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Client Alert Commentary

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Recent Developments of Note in *Inter Partes* and CBM Review Proceedings

Three patent cases highlight both the potential advantages and potential limitations of Inter Partes and Covered Business Method strategies before the PTAB.

In the last two weeks the Patent and Trial and Appeal Board (PATB) has further developed jurisprudence regarding *Inter Partes* Review (IPR) and Covered Business Method (CBM) proceedings before the tribunal. These developments should help parties assess their strategies concerning these new procedures.

Terminating CBM Pursuant to Settlement

The first development of note related to an order terminating the participation of the petitioner in a CBM proceeding pursuant to settlement. In the case of *Interthinx, Inc. v. Corelogic Solutions, LLC,* Case CBM 2012-00007, the parties presented the Board with a joint petition to terminate the proceeding based on a settlement. IPR and CBM proceedings — as they are *inter partes* — offer several advantages, including the possibility that they can be terminated by settlement, and have been so terminated by the PTAB in prior cases. (*See, e.g., Komatsu America Corp. v. Hagenbuch, IPR2013-00130*) However, in the *Interthinx* case, as a result of the very advanced stage of the proceedings (the "matter was briefed fully and ready for oral hearing" at the time of the motion), the Board terminated the petitioner from the case — as required by the settlement — but determined to continue the proceeding to a final written decision. The Boart stated:

> Under these circumstances, the Board determines that it is appropriate to terminate the involvement of Interthinx, Inc. (Petitioner) pursuant to the settlement agreement. However, the Board is not a party to the settlement and may independently determine any question of patentability. 37 CFR § 42.74 (a). In view of the advanced stage of the proceeding, rather than terminate the proceeding, the Board will proceed to a final written decision. 35 USC § 327(a).

Petitioners commonly assume that one of the advantages of IPR and CBM proceedings under the America Invents Act (AIA) is the ability to terminate them by settlement. However, as the *Interthinx* case clarifies, the decision to so terminate a proceeding remains discretionary with the Board. The PTAB will likely issue additional decisions which will provide further guidance as to how this discretion will be exercised. However, at least for now, those intending or desiring to settle IPR and CBM proceedings should endeavor to do so as early in the proceeding as practicable — certainly before the case has been fully developed such that all that remains before the Board is the rendering of a written decision.

Broadest Reasonable Construction

The second development of note relates to the issuance of the first Final Written Decision by the PTAB in an *Inter Partes* Review proceeding. In the case of *Garmin International, Inc. and Garmin USA, Inc. vs. Cuozzo Speed Technologies LLC,* Case IPR2012-00001, the PTAB found in favor of the petitioner, ruling unpatentable and cancelling all of the claims at issue. While obviously no trends can be determined from a single decision, a review of the 49-page decision yields two observations worth mentioning. First, the PTAB's analysis was both careful and complete. Second, in the *Garmin* case the petitioner clearly benefitted greatly from the use of the procedurally mandated "broadest reasonable construction" of the claims. As bears repeating and as this case illustrates, this “broadest reasonable construction” is a major advantage to the patent challenger in the IPR and CBM process.

Relation to District Court Litigation

The Federal Circuit’s denial of en banc rehearing in *Fresenius USA, Inc. v. Baxter Int’l, Inc.,* 03-CV-1431 (Fed. Cir. Nov. 5, 2013) left unchanged an earlier panel decision permitting a parallel Patent Office proceeding to negate a prior district court judgment. In that earlier decision, *Fresenius USA, Inc. v. Baxter Int’l, Inc.,* 03-CV-1431(Fed. Cir. July 2, 2013), the court held that a Board of Patent Appeals and Interferences (BPAI) decision invalidating a patent in an *ex parte* re-examination trumped a validity judgment by the district court that had been separately affirmed on appeal. Last week, taking advantage of that ruling, Samsung Electronics Company, in its much-publicized patent case with Apple, petitioned the district court to stay the trial of the remanded damages case because the PTAB (the successor board to the BPAI) had just issued a decision in an ex parte re-examination cancelling all claims of the relevant patent. As of this writing, the district court has not yet issued a decision on Samsung's motion. However, the motion is another example of the potential that PTAB proceedings under the AIA can affect district court litigation.

Whether petitioners or patent owners, parties should keep these issues in mind as they develop their patent defense and assertion strategies.

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