Articles + Publications | July 21, 2022

Strategic Considerations for ITC Investigations Given USPTO's New Guidance on IPR/PGR Discretionary Denial

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Under the USPTO's new guidance on discretionary denial of institution of *inter partes* and post-grant (IPR and PGR, respectively) proceedings, a pending International Trade Commission (ITC or Commission) investigation is no longer a basis for the Patent Trial and Appeals Board (PTAB) to exercise its discretion to deny institution. This is a material change from past PTAB practice, which has previously denied institution of such post-grant proceedings due to an ongoing parallel ITC proceeding.

As discussed in more detail below, here are three considerations for ITC litigants given the USPTO's new guidance:

- **Parallel Proceedings Before ITC and USPTO More Likely.** Prior to the USPTO's new guidance, the PTAB has denied IPR and PGR institution based on the fact that the ITC would render a determination prior to any PTAB decision. Now, under the USPTO's new guidance, the status of a parallel ITC proceeding becomes irrelevant, increasing the likelihood of IPRs in parallel with an ongoing ITC investigation.

- **ITC Unlikely to Stay Proceedings in View of Parallel Post-Grant Proceedings.** The ITC has generally held that ongoing parallel IPR proceedings do not provide a sufficient basis for staying an ITC investigation. As a result, stays of an ITC investigation were very unlikely in light of a parallel IPR proceeding. The new USPTO guidance is unlikely to change this trend.

- **ITC Unlikely to Stay or Modify a Remedial Order Even if There Is an Adverse PTAB Decision.** The ITC will not stay or modify a remedial order unless there is (1) an adverse PTAB decision that negatively impacts all of the asserted claims prior to an ITC final determination, or (2) a Federal Circuit decision upholding a PTAB decision finding the asserted claims invalid. Thus, if an ITC complainant obtains a remedial order at the ITC before the PTAB renders a decision invaliding the asserted claims, an ITC respondent will need to deal with the impacts of a remedial order until the Federal Circuit affirms the PTAB decision. Since ITC investigations are very unlikely to be stayed, an ITC respondent may be significantly impacted by a remedial order despite a favorable PTAB decision.

PTAB's Previous Exercise of Discretionary Denial in View of Parallel ITC Litigation

There have been several instances where the PTAB has denied institution of IPR proceedings in light of parallel ITC investigations.[1] In these cases, the PTAB considered the likelihood of a stay in the parallel ITC proceeding, the fact that the target date of the ITC investigation is several months before any PTAB final written decision, the stage of the parallel ITC case, the overlap of issues between the IPR petition and the ITC investigation, and the parties involved in the IPR petition and the ITC investigation.

USPTO's Latest Guidance on Discretionary Denials of Post-Grant Proceedings Means Parallel ITC Investigations Will Be Even More Commonplace

On June 21, USPTO Director Katherine Vidal issued the new guidance, which is a binding interim procedure regarding discretionary denial of institution of post-grant proceedings.[2] Under Section 314, the PTAB has discretion to deny IPR and PGR institution, and one ground for denial can be a parallel proceeding involving similar issues. The PTAB's precedential decision in *Apple, Inc. v. Fintiv, Inc.*[3] established a five-factor test for this ground for discretionary denial (the *Fintiv* factors), but the new guidance now makes clear that this ground for discretionary denial only applies to parallel district court proceedings and does not apply to parallel ITC investigation.[4] As a result, PTAB cannot deny institution of a post-grant proceeding based on a parallel ITC proceeding.[5]

The USPTO reasoned that parallel ITC proceedings should have no impact on institution because the *Fintiv* factors "focus on the interplay between IPRs and district court litigation" and because "an ITC determination cannot conclusively resolve an assertion of patent invalidity, which instead requires either district court litigation or a PTAB proceeding to obtain patent cancellation."[6]

This means that parallel IPRs/PGRs and ITC investigations will be even more commonplace, because under the new guidance, any facts relating to an ITC investigation are not to be considered for purposes of discretionary denial.[7]

ITC Generally Does Not Stay Investigations in View of Pending IPR/PGR Proceedings

