DENTONS LEE

The Effect of a Patent Invalidation Trial and the Practical Benefits of Parallel Lawsuits

Where a Patent Invalidation Trial and a Patent Litigation Proceed at the Same Time

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Background: During the battery-related patent litigation between LG Chem and SK Innovation, SK Innovation filed an invalidation lawsuit (IPR) with the US Patent Trial and Appeal Board (PTAB) eight times, but all were dismissed. This article intends to conduct a comparative overview, in Korea and the United States, on the effectiveness of patent invalidation trials and the benefits of parallel lawsuits where patent infringement lawsuits and invalidation trials are pursued at the same time.

South Korea

1. Possibility of simultaneous proceeding of a patent invalidation trial and a patent litigation

In Korea, it is observed that patent infringement lawsuits and invalidation trials are frequently conducted at the same time. An invalidation trial can be filed before or during the infringement litigation, and the judgment of the invalidation trial can also be issued before or after the judgment of the infringement litigation. Also, in general, the results of invalidation trials seem to be issued sooner than judgments in infringement lawsuits.

Relationship between the date of filing a lawsuit and an invalidation trial

The results of investigating the relationship between the filing date of a patent infringement lawsuit (trial court) and the date of filing for an invalidation trial in the Intellectual Property Tribunal are as follows: Among 147 invalidation trials related to infringement lawsuits (trial court), the proportion of infringement lawsuits filed before invalidation trials was found to be 89 (61.5%). On the other hand, 58 cases (39.5%) were found in which invalidation trials were filed first.[1]

Order in issuance of lawsuit judgment/ invalidation trial decision

The relationship in time sequence between the date of judgment in infringement litigation (trial court) and the date of judgment by the Intellectual Property Trial and Appeal Board is as follows: Among patent invalidation trials related to the infringement litigation (trial court), infringement judgement was issued prior to an invalidation decision in 38 cases (25.9%), and an invalidation decision was issued first in 109 cases (74.1%).[2]

1 Analysis of the status of patent litigation judgments to establish a direction for concentration of jurisdiction, Korean Intellectual Property Office, 2010.12 (page 39)

2 Analysis of the status of patent litigation judgments to establish a direction for concentration of jurisdiction, Korean Intellectual Property Office, 2010.12 (page 41)

In addition, if an infringement lawsuit is in progress, an expedited trial may also be applied for in the Korean Intellectual Property Office if necessary. The rule is as below:[3]

Expedited Trial: In an expedited trial, if the parties submit all the arguments and evidence related to the trial case by the date of the oral hearing, the trial can be processed within 3 months from the date of the expedited trial decision...

This may apply to: 1. Trials to confirm the scope of rights, invalidation trials, or revocation trials for cases related to infringement litigation cases notified by the court or unfair trade practice investigation cases notified by the Trade Commission and whose trial has not been concluded

However, excluding trials related to cases in which the parties involved are not the same as the relevant cases in courts, etc., and cases in which the infringement litigation has been completed in the appellate level

1 of 2. (Application) Trial to confirm the scope of rights, invalidation trial, or revocation trial related to cases pending in court for intellectual property rights infringement disputes

However, excluding trials related to cases in which the parties involved are not the same as the relevant cases in courts, etc., and cases in which the infringement litigation has been completed in the appellate level

2. Benefit of parallel proceeding

In Korea, an invalidation decision by the Intellectual Property Tribunal is carries significant weight in an infringement litigation, so it can be said that the invalidation trial of the Intellectual Property Tribunal greatly affects the outcome of the infringement litigation, and therefore simultaneous process frequently takes place.

Among the 213 infringement lawsuits subject to relevance analysis, 1.7 trials per litigation were filed for related patent rights and utility model rights. When an infringement litigation is filed, the parties file for an invalidation trial with the Patent Tribunal, and the result of the judgment can be regarded as having a significant impact on the infringement suit. The purpose and reason for filing for a trial on the patent right and utility model right relating to the infringement suit can be seen to affect the infringement suit.[4]

Statistically, invalidity defenses are most frequently seen in infringement litigation, and the so-called invalidity defense is about whether there are grounds for invalidity in the patent right and utility model right before determining whether it falls within the scope of the claim, i.e., whether it constitutes infringement or not. When this reality is taken into effect, the invalidation trial can be interpreted as having a significant impact on infringement lawsuits. Even though the invalidation defense judgment were not completely identical to the invalidation trial result, the actual utilization corresponding to the case where a part of the judgment result was the same as that of the invalidation trial was 83 cases, constituting 47.4%.

