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CONTENTS

Preface	Justin Michaelson, <i>Quinn Emanuel Urquhart & Sullivan</i>	
Expert analysis chapters	<i>Fraud and limitation</i> , Justin Michaelson & Simon Camilleri, <i>Quinn Emanuel Urquhart & Sullivan</i>	1
	<i>Fintiv stipulations in inter partes review proceedings</i> Kenneth R. Adamo, <i>Law Office of KRAdamo</i> Eugene Goryunov, <i>Haynes and Boone, LLP</i>	7
Jurisdiction chapters		
Brazil	Eduardo José de Oliveira Costa, Daniel Figueiredo Heidrich & Roberto Amarante Levy de Seixas Pereira, <i>Lopes Muniz Advogados Associados</i>	11
Cayman Islands	Ian Huskisson, Anna Peccarino & Neil McLarnon, <i>Travers Thorp Alberga</i>	22
China	Jason Yue Wang & Carine (Li) Dong, <i>Global Law Office</i>	32
Cyprus	Iosif Frangos & Nikoleta Pogiati, <i>I. Frangos & Associates LLC</i>	42
England & Wales	Richard Hornshaw & Anna Storer, <i>Akin Gump LLP</i>	52
France	Frédéric Flatrès & Mathilde Cousteau, <i>Bersay</i>	62
Germany	Jochen Lehmann & Vladimir Krahn, <i>GÖRG Partnerschaft von Rechtsanwälten mbB</i>	72
Greece	Spyros G. Alexandris & Charilaos (Harry) Agathos, <i>Bahas, Gramatidis & Partners</i>	83
India	Manisha Singh & Swati Mittal, <i>LexOrbis</i>	96
Italy	Mate Alerić, Filippo Frigerio, Micael Montinari & Claudia Riviuccio, <i>Portolano Cavallo</i>	105
Japan	Shinya Tago, Takuya Uenishi & Landry Guesdon, <i>Iwata Godo</i>	116
Liechtenstein	Manuel Walser & Daria Tschütscher, <i>Walser Attorneys at Law Ltd.</i>	131
Mexico	Miguel Angel Hernandez-Romo Valencia & Miguel Angel Hernandez Romo, <i>Foley & Lardner México, S.C.</i>	141
New Zealand	Jonathan Scragg, Ayleath Foote & Edward Greig, <i>Duncan Cotterill</i>	148
Norway	Christoffer O. Simonsen & Jacob S. Bjonness-Jacobsen, <i>Advokatfirmaet Grette AS</i>	158
Switzerland	Fuad Ahmed, Edouard Faillot & Adeline Burrus-Robin, <i>Faerus SA</i>	168
Turkey/Türkiye	Gökmen Başpınar, Adil Ali Ceylan, Ahmet Furkan Öztürk & Gülendam Tüylüoğlu, <i>Başpınar & Partners Law Firm</i> , <i>member of GRATA International</i>	179
United Arab Emirates	Ahmed Mohamed El Sayed, <i>BSA Ahmad Bin Hezeem & Associates LLP</i>	185
USA	Kenneth R. Adamo, <i>Law Office of KRAdamo</i> Eugene Goryunov, <i>Haynes and Boone, LLP</i>	196

Fintiv stipulations in *inter partes* review proceedings

Kenneth R. Adamo, Law Office of KRAdamo
Eugene Goryunov, Haynes and Boone, LLP

During Director Vidal’s predecessor’s tenure, the Patent Trial and Appeal Board (PTAB) increased the use of its inherent discretion to deny institution of trial for reasons wholly unrelated to the merits of the challenge. The discretionary institution policy that caused the most controversy is denial of institution where a co-pending district court litigation or U.S. International Trade Commission (ITC) investigation would reach and rule on the merits of an invalidity challenge before the PTAB.