The ITC typically denies motions to stay an investigation in view of a pending IPR proceeding. This is because in most cases, the ITC investigation is at a significantly advanced stage (*e.g.*, after close of fact discovery, close to evidentiary hearing) and will render a final determination as to the asserted patents before the PTAB issues a final written decision or before the Federal Circuit can review the PTAB final written decision.[8] Further, stays are generally disfavored in the ITC due to the ITC's statutory mandate to expeditiously adjudicate investigations.[9]

In determining whether to stay an ITC investigation in view of a pending IPR proceeding, the ITC considers the following factors:

(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.[10]

Usually, the stage of discovery and the hearing date of the ITC investigation will occur well before the timeline for a final written decision in an IPR and PGR. Typically, an ITC investigation takes about 15 to 18 months to complete[11] and are filed before any USPTO post-grant proceeding, which take about 18 months to complete.[12] These timing factors weigh strongly against a stay by the ITC.[13]

Further, ITC judges have found that a stay will not simplify the issues because there are other invalidity defenses that cannot be presented in an IPR (*e.g.*, written description and enablement defenses)[14] and because at least some of the asserted claims may survive PTAB review.[15]

While a stay of an ITC investigation in view of a pending IPR/PGR proceeding is uncommon, a stay has been granted where the PTAB issued final written decisions invalidating all asserted claims of the patent-in-suit several months before the scheduled hearing date for the ITC investigation (but note, in that proceeding, the stay was not opposed by the complainant).[16]

The USPTO's new guidance is unlikely to have any impact on the ITC's general inclination to deny stays in view of parallel IPR or PGRs. As a result, litigants should expect ITC proceedings to stay on target for completion generally within a 15 to 18-month schedule.

Impact of Parallel USPTO Post-Grant Proceedings on ITC Remedial Orders

With parallel proceedings before the USPTO and the ITC, there is a possibility that the complainant (patent owner) prevails in the ITC investigation but loses in the USPTO post-grant proceeding. These inconsistent results can happen because, *inter alia*, the standard for invalidating a patent at the ITC is higher (*i.e.,* clear and convincing evidence[17]) than that in a USPTO post-grant proceeding (*i.e.,* preponderance of the evidence[18]).

The impact of a PTAB finding of unpatentability on an ITC finding in favor of the complainant largely depends on the timing of the respective findings. If the PTAB issues its final written decision finding unpatentability after the Commission's determination on violation, then the remedial order issued by the Commission will stand and cannot be modified until the PTAB's final written decision has been affirmed on appeal and the USPTO cancels the claims.[19] Only when the USPTO cancels the claims can the respondent petition the ITC to modify the remedial order.[20] This means that an ITC remedial order based on claims found invalid by the PTAB could stay in place for years after the PTAB's final written decision. This can have a significant impact on the respondent commercially.

Further, a PTAB finding of unpatentability does not allow a respondent to simply disregard the ITC's remedial order. If a respondent disregards the remedial order, the respondent can be found in violation of that order and be subject to civil penalties despite a good faith belief of the invalidity of the patent claims.[21]

On the other hand, if a PTAB final written decision finding unpatentability precedes the Commission's determination on violation (which is unlikely in most circumstances due to the fact that most ITC investigations are

completed within 15 to 18 months), then the ITC can suspend enforcement of a remedial order pending resolution of the PTAB's final written decision.[22] However, if the PTAB's final written decision only impacts a subset of the asserted claims giving rise to the remedial order, there may not be a practical effect on the ITC's remedial order.[23] In such a case, while the ITC may suspend enforcement as to the claims subject to the PTAB's final written decision, the ITC still issues a remedial order based on asserted claims not subject to any PTAB final written decision.[24] As a result, a favorable PTAB final written decision may have little practical impact unless all asserted claims have been found unpatentable by the PTAB.

Practical Considerations Going Forward

In light of the PTAB's new guidance on discretionary denial, there are several practical considerations for litigants before the ITC.

For ***complainants***, despite the fact that the ITC is no longer a consideration for discretionary denials, the ITC can still provide a powerful remedy on an expedited timeline. If a complainant is successful in securing a remedial order before a PTAB final written decision, that remedial order will be in place through the entire appeal and cancellation process. Thus, respondents will still be subject to any remedial order despite a favorable PTAB final written decision.