In conclusion, the court utilized the invalidation trial decision of the Intellectual Property Tribunal in infringement litigation. Among 213 cases subject to correlation analysis, correlation could not be found in 39 cases, and among the remaining 174 cases, 136 cases, 78.2%, were actually used in infringement litigation, and 38 cases, 21.8%, were not used. This shows that invalidation trial plays an important role in the infringement litigation since the invalidation trial decision was made before the judgment of infringement litigation was issued, and the percentage of cases practically utilizing it for judgment was 78.2%.

3 https://www.kipo.go.kr/ipt/HtmlApp?c=1301&catmenu=t01_03_01
4 Comparative Study of Patent Trial and Infringement Lawsuit, Intellectual Property Trial and Appeal board, 2017.12.31 (page 132)

Therefore, in many cases, infringement litigation and invalidation trial are concurrently conducted in case of infringement dispute, and the trial decision of invalidation trial filed by the defendant in infringement litigation affects 78.2% of infringement litigation judgments (63.8% of the total). It is not clear why, even though invalidation trial took place first, 21.8% (17.8% of the total) did not use the invalidation trial decision. Since it plays an important role in resolving disputes, a reliable and prompt invalidation trial procedure is required.

In cases where an invalidation defense claim is made or invalidation trial is filed in an infringement litigation, there is a smaller number of judgments acknowledging infringement or ordering compensation for damages. The defendant claims invalid defense and at the same time files for invalidation trial in an infringement litigation or, conversely, files for invalidation trial and claim an invalidity defense. Since the defense of invalidity is claimed in the infringement litigation, a search for prior literature for the patent or utility model right is made more carefully, and the invalidity thereof plays an important role in determining whether there is infringement in the infringement litigation.

Strictly speaking, however, the infringement litigation (court) and the patent invalidation trial (patent tribunal) are considered independent litigation, so they do not fall under overlapping litigations and are known to have no binding power between them. However, as mentioned above, in Korea, the outcome of a patent trial is often respected and can have a significant impact on the judgment of a patent litigation, so it is often carried out simultaneously. However, there are cases in which the court's judgment conflicts with the judgment of the patent trial.

Declaratory judgment on the scope/extent of a right, litigation for cancellation of a trial decision, and patent litigation have in common that they are based on patent infringement, but they are often considered as separate and independent litigation. Even if each proceeds at the same time, it does not constitute a duplicate litigation, and in principle, the conclusion of any one of the proceedings does not have binding force in the other litigation.

In this regard, the Supreme Court held that "in a civil trial, facts recognized in a final trial decision, such as declaratory judgment on the scope/extent of a right related thereto, constitute strong evidence unless there are special circumstances, but if it is recognized in light of other evidence submitted in the civil trial that it is difficult to adopt the factual judgment in a final trial decision such as declaratory judgment on the scope/extent of a right, it can be rejected" (Sentenced on January 11, 2002, 99da59320).

In other words, patent trials and patent litigations are treated as separate cases, and even though the judgments can be used as powerful evidence, they can be excluded if the trial decision of the patent trial is considered difficult to employ as evidence affecting the patent litigation. In practice, however, the judgment of the Patent Tribunal and the patent court is often respected. In many cases, the parties to a dispute file a patent lawsuit such as an injunction prohibiting infringement and a claim for damages, and simultaneously request a trial to confirm the scope of rights with the Intellectual Property Tribunal to reflect the outcomes in the patent litigation.

Therefore, the parties to a patent dispute should consider the fact that the outcome of a patent trial is an important factor that can affect the judgment in a patent litigation, consider whether to pursue it, and use it strategically to prepare countermeasures.[5]

5 https://blog.naver.com/minwhoip_1/222149480668

3. Impact analysis based on winning rate

The data below argues that invalidation trials are closely related to infringement litigation, claiming that the success rate in infringement litigation in which invalid defense is raised and invalidation trials are conducted is similar to the success rate in those invalidation trials.[6]

If we examine the number of successful cases and success rate of different types of infringement litigation, as shown in <Table 5-7> below, injunction against infringement was granted in 16 cases out of 56 cases, and the success rate was 28.7%. Damages were granted in 9 cases out of 32 cases, and the success rate was 28.1%. Also, 31 cases out of 125 cases were won where both injunction against infringement and compensation for damages were simultaneously claimed, and the success rate was 24.8%, which is lower than cases where a single remedy is claimed. And out of the 325 filings made for invalidation trials in response to these 213 infringement lawsuits, 286 were patent invalidation trials, and invalidation judgment was granted in 86 of them with a success rate of 30.2%. Invalidation judgment was granted in 13 out of 39 cases of utility model invalidation trials with a rate of 33.3%.

