, and eliminates the potential for both proceedings to reach the Federal Circuit at approximately the same time.

Whether a Stay of the ITC Proceeding Will Be Granted

A second key question is whether an ALJ in a Section 337 action might be convinced to stay the ITC case pending resolution of an IPR. To our knowledge, this question has yet to be squarely presented at the ITC. However, we do have some indication of how an ALJ might treat this question based on past precedent addressing motions to stay pending resolution of inter partes and ex parte re-examination proceedings.[17]

When deciding whether to stay a Section 337 action, the commission has identified six relevant factors to consider: "(1) the state of discovery and the hearing date; (2) whether a stay will simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; and (5) the efficient use of Commission resources"; and (6) "the availability of alternative remedies in Federal Court." [18] It is clear that the ALJs will thoughtfully consider each of these factors when deciding whether a stay is appropriate.

Although Section 337 actions are no longer subject to a statutory time limit,[19] the statute directs the ITC to complete its investigation "at the earliest practicable time" and to establish a target date for completion of the investigation to "promote expeditious adjudication." [20] In accordance with this mandate, the commission's rules provide that any ALJ's order setting a target date in excess of 16 months shall be subject to interlocutory review by the full commission.[21] This restriction on the ALJ's scheduling power stands in contrast to the plenary power of a district court to control its docket. However, one of the goals of the AIA was to reduce the cost of patent litigation by creating IPRs as a fast and efficient mechanism to adjudicate the validity of a patent. Maintaining an expensive Section 337 action on claims that are subject to

an IPR would be counter to the congressional intent behind the AIA. Therefore, in certain cases the factors may weigh in favor of a stay because it would simplify the issues and avoid an unnecessary investigation.

As a result, whereas district courts grant motions to stay nearly 60 percent of the time,[22] there is no track-record as yet at the ITC. Precedent from the re-examination context, and the commission's scheduling rules in Section 337 actions suggest that stays may be hard to achieve. Nevertheless, the clear congressional mandate favoring stays while an IPR is pending may have changed this calculus.

Whether Claim Construction Will Be Affected

As mentioned above, both the IPR and the Section 337 action will involve claim construction. The competing timelines, therefore, will allow for statements made and positions taken in either proceeding to influence the outcome in the other proceeding. The ITC applies the Phillips claim construction standard and the board applies broadest reasonable interpretation. However, despite this difference, it should be expected that parties to an IPR or an ITC action will rely on arguments and evidence adduced in the co-pending proceeding. Because the claim construction positions used in the Section 337 action could be cited against a party in the IPR (or vice versa), it is critical for the cautious practitioner to consider both claim construction standards in the context of co-pending actions.

Whether the Permissive Scope of Discovery in the ITC Will Influence the IPR

The scope of discovery in the ITC and IPR actions is vastly different. Section 337 actions have broad discovery, modeled on discovery available in district court litigation, but with fewer limits than under the Federal Rules of Civil Procedure. In addition, because all issues (e.g., infringement, indefiniteness, etc.) are relevant in a Section 337 action, the scope of the subject matter on which discovery can be obtained is necessarily broader.

In contrast, discovery in an IPR is relatively limited. The primary discovery occurs with the filing of the petition or response including the documentary evidence, expert declarations in support of the petition or response, and depositions of the experts. Two key areas of Section 337 action discovery that may be helpful in an IPR are inventor depositions and expert depositions. All admissions related to the prior art, the state of the art at the time of the invention, the need for the invention, and the like, could prove useful in persuading the board toward one side or the other.[23] Therefore, practitioners should be cautious when preparing witnesses and working with experts in the Section 337 action that the evidence and positions taken will likely be used in the IPR by the opposing party if they are inconsistent.[24]

Conclusion

Section 337 actions and IPRs have become popular proceedings for patent enforcement and invalidation respectively. However, the procedures can overlap in time and this creates various strategic considerations for which the cautious practitioner must account. Although both proceedings are similar in length, they are very different in the scope of discovery and use different claim construction standards. Both the patent owner and the respondent must be aware that the positions taken and/or evidence adduced in the Section 337 action may influence the IPR proceeding, and vice versa, in order to avoid being confronted with unfavorable evidence or argument in the related proceeding.

—By James M. Dowd and Jacob S. Oyloe, [WilmerHale](#)

[James Dowd](#) is a partner in WilmerHale's Los Angeles office. Jacob Oyloe is a former counsel at the firm.

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[1] See 19 C.F.R. § 210.8; 19 U.S.C. § 1337 (a)(1)(B)(i).

[2] 19 U.S.C. § 1337 (a)(2).

[3] 19 C.F.R. § 210.8(b).

[4] *Id.* § 210.10(a)(1).

[5] *Id.* § 210.13(a).

[6] *Id.* § 210.51(a).

[7] *Id.* § 210.51.

[8] 19 U.S.C. § 1337(c).

[9] *Id.* at § 1337(j); 70 Fed Reg. 43251 (July 26, 2005) (delegating Presidential review authority to U.S. Trade Representative)

[10] 19 U.S.C. § 1337(c).

[11] 35 U.S.C. § 311(a).

[12] 35 U.S.C. § 316(A)(11); note, however, that the Director of the USPTO can extend this period for up to 6 months upon a showing of “good cause.” *Id.*

[13] See generally, 37 C.F.R. § 42; see also 77 Fed. Reg. 157 (Aug. 14, 2012).

[14] 37 C.F.R. § 42.100(c)

[15] 35 U.S.C. § 315(b).

[16] Because a stayed district court action remains lurking, and the ITC’s determination will not have preclusive effect in the district court, an IPR petition that leverages the ITC’s determination can make strategic sense. See *Tandon Corp. v. U.S.I.T.C.*, 831 F.2d 1017, 1018 (Fed. Cir. 1987).

[17] See e.g., *Certain Microelectromechanical Systems and Products Containing the Same*, USITC Inv. No. 337-TA-876, Order No. 6 (May 21, 2013).

[18] *Id.* at 2 (citing *Certain Semiconductor Chips with Minimized Chip Package Size*, Inv. No. 337-TA-605, Comm'n Op. at 3-4 (May 27, 2008)).

[19] Prior to a 1994 amendment to the statute, Section 337 provided that investigations be completed within 12 months, or 18 months in "more complicated cases."

[20] 19 U.S.C. § 1337(b)(1).

[21] 19 C.F.R. § 210.51(a)(1).

[22] Arcamona, R. and Cavanaugh, D., *Stays to Litigation Pending IPR and CBM Review: Statistics, Trends, and Key Issues*, *Intellectual Property Today*, Mar. 2014.

[23] See e.g., *Gnosis S.P.A. et al. v. South Alabama Medical Science Foundation*, IPR2013-00118, Final Written Decision (June 20, 2014) at 2.

[24] In addition to coordination on the substantive positions, appropriate designations under the ITC's administrative protective order may help limit cross-use between the two actions.