To mitigate the potential impact of an adverse PTAB final written decision, complainants should consider asserting a variety of patents and/or claims since an adverse PTAB final written decision that only impacts a subset of the asserted claims or patents-in-suit, even if it issues before the investigation is concluded, may ultimately have no practical impact on the Commission's remedial order.

In addition, complainants should be prepared to litigate before the ITC and the PTAB simultaneously. This requires careful planning and coordination, as statements made during a PTAB proceeding can impact claim scope, so complainants need to calibrate positions taken in the parallel PTAB proceeding to ensure that they do not adversely impact any positions being taken in the ITC investigation.[25]

For ***respondents***, now that the risk of discretionary denial based on an ITC investigation has been largely removed, there is little reason not to file an IPR or PGR against the asserted claims of the patents-in-suit. A favorable PTAB final written decision can mitigate the impacts of a violation finding in an ITC investigation, particularly if that final written decision precedes an ITC decision.

Ideally, any petitions for post-grant proceedings should be filed as early as possible to increase the chance that a PTAB final written decision issues prior to the ITC decision. However, given that the average time to an ITC decision is around 15 to 18 months, it may be impractical to get a post-grant petition on file early enough to precede an ITC decision.

While the USPTO's new guidance on discretionary denials in post-grant proceedings will likely result in more parallel proceedings between the ITC and the USPTO, the ability to obtain a decision quickly at the ITC will keep the ITC as an active patent litigation forum.

[1] *See, e.g.*, *Google LLC v. EcoFactor, Inc.*, IPR2021-01578, Paper 9 (PTAB Mar. 18, 2022); *Regeneron Pharma., Inc. v. Novartis Pharma AG*, IPR2020-01317, Paper 15 (PTAB Jan. 15, 2021); *Philip Morris Prods. S.A. v. Rai Strategic Holdings, Inc.*, IPR2020-00919, Paper 9 (PTAB Nov. 16, 2020); *Comcast Cable Communications, LLC v. Rovi Guides, Inc.*, IPR2020-00800, Paper 10 (PTAB Oct. 22, 2020); *Garmin International, Inc. v. Koninklijke Philips N.V.*, IPR2020-00754, Paper 11 (PTAB Oct. 27, 2020).

[2] *See* Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (USPTO Post-Grant Discretionary Denial Memo), *available at* https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

[3] IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (designated precedential May 5, 2020)

[4] *See* USPTO Post-Grant Discretionary Denial Memo at 5-7.

[5] *Id.* at 9.

[6] *Id.* at 6.

[7] Current data from the USPTO indicates a 70% institution rate by patent in 2022, which is up from a 66% institution rate by patent in 2021 and 64% institution rate in 2020. The USPTO statistics do not indicate a percentage of non-institution based on discretionary denial.

[8] *See, e.g.*, *Certain Automated Storage and Retrieval Systems, Robots, and Components Thereof*, Inv. No. 337-TA-1228, Order No. 6 (March 9, 2021) (denying motion to stay in view of parallel IPR and PGR proceedings); *Certain Memory Modules and Components Thereof*, Inv. No. 337-TA-1089, Order No. 49 (April 11, 2019); *Certain Laser-Driven Light Sources, Subsystems Containing Laser-Driven Light Sources, and Products Containing the Same*, Inv. No. 337-TA-983, Order No. 8 (March 3, 2016).

[9] *See Certain Memory Modules and Components Thereof*, Inv. No. 337-TA-1089, Order No. 49 at 2 (April 11, 2019).

[10] *Certain Integrated Circuits with Voltage Regulators and Products Containing the Same*, Inv. No. 337-TA-1024, Order No. 6 at 7 (March 9, 2021) (quoting *Certain Microelectromechanical Systems and Products Containing Same*, Inv. No. 337-TA-876, Order No. 6 at 3 (May 21, 2013).

[11] *See* Section 337 Statistics: Average Length of Investigations, *available at* https://www.usitc.gov/intellectual_property/337_statistics_average_length_investigations.htm. In particular, the average time for the Commission to reach a final determination on the merits was 17.7 months in 2022 (through Q2), 18.2 months in 2021, 18.6 months in 2020, 17.7 months in 2019, 15.8 months in 2018, 15.1 months in 2017, and 15.8 months in 2016. Note that the average time to reach a final determination in 2020 and 2021 were longer primarily due to the impacts of COVID-19.