<Table 5-7> Success rate of infringement lawsuits in which invalidity defense/trial is raised/filed & success rate of the invalidation trials

Number of infringement lawsuits				Patent invalidation trials			Trial for invalidation of utility model		
Type of litigation	No. of cases	No. of cases won	Success rate	No. of cases	No. of cases won	Success rate	No. of cases	No. of cases won	Success rate
Injunction against infringement	56	16	28.7	286	86	30.2	39	13	33.3
Compensation for damages	32	9	28.1						
Injunction + damages	125	31	24.8						
Total	213	56	26.3						

As shown in <Table 5-7>, the average success rate of infringement lawsuits by type is 26.3%, while the average winning rate (for invalidity) of patent and utility model invalidation trials is 30.5%, slightly higher than the success rate in infringement lawsuits, but it could be concluded that they are rather close. It can be concluded from this aspect that infringement lawsuits with invalidity defense claims are closely related to invalidation trials.

6 Comparative Study of Patent Trial and Infringement Lawsuit, Intellectual Property Trial and Appeal board, 2017.12.31 (page 132)

USA

1. Possibility of parallel proceeding of Inter Partes Review (IPR) (PTAB) and patent infringement litigation (ITC/Federal Court)

In the United States, when an infringement action (ITC/Federal Court) is pending, the Patent Trial and Appeal Board (PTAB) has the discretion to initiate a patent invalidation trial, called Inter Partes Review (IPR), in response to a claimant. The U.S. Supreme Court recently held that the PTAB has the right to final decision-making, i.e., the PTAB's decision on whether to initiate an IPR cannot be appealed.[7]

Within six months after a petitioner raises doubts as to the validity of the patent and applies for an IPR, the PTAB decides whether to take the claim, and if it does grant the proceeding, it makes a final judgment on the claim within 12 months thereafter and announces a final written decision (FWD). Current data shows that an IPR is granted for about 60-65% of all filings. About 125 IPRs are filed per month to the PTAB, and 85% of them deals with patents pending in federal court. About 64% of the claims that have reached the final judgment are invalidated, and only 19% of the claims results in no invalidity judgment at all, which shows a high success rate.[8]

The decision on whether to initiate the invalidation trial is based on an NHK-Fintiv test derived from the cases of *NHK* (2018) and *Fintiv* (2020). In short, the PTAB decides whether to initiate an invalidation trial by examining the factors one by one. The six factors of the NHK-Fintiv test are as follows:[9]

1. Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted (existence of a stay weighing strongly against discretionary denial)

2. Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision (a trial date preceding the date of FWD weighing in favor of discretionary denial)

3. Investment in the parallel proceeding by the court and the parties (district court issuance of substantive orders related to patent at issue, or claim construction orders weighing in favor of discretionary denial)

4. The overlap between the issues raised in the two parallel lawsuits (if similar issues, weighing in favor of discretionary denial)

5. Whether the parties to the litigation are the same in parallel proceeding (if the same, weighing in favor of discretionary denial)

6. Other circumstances affecting the exercise of PTAB's discretion, including the merits of the case. (e.g., the weaker the claim for invalidity, the more inclined to reject it)

According to PTAB, those six factors relate to whether efficiency, fairness, and the merits of the case support the agency's rejection of a case because of an early trial date of the parallel proceedings. In deciding whether to dismiss or take it, PTAB is taking a holistic view of whether it is beneficial to the efficiency and integrity of the system.[10] The rule that was applied in the *NHK* case decided around September 2018, and the Fintiv case decided in March 2020, have been applied to a total of 24 cases by the PTAB up to September 2020.

According to the results of one analysis,[11] as observed from analyzing the 24 cases, certain factors carried a greater weight in decision making. Among them, No. 4 (whether there is overlapping of issues) and No. 6 (circumstances such as the merits of the case) carry the greatest weights, followed by No. 2 (closeness to the parallel litigation schedule) and No. 3 (investment of the parties in other lawsuits), and finally, No. 1 (whether it is possible to stay the existing lawsuit) and No. 5 (whether the parties are the same).

Out of a total of 24 cases, the number of final judgments consistent with the decision pointed by

7 Thryv, Inc., FKA Dex Media, Inc. v. Click-To-Call Technologies, LP, et al., No. 18–916 (S. Ct. April 20, 2020).

8 Navigating Issue Preclusion in Parallel Patent Proceedings, SHARON A. ISRAEL (2019), its data from: "Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board," Federal Register 83, No. 197 (October 11, 2018): 51340, 51342 https://www.govinfo.gov/content/pkg/FR-2018-10-11/ pdf/2018-22006.pdf (amending claim construction standard, effective November 13, 2018), https://www.uspto.gov/sites/default/files/documents/trial_statistics_201812.pdf.