This policy grew out of *Apple Inc. v. Fintiv Inc.*¹ where the PTAB articulated six non-exclusive factors relevant to evaluating whether the state of a co-pending proceeding weighs against institution:

1. whether the court granted a stay, or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. overlap between the issues raised in the petition and in the parallel proceeding;
5. whether the Petitioner and the Defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the Board’s exercise of discretion, including the merits.²

Patent Owners faced with a PTAB challenge have since argued that institution might not be necessary if another proceeding addresses the same, or substantially similar, invalidity merits arguments before the Board (see Factors 2 and 4).

Petitioners, for their part, have sought to address Factors 2 and 4 head on. One approach that Petitioners have adopted is to challenge the certainty of trial schedules. For example, Petitioners argue that a trial date set by the court overseeing the co-pending proceeding may move and, as such, the date itself should not be dispositive on the *Fintiv* analysis.

Another approach is for Petitioners to file a stipulation in the co-pending proceeding and at the PTAB seeking to avoid the “overlap” considerations of Factor 4 altogether. These stipulations seek to limit the invalidity defences that Petitioners may assert in a co-pending proceeding. As it turns out, while the decision to file a stipulation is relatively straightforward, the contents of such a stipulation is anything but simple.

For example, in *Sands Revolution II, LLC v. Continental Intermodal Group – Trucking LLC*, Petitioner stipulated that “if the IPR is instituted, Petitioner will not pursue the same grounds in the district court litigation”.³ The PTAB noted that the stipulation does not go as far as the full scope of *inter partes* review (IPR) estoppel that limits Petitioners from challenging previously challenged claims on any ground raised or that could have reasonably been raised in the IPR. Nevertheless, the stipulation “mitigates to some degree the concerns of duplicative efforts between the district court and the Board, as well as

concerns of potentially conflicting decisions”.⁴ As such, the submitted stipulation “weighs ***marginally***” in favour of not exercising discretionary denial. The PTAB stated further that a “broader stipulation...might better address concerns regarding duplicative efforts and potentially conflicting decisions in a much more substantial way”. Indeed, such a broader stipulation “might help ensure that an IPR functions as a true alternative to litigation in relation to grounds that could be at issue in an IPR” and “might have tipped” the Factor 4 analysis more conclusively in Petitioner’s favour.⁵

Sands stipulations were seized upon by other Petitioners in an attempt to overcome the *Fintiv* analysis. Patent Owners, understandably, were unimpressed and argued that *Sands* stipulations were insufficient to overcome the *Fintiv* considerations. *Sands* stipulations were acceptable to the Board, however, and generally sufficient to overcome the *Fintiv* analysis where the balance of the *Fintiv* factors was in Petitioners’ favour.

The existence of other circumstances, such as a closer trial date or heavy investment in the co-pending proceeding, made the *Fintiv* analysis more uncertain and led some Petitioners to start filing broader stipulations. In *Sotera Wireless, Inc. v. Masimo Corp.*, Petitioner submitted a stipulation that committed that Petitioner “will not pursue in [the District Court] the specific grounds [asserted in the IPR], or on any other ground...that was raised or could have been reasonably raised in an IPR (i.e., any ground that could be raised under §§ 102 or 103 on the basis of prior art patent or printed publications)”.⁶ The breadth of that stipulation led the PTAB to conclude that it “mitigate[d] any concerns of duplicative efforts between the district court and the Board, as well as concerns of potentially conflicting decisions”.⁷ Further, the Board noted that Petitioner’s broad stipulation ensured that the IPR will be a “true alternative” to the co-pending proceeding and “weighs ***strongly*** in favor” of not discretionarily denying the IPR.⁸

Sotera stipulations may be all well and good, but there are many times where Petitioner may be unable to stipulate to the full extent of IPR estoppel at institution of the IPR. For example, a Petitioner may not have an invalidity defence based on a commercial activity like sales or public use. Such Petitioners may want to improve their odds of overcoming *Fintiv* while at the same time preserving a broader prior art-based invalidity defence. Thus was born the “hybrid” stipulation.