[12] *See* https://www.uspto.gov/patents/ptab/trials/aia-trial-types.

[13] *See, e.g.*, *Certain Automated Storage and Retrieval Systems, Robots, and Components Thereof*, Inv. No. 337-TA-1228, Order No. 6 at 7-9 (March 9, 2021); *Certain Laser-Driven Light Sources, Subsystems Containing Laser-Driven Light Sources, and Products Containing the Same*, Inv. No. 337-TA-983, Order No. 8 at 5, 8-9 (March 3, 2016).

[14] *Certain Laser-Driven Light Sources, Subsystems Containing Laser-Driven Light Sources, and Products Containing the Same*, Inv. No. 337-TA-983, Order No. 8 at 6-7 (March 3, 2016).

[15] *Certain Automated Storage and Retrieval Systems, Robots, and Components Thereof*, Inv. No. 337-TA-1228, Order No. 6 at 8 (March 9, 2021).

[16] *See Certain Integrated Circuits with Voltage Regulators and Products Containing Same*, Inv. No. 337-TA-1024, Order No. 55 (August 31, 2018) (unopposed motion to stay investigation pending appellate review of IPR final written decisions invalidating patent-in-suit).

[17] *See, e.g.*, *Guangdong Alison Hi-Tech Co. v. Int'l Trade Comm'n*, 936 F.3d 1353, 1359 (Fed. Cir. 2019) ("a challenger at the ITC must prove invalidity by clear and convincing evidence" (citing *One-E-Way, Inc. v. Int'l Trade Comm'n*, 859 F.3d 1059, 1062 (Fed. Cir. 2017)).

[18] *See* 35 U.S.C. §316(e) (evidentiary standard to establish unpatentability in an *inter partes* review of preponderance of the evidence); 35 U.S.C. §326(e) (evidentiary standard to establish unpatentability in a post-grant review of preponderance of the evidence).

[19] *See Certain Network Devices, Related Software and Components Thereof (II)*, Inv. No. 337-TA-945, Comm'n Op. at 12-13 (Aug. 16, 2017) (noting that a PTAB final written decision finding asserted claims unpatentable "do[es] not constitute a changed circumstance warranting temporarily rescinding the remedial orders" and distinguishing the case where there was a PTAB final written decision prior to the ITC issuing a remedial order).

[20] *Id.* at 12 (noting that the respondent can seek to modify a remedial order pursuant to Commission Rule 210.76 "if and when the certificates of cancellation of the subject patent claims are issued"); *see also* 19 C.F.R. §210.76 (Commission rule for modification or recession of exclusion orders, cease and desist orders, consent orders, and seizure and forfeiture orders).

[21] *See, e.g.*, *DBN Holding, Inc. v. Int'l Trade Comm'n*, 26 F.4th 1363, 1368-71 (Fed. Cir. 2022) (upholding ITC civil penalties despite good faith belief in violating consent order because asserted claims were found invalid by a district court).

[22] *See, e.g.*, *Certain Unmanned Aerial Vehicles and Components Thereof*, Inv. No. 337-TA-1133, Comm'n Op. at 35 (Sept. 8, 2020) ("… the Commission has previously suspended enforcement of its remedial orders, at least in part, when the PTAB issued a final written decision finding one or more of the asserted claims unpatentable before the Commission made its determination on violation."); *see also Certain Magnetic Tape Cartridges and Tape Components Thereof*, Inv. No. 337-TA-1058, Comm'n Op. at 62-63 (Apr. 9, 2019); *Certain Three-Dimensional*

Cinema Systems and Components Thereof, Inv. No. 337-TA-939, Comm'n Op. at 60 (July 21, 2016).

[23] *See, e.g.*, *Certain Magnetic Tape Cartridges and Components Thereof*, Inv. No. 337-TA-1058, Comm'n Op. at 62 (Apr. 9, 2019).

[24] *Id.*

[25] *See Aylus Networks, Inc. v. Apple, Inc.*, 856 F.3d 1353, 1360-62 (Fed. Cir. 2017) (holding that statements made during an IPR can limit claim scope).

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