9 https://www.iptechblog.com/2020/07/the-ptab-informs-applying-apple-v-fintiv/#_edn1

10 According to the PTAB, "these [six] factors relate to whether efficiency, fairness, and the merits support the exercise of authority to deny institution in view of an earlier trial date in the parallel proceeding."[9] Further, "in evaluating these factors, the Board takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review."

11 https://www.womblebonddickinson.com/us/insights/articles-and-briefings/initial-statistical-analysis-ptab-recent-nhk-fintiv-factor-institution-decisions

factor 4 and 6 was 17 and 14 respectively, and only 5 and 1 judgments were made that contradicted the outcome pointed by these factors. In addition, in cases where factors 4 and 6 both support the same judgment, no judgments were made that contradicts them. For example, there were several cases where the PTAB decided whether to grant the proceeding only by factors 4 and 6, even when two or more of the factors other than the 4 and 6 points to an opposite decision. In other words, if the contents of the trial currently in progress in the court or ITC has a high overlap with the review requested to the PTAB, and the weaker the claim in the original claim, the more likely the PTAB will reject the review, and vice versa.

For a more detailed understanding of how the PTAB applies these factors, see comparison of *Apple v. Fintiv* (2020) (rejected) and *Sand Revolution v. Continental* (2020) (initiated).[12]

Fintiv Factors	Apple	Sand Revolution
1. Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted	No application for stay No influence on the decision to grant or deny	No application for stay No influence on the decision to grant or deny
2. Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision	Changes to existing litigation schedule, federal court plans to hold hearings two months before PTAB's final decision is announced Weighs somewhat towards discretionary denial	A federal court hearing is scheduled to begin close to the time the PTAB announces its final decision, but subject to the "if possible" conditional statement. Weighs slightly against discretionary denial
3. Investment in the parallel proceeding by the court and the parties	34 pages of detailed order after briefing and hearing on seven claim terms Weighs somewhat in favor of discretionary denial	A two-page preliminary order Weighs very slightly in favor of discretionary denial
4. The overlap between the issues raised in the two parallel lawsuits	The invalidation claim in the PTAB is the same as the invalidation claim in federal court; Claimant does not mention whether it will present the same grounds in federal court when an invalidation trial is initiated. Weighs in favor of discretionary denial	The same case as the one in federal court, but the claimant said he would not assert the same basis for the same claim in federal court if an IPR is initiated. Weighs slightly against discretionary denial
5. Whether the parties to the litigation are the same in parallel proceeding	same party Weighs in favor of discretionary denial	same party Weighs in favor of discretionary denial
6. Other circumstances involving the merits of the case affecting the exercise of PTAB's discretion (the stronger the claim, the less likely it is to be dismissed)	The PTAB determined that the claim was weak as to two of three independent claims. Weighs in favor of discretionary denial	PTAB determines that the claim is strong Weighs against discretionary denial
Outcome	**Denied**	**Granted**

12 https://www.iptechblog.com/2020/07/the-ptab-informs-applying-apple-v-fintiv/#_edn1

The later or more uncertain the litigation date, the more likely the trial begins. The clearer and earlier the litigation date, the more likely the PTAB will dismiss the case. If the trial date is after the PTAB's final judgment, it is likely that the court will not address issues related to patent invalidity prior to the final judgment, which will weigh in favor of the PTAB's initiation of trial. However, if the court has already done a lot of work on interpreting the claims, the PTAB is more likely to dismiss the case. Although the PTAB has not explicitly stated this, it may also have to do with the fact that the PTAB and the courts currently have the same standards for interpretation of claims. Therefore, from the point of view of patent holders, it is necessary to be careful about delaying or setting the litigation schedule indefinitely, and it may be beneficial to induce early interpretation of claims if infringement is certain. On the other hand, from the standpoint of the respondent, there should be no delay in requesting an invalidation trial so that the final judgment of the invalidation trial can be reached before the commencement of the infringement lawsuit. For example, prior art selection can be made earlier so that claims can be filed within a reasonable period of time after the content of the claims in the alleged infringement is disclosed.

The more overlapping issues, the more likely the trial is denied. The more overlapping the prior art in the infringement lawsuit and the patent trial, the more likely the PTAB will dismiss the lawsuit. While the non-overlapping of the parties may weigh on the initiation of a trial, the PTAB may also consider whether they are dealing with the same patents in parallel litigation. The patent holder should check and emphasize whether the claims in the invalidation trial and infringement litigation overlap. A strong attack on the merits of a lawsuit can also be helpful, as weak claims are more likely to be dismissed than strong claims. From the standpoint of the respondent, it is possible to distinguish between the claim of invalidity in the invalidation trial and the claim of invalidity in the court. For example, when claiming invalidity in a lawsuit, consider excluding the prior art raised in the invalidation trial, or clearly assert that if an invalidation trial is initiated, it will not assert the same grounds as the infringement suit.[13]