In a hybrid stipulation, Petitioners generally provide that it “will not seek resolution in the parallel proceeding of invalidity based on any ground that utilizes [the prior art asserted in the IPR]”.⁹ While such stipulations do not go as far as *Sotera*, the PTAB has found that they “mitigate[] to some degree concerns of duplicative efforts and possibly conflicting decisions” between the Board and the tribunal overseeing the co-pending proceeding. As a result, such stipulations “weigh[] ***against*** discretionary denial”.¹⁰

On June 21, 2022, however, Director Vidal issued a guidance memorandum that indicates that PTAB judges cannot discretionarily deny a petition under *Fintiv* when “petitioner presents a stipulation not to pursue in a parallel proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB”.¹¹ This language tracks *Sotera* stipulations because Petitioner agrees to the full extent of IPR estoppel at the time of institution.

The Director’s guidance said nothing adverse about *Sands* or hybrid stipulations nor did it invalidate them. In other words, all types of stipulations – *Sands*, hybrid, and *Sotera* – are viable options for Petitioners attempting to overcome the *Fintiv* analysis. There is, of course, a clear preference for a *Sotera*-type (i.e., broad) stipulation and it is easy to see why. Nevertheless, the PTAB continues to address and consider all stipulation types and each type of stipulation appears to be effective to overcome *Fintiv* under appropriate circumstances.

At the time of this writing, the U.S. Patent and Trademark Office (USPTO) has published an Advance Notice of Proposed Rulemaking (ANPRM) that suggests that the Office is considering installing the *Fintiv* factors into its regulations.¹² In other words, the *Fintiv* analysis would be elevated from case law precedent to a codified regulation under the Administrative Procedure Act. The comments process on the PTAB ANPRM Notice closed on June 20, 2023, so it remains to be seen what approach the USPTO will elect to adopt. In the interim, practitioners should monitor how the PTAB's discretionary institution policies continue to evolve.

* * *

Endnotes

1. IPR2020-00019, Paper 11 (Mar. 20, 2020) (precedential).
2. *Id.* at 6.
3. IPR2019-01393, Paper 24 at 11–12 (June 16, 2020).
4. *Id.* at 12.
5. *Id.* at 12 n.5.
6. IPR2020-01019, Paper 12 at 13–14 (Dec. 1, 2020).
7. *Id.* at 19.
8. *Id.*
9. *Apple, Inc. v. AliveCor, Inc.*, IPR2021-00970, Paper 10 at 17 (Dec. 8, 2021).
10. *Id.* at 19.
11. Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation at 3 (June 21, 2022).
12. 88 Fed. Reg. 24503.

**Kenneth R. Adamo****Tel: +1 312 527 0620 / Email: kradamo23@gmail.com**

Ken Adamo is the Principal in the Law Office of KRadamo in Chicago, Illinois. Ken has extensive experience as lead counsel in jury and non-jury cases before State and Federal courts and before the United States International Trade Commission, as well as *ex parte* and post-grant PTAB experience in the U.S. Patent and Trademark Office. He has had substantial experience as lead counsel in arbitrations and other alternative dispute resolution proceedings, and actively practises before the U.S. Court of Appeals for the Federal Circuit, having appeared in over 45 appeals to date.

**Eugene Goryunov****Tel: +1 312 216 1630 / Email: eugene.goryunov@haynesboone.com**

Eugene Goryunov is an experienced trial lawyer who represents clients in complex patent matters involving technologies from consumer goods to high technology, networking, and wireless telephony to medical devices and therapeutics. He has extensive experience and regularly serves as first-chair trial counsel in post-grant review trials (IPR and PGR) on behalf of both Petitioners and Patent Owners at the USPTO. Mr. Goryunov is also deeply involved as trial counsel in all aspects of cases in Federal courts around the country, Section 337 investigations at the USITC, and appeals at the Federal Circuit.

Law Office of KRadamo360 W. Illinois, Apt 620,
Chicago IL 60654, USATel: +1 312 527 0620 / URL: www.kradamo.com**Haynes and Boone, LLP**180 N. LaSalle St., Suite 2215,
Chicago IL 60601, USATel: +1 312 216 1630 / URL: www.haynesboone.com

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