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The authors review the limited experience so far of district courts' handling of decisions by the PTAB to institute or deny institution of trial in inter partes review challenges.

Relationship of Inter Partes Review Proceedings to District Court Proceedings: Are Institution Decisions Admissible Evidence?

BY HA KUNG WONG AND LAURA FISHWICK

Under *Fresenius v. Baxter*[1] and 35 U.S.C. § 315(e), the Patent Trial and Appeal Board's final written decision on patent invalidity has a binding preclusive effect on later district court litigations involving the same patent. As the board's decision to grant or deny review—an institution decision—is not considered a final written decision,[2] it seems clear that such a decision would not have preclusive effect on future district court litigation. Nonetheless, an open question remains concerning the institution decision's potential relevance and admissibility in district court. Specifically, can the board's institution decision be used as evidence in a pending district court case and to what effect?

At this time, only two district courts, one in the Southern District of Ohio and one in the Western District of Wisconsin, have substantively considered whether an institution decision is evidence to support a motion for summary judgment, and both concluded that it was.

In the first, *Proctor & Gamble v. Team Techs*, the district court granted P&G's motion for partial summary judgment of no invalidity relying, inter alia, on the board's rejection of "the same inherency arguments, with respect to the same references, under a lower standard of proof" in their decision not to institute review.[3] In lieu of analyzing the defendants' arguments that the institution decision was inadmissible, the court simply stated that "[o]pinions from administrative agencies may be properly considered as evidence under [Federal Rule of Evidence] 803(8) if the findings are trustworthy and probative of the issues."[4] The court took judicial notice of the PTAB's decision rejecting the petition for inter partes review filed by one of the defendants.[5]

In the second case, *Ultratec v. Sorenson*, the U.S. District Court for the Western District of Wisconsin held

[1] *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 107 U.S.P.Q.2d 1365 (Fed. Cir. 2013) (86 PTCJ 520, 7/12/13).

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[2] *See St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375, 110 U.S.P.Q.2d 1777, 1779 (Fed. Cir. 2014) (88 PTCJ 18, 5/2/14).

[3] *Proctor & Gamble Co. v. Team Techs., Inc.*, No. 12-cv-552 (S.D. Ohio July 3, 2014) (D.I. 130) (Order at 21-24).

[4] *Id.* at 22 n. 4 (citing *United States v. Paducah Towing Co.*, 692 F.2d 412, 420-21 (6th Cir. 1982)).

that a decision to institute inter partes review was admissible to evidence the reasonableness of the defendant's good faith belief of invalidity as a defense to willful infringement.[6] Prior case law has held that ''initial office actions granting re-examination were of little weight in assessing the reasonableness of a defendant's invalidity defenses.''[7] Distinguishing *Hoescht*, the court in *Ultratec* held that the institution decision was entitled to more weight than was given to the prior re-examination procedure in light of the heightened threshold showing necessary for the grant of inter partes review.[8] Notwithstanding this heightened threshold, the court stated that ''the preliminary and incomplete nature of a decision to institute *inter partes* review cautions against affording those decisions conclusive weight.''[9] Notably, in *Ultratec*, the decision to institute was admissible only to support a defense to willfulness. Thus, courts may not comparably find admissible a decision to institute review as evidence of patent invalidity, as patent owners are under no obligation to argue validity before the institution decision is rendered.[10]

In sum, both courts gave weight to the board's decision, but neither opinion clarifies how much weight should be given. The precise impact of the institution decision on co-pending litigation, particularly with respect to summary judgment determinations, remains undetermined.

District courts have diverged on whether an institution decision is admissible evidence in a jury trial. Both district courts for the District of Delaware and Western District of Wisconsin have refused to admit institution decisions on the basis that the decision is as irrelevant and potentially confusing or prejudicial.

Judge Andrews of the District of Delaware held that the board's actions in the co-pending inter partes review were of marginal relevance and their probative value was greatly outweighed by the expenditure of time that would be required to give the jury the full context necessary to fairly evaluate the evidence.[11]

In *Ultratec v. Sorenson*, discussed above, the court granted the plaintiffs' motion in limine to preclude the defendants from offering evidence of the inter partes review proceeding to the jury during the liability phase of trial. The judge cited ''the different standards, procedures and presumptions applicable to IPR proceedings,'' finding that ''evidence concerning the proceedings is irrelevant and highly prejudicial to the jury's determination of the validity of the patents.''[12] For these reasons, the defendants were also not permitted to rely on ''evidence of the IPR proceedings during the damages phase to argue that the patents are entitled to diminished value.''[13] However, the court stated in dicta that the defendants may introduce to the jury the board's decision as evidence of their good faith belief of invalidity.[14] The court declined to determine the proper weight that should be given to the IPR decision and the contents of the jury instruction, electing to take the matter up with the parties only if and when it became necessary.

By contrast, the District Court for the Central District of California held that a decision not to institute review was admissible, and that ''any potential confusion can be addressed by appropriate jury instructions on the standard of proof applicable to patent invalidity defenses and counterclaims.''[15]

As inter partes review procedure is still relatively new, there have been very few district court cases to address this important issue. Those decisions do not elucidate the specific weight that should be accorded to institution decisions as compared with other evidence of patent invalidity. Further complicating matters, district courts have split on the question of whether the different standards that govern inter partes review would confuse the jury.

In view of the district court split, the Federal Circuit's first test case on this issue is eagerly awaited.

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[5] *Id.* (citing *Standard Havens Prods., Inc. v. Gencor Indus.*, 897 F.2d 511, 514 n.3, 13 U.S.P.Q.2d 2029, 2031 n.3 (Fed. Cir. 1990)).

[6] *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 13-cv-346 (W.D. Wis. August 28, 2014) (D.I. 351) (Opinion and Order at 72-74).

[7] *Id.* at 72 (citing *Hoescht Celanese Corp. v. BP Chemicals, Ltd.*, 78 F.3d 1575, 1584 & n.2, 38 U.S.P.Q.2d 1126 (Fed. Cir. 1996)).

[8] *Id.*

[9] *Id.*

[10] *See* 37 C.F.R. § 42.107; Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48764-65 (Part II.C.).

[11] *Interdigital Commc'ns, Inc. v. Nokia Corp.*, No. 13-cv-10 (D. Del. Sept. 19, 2014) (D.I. 367) (Order).

[12] *Ultratec, Inc.*, No. 13-cv-346 (W.D. Wis. October 8, 2014) (D.I. 579) (Opinion and Order at 4).

[13] *Id.*

[14] *Id.*

[15] *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. 12-cv-329 (C.D. Cal. April 21, 2014) (D.I. 311) (Order Re Jury Selection Procedures and Motions In Limine at 12).

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