2. Differences between the court and the ITC with respect to the influence by the PTAB IPR (assuming parallel proceedings are permitted)

1) ITC[14]

Because the ITC has a policy of "fastest practicable end of the investigation," the fact that IPR has started in PTAB or is in progress does not stay or change the investigation. It is different from a patent infringement lawsuit in the federal court that stays the action if an IPR is pending. Since the IPR usually takes about 18 months from the filing to the issuance of the final judgment, suspending the Article 337 investigation for this reason violates these rules. This is because, in most circumstances, the final judgment of the IPR in PTAB comes after the administrative judges and committees at the ITC have reviewed all the elements of infringement, validity and public interest. In addition, although federal courts may impose ex post compensation for damages incurred to the parties in suspending litigation for pending PTAB proceedings, the ITC's inability to do so is another reason for the ITC's reluctance to suspend the proceedings.[15]

However, when the PTAB announces a final judgment, it can be a little different. Currently, the PTAB may deny an IPR if the final judgment is expected to be announced during the trial of other litigation bodies (as described above). However, if the final judgment of the PTAB is announced during the ITC investigation process, it can have a significant impact on the ITC's decision. The ITC process can be divided into the violation stage (from the discovery of evidence to the announcement of the initial judgment) and the relief stage (from the initial judgment to the final judgment). Observation of recent events shows that any stage of the ITC's proceeding may be affected by the PTAB final decision.

Although it is rare in the violation stage, the investigation may be suspended due to the announcement of the final judgment of the invalidation trial. In August 2018, the ITC stopped the investigation in the violation stage for the first time due to the final judgment of the PTAB invalidation trial. This was possible because all three parties (the complainant, the respondent, and the investigator) voted in favor of the suspension due to appeals in the federal court against the final judgment,

13 https://www.iptechblog.com/2020/07/the-ptab-informs-applying-apple-v-fintiv/#_edn1
14 https://www.jdsupra.com/legalnews/february-2019-itc-treatment-of-ipr-65955/
15 https://www.finnegan.com/en/insights/articles/the-interplay-between-the-itc-and-the-ptabmore-progress-needed.html

but it is understood that this precedent does not alter the tendency of the ITC to refrain from suspending the investigation. However, it is difficult to say that it is impossible to stop the investigation if it is in the interests of all parties.

Even in the relief stage, the ITC may be affected by the final judgment of the PTAB. For example, if the patent is invalidated by the PTAB, the ITC may temporarily suspend the execution of the remedy. In the case of *Certain Three Dimensional Cinema Systems and Components Thereof* (Inv. No. 337-TA-939) in 2016, the ITC did not suspend the proceedings due to the parallel PTAB invalidation trial proceedings, and even an invalidation judgment was issued in PTAB five months after the ITC's initial judgment was issued, the ITC confirmed the initial judgment and took a stand against the invalidation judgment (recognizing the validity of the patent). However, it said that it will not enforce the remedy until the appeal against the final written judgment in the IPR is over.

However, *Certain Network Devices, Related Software and Components Thereof (II)*, (Inv. No. 337-TA-945) (2017) showed contradictory results. In this case, the IPR final written decision confirming the invalidity of the patent came just three weeks after the ITC published the final judgment, and despite the invalidity decision the ITC rejected the defendant's argument to suspend the enforcement of the remedy. Distinguishing the case from the previous case, the ITC presented several reasons for refusal. In the previous case (TA-939), remedies had not been granted, and only one of the three relevant patents was invalidated by the IPR, and as a result only part of the remedies was not implemented. But in this case, the remedies for both relevant patents would be suspended, which means that the remedies would be completely suspended.

Therefore, the position taken by the ITC may vary depending on whether the final written judgment of the IPR is announced during or after the ITC proceedings, and also depending on the extent of the effect of the IPR decision on the ITC's remedies. Therefore, it will be necessary to find similar precedents or go through a detailed investigation on the effect of the IPR that is parallelly conducted. Also, the ITC is generally not affected by the initiation or parallel progress of the PTAB invalidation trial process, but only in special cases, such as when the PTAB's final judgment is announced before the execution of the remedy, would it be affected, resulting in the proceedings or the remedy being suspended.

It is also worth noting that the patent is valid until the appeal against the final judgment of invalidation is over. 35 U.S.C. § 318(b). The PTAB will not issue a Certificate of Revocation until all appeal proceedings have been terminated or the appealable period has expired."

2) FEDERAL COURT

Unlike the ITC, federal court proceedings are influenced more by PTAB decisions. (This may be the reason why 85% of the IPRs currently pending at the PTAB are related to cases pending in the courts) Federal district court judges have decided to suspend the lawsuit in 60% of cases on the grounds of a concurrent PTAB trial. These suspensions usually continue until PTAB's final written decision is appealed to the Federal Court of Appeals, for the purpose of preventing enforcement of remedies for potentially invalid patents.[16] The parties may also appeal to the Federal Court of Appeals as to whether the court should have granted a suspension of action for IPR proceedings.

Federal courts may suspend proceedings for initiation of IPR alone without announcement of the final judgment of the invalidation trial, but this is also at the discretion of the court. However, the court may be reluctant to suspend the case if a significant investment has been made in the discovery procedure, such as securing expert testimony in a lawsuit. As mentioned in the previous section, the PTAB, too, does not grant IPR if there has been substantial proceeding undertaken by the court. Therefore, to suspend the court proceedings with an IPR, it is necessary to apply for an IPR to the PTAB in the early stage of the infringement lawsuit in court and request the court to suspend the case based on this.[17]

As an example, in October 2020, *G.W. Lisk Co., Inc. v. Gits Mfg. Co.*, No. In 4:17-cv-273-SMR-CFB (S.D. Iowa), the district court rejected the plaintiff's request to resume the infringement suit that had been suspended due to a parallel IPR proceeding. The parties were awaiting the results of an appeal

16 https://www.finnegan.com/en/insights/articles/the-interplay-between-the-itc-and-the-ptabmore-progress-needed.html
17 https://www.jdsupra.com/legalnews/when-should-i-file-an-ipr-during-17196/

in the Federal Court of Appeal after the final judgment of the IPR was issued. The court cited four reasons for this:[18]

a. It has been 4 years since the lawsuit started, but there has been little disclosure of evidence, and the trial date has not been set.

b. The appeals of the parties against the decision of the PTAB include all patent claims raised in the litigation, so the litigation procedure cannot be resumed for the patents that have been recognized as effective by the PTAB. Extending the suspension is beneficial to the case.

c. Although the patent will soon lose its effect in November 2021, since the plaintiff also appealed against the PTAB's decision, there is no bias in extending the suspension of the proceedings.

d. Waiting for the results of the court of appeals can significantly reduce the pre-trial workload of the judiciary (court).

Therefore, it can be observed that the federal court generally suspends the litigation when the IPR of the PTAB is pending, unless the infringement litigation procedure in the court has been extensively carried out. This stay often lasts until the appeal is over.

3. Binding power of PTAB's IPR final written decision against the ITC/ federal court

1) THE RELATIONSHIP BETWEEN THE IPR DECISION AND FEDERAL COURT IN TERMS OF BINDING POWER

a. Binding power of PTAB's decision in federal courts

According to precedents, federal courts are not bound by PTAB's invalidation judgment. The essential reason is that there is no reason for the judiciary to be bound by the decision of the administrative body PTAB, but the reasoning is that the standards of evidence used by the two parties in invalidating the patent are different. In invalidating a patent, federal courts require clear and convincing proof, whereas the PTAB requires a preponderance of evidence. Therefore, even if the same evidence is presented, the two bodies may reach different conclusions on the annulment. A federal court which requires a higher standard of evidence may find a patent invalidated by the PTAB not invalid.

However, if the PTAB invalidation decision is appealed to the Federal Court of Appeal, and the Federal Court of Appeal confirms the PTAB's patent invalidation decision, it is reasonable that the federal court is bound by the judgment.

As mentioned earlier, federal courts often suspend proceedings on the grounds that the PTAB's IPR is in progress, the final written decision is announced, or an appeal is pending. However, in some cases, a federal district court may issue a preliminary injunction against a party to a lawsuit (defendant), based on the court's ruling that the patent will be valid, even though the PTAB's invalidity judgment has been issued during the litigation. In other words, the PTAB's invalidation judgment ultimately has no binding force in the federal courts.

In *Liqwd, Inc. v. L'Oreal USA, Inc.*, 1:17-cv-14 (D. Del) (2019), which began in 2017, a federal district court issued a preliminary injunction against the defendant's related products in April 2019, ten months after June 2018 when the PTAB invalidated the patent during the litigation. Immediately after the PTAB's IPR final written decision was announced, the defendant requested the termination of the case or at least a stay until the PTAB invalidation judgment was appealed and the result came out, but the court rejected the request, and issued a preliminary injunction.

18 https://www.jdsupra.com/legalnews/staying-still-district-court-extends-4991757/

The Federal District Court agreed with the Magistrate Judge's decision, which was contrary to the PTAB's decision, and determined that the defendant's claim to invalidate the patent was highly likely to fail. (The court did not explicitly find that the patent was valid, but rather that the defendant's argument was likely to fail.) In doing so, the court held that the court was not bound by the PTAB's decision.[19] The court stated, "If the PTAB judgment is under appeal, it cannot have a decisive effect on the case until the appeal process is completed."[20]

In response, the court also cited the 2017 Federal Court of Appeals decision, *Tinnus Enterprises, LLC v. Telebrands Corp.*, 846 F.3d 1190, 1202 n.7 (Fed. Cir. 2017). In the *Tinnus* case, the Federal Court of Appeals affirmed the preliminary injunctive relief despite the PTAB's IPR decision issued during the litigation and stated that the court was not bound by the PTAB's decision.

It is worth noting that, in this case, the federal court did not even allow the defendant to stay the proceedings. As mentioned in the section above, federal courts often stop litigation when an invalidation trial is in progress in the PTAB, but sometimes deny it, as in this case, when the court has already completed considerable investigation and proceedings on the case. This means that the court has already reached its decision spending a lot of time and effort, and it does not want the ruling of the PTAB, an administrative body, to overturn it.

When the preliminary injunction was confirmed in the case, the PTAB's IPR invalidation decision had already been appealed to the Federal Court of Appeal by the plaintiff, and oral arguments were pending. However, if the Federal Court of Appeals also confirms the invalidity decision of the PTAB, it will have binding power in the relevant federal district court.

b. Binding power of federal court decisions on PTAB's IPR

Similarly, federal court decisions are not found to be binding on the IPR decision of the PTAB. Recently, in *Novartis AG v. In Noven Pharms., Inc.*, (Fed. Cir. Apr. 4, 2017), the PTAB ruled that the patent was invalid even though the Federal District Court and the Court of Appeals had ruled that the patent was valid. The Federal Court cited the different standards of evidence as the reason and noted that "the PTAB may render different judgments on the same evidence." This is also consistent with the conclusion of the United States Supreme Court in *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016), which is as follows. "This difference in burden of proof means that the possibility of inconsistent adjudication is inherent in Congress' regulatory design."

19 https://www.markmanadvisors.com/blog/2019/5/1/what-happens-when-a-district-court-and-the-ptab-disagree-over-the-validity-of-a-patent

20 The court held when "a PTAB finding is on appeal [it] does not have preclusive effect as to this action unless and until the appeal is resolved." (Liqwd, Inc. v. L'Oreal USA, Inc., 1:17-cv-14 (D. Del) (Dkt. 785 at 9)(citations omitted).

2) RELATIONSHIP BETWEEN PTAB'S INVALIDATION JUDGMENT (IPR) AND ITC'S BINDING FORCE

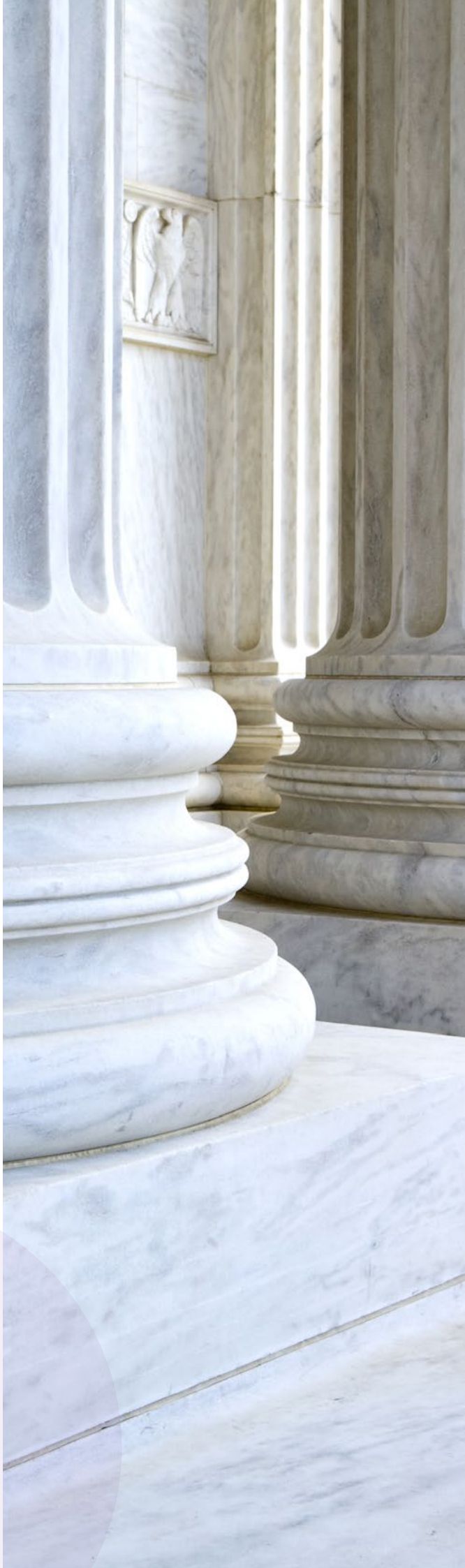
At present, the PTAB's invalidation judgment (IPR) alone cannot be considered binding on the ITC's decision. As mentioned above, if the invalidity judgment of the PTAB is announced at a point in time, such as before the ITC announces the remedy, the ITC will have a procedural stay, such as not enforcing the remedy, until the appeal against the invalidation judgment is over. However, the invalidity judgment does not overturn the judgment of the ITC as an authority with legal binding force. In fact, even in this case, the ITC procedurally suspended the procedure, but it confirmed the initial order of the administrative judge that the patent was valid, which contradicted the invalidity judgment of the PTAB. In addition, according to the precedents so far, if remedies have already been taken, the ITC will not cancel the execution of remedies for PTAB's invalidation decision alone, "unless the relevant patent is definitely invalidated (cancelled) by the termination of all appealable periods or all possible appeals."

In *Certain Network Devices, Related Software and Components Thereof (II)*, Inv. No. 337-TA-945) (2017) between Cisco and Arista Networks Inc., the ITC recognized the plaintiff's patent as valid and issued an order to exclude the importation of the defendant's product. However, during the 60-day presidential deliberation period, when the execution of the order was not yet effective, the PTAB made a final ruling that the related patent was invalid. Defendant Arista immediately applied for the withdrawal of the exclusion order or the suspension of the proceedings under the PTAB judgment, but the ITC rejected it. Arista then also appealed to the Federal Court of Appeals to suspend the exclusionary order while the appeal was pending, which was also denied.[21]

The main reason for the ITC's refusal to suspend or withdraw the import exclusion order is that "a patent claim pending an invalidation trial (IPR) or reexamination shall be valid until all possible appeals have been completed, and a certificate is issued by the United States Patent and Trademark Office (PTO)."[22] Because the PTAB's IPR decision was still on appeal and a certificate of revocation had not yet been issued, the ITC concluded that the PTAB's

21 https://www.finnegan.com/en/insights/articles/itc-not-treating-ptab-decisions-like-other-agency-rulings.html (Finnegan, Henderson, Farabow, Garrett & Dunner, LLP)

22 Inv. No. 337-TA-945, Commission Opinion, 11쪽 (U.S.I.T.C. Aug. 16, 2017)



patent invalidation judgment was not a "change in circumstance" that could change or revoke the ITC's import exclusion order.[23] In other words, the ITC considered that the PTAB's final judgment did not affect the status quo, i.e., it had no legal effect.

As for the "change in circumstances", Commission Rule 210.76(a) requires the ITC to determine whether there are "factual and legal changes" that require the provisional withdrawal of the relief order. If the decision of the PTAB is legally recognized as U.S. Patent and Trademark Office's final holding on the issue of invalidity, the decision could be considered as "changed circumstances," but for now, ITC does not grant such authority to PTAB's decision. But as we can presume from the PTAB's position that "a patent claim pending an invalidation trial (IPR) or reexamination remains in effect until after all possible appeals have been exhausted and the U.S. Patent and Trademark Office (PTO) issues a certificate of revocation against that claim," even though the invalidity judgment of the PTAB alone does not have binding power on the ITC, but if an invalidation decision is confirmed upon appeal, it will have an effect on the ITC. For example, after the Federal Court of Appeals summarily affirmed the invalidity decision of the PTAB in the *Certain Network Devices* case, the ITC softened its position and suspended the order for remedies on the patent even before the certificate of revocation was issued. Inv. No. 337-TA-945, Comm'n Order at 3 (Apr. 5, 2018).[24]

However, in *Nobel Biocare Services AG v. Instradent USA, Inc.*, No. In 2017-2256 (Fed. Cir. Sept. 13, 2018), the Federal Court of Appeals affirmed the PTAB's decision on May 10, 2017, but until then, the ITC's exclusionary order for the patent was enforced for 16 months. In the case of *Certain Network Devices* above, the import exclusion order was enforced for 10 months until the Federal Court of Appeal confirmed the invalidity judgment.[25] Therefore, there seems to be voices criticizing the ITC's measures, saying that it protects invalid patents for a long time and therefore, more weight should be given to the IPR invalidation judgment of the PTAB.

Therefore, to summarize, if the ITC procedure is in progress and the PTAB invalidated the patent before the relief order is issued, depending on the circumstances, the ITC procedure may be suspended, or the ITC relief order may be suspended until the appeal against the IPR invalidation decision is completed. However, it does not have the effect of overturning the ITC's decision, and the ITC can still uphold its judgment as to whether a patent is invalid regardless of the procedural change. Also, after the ITC's relief order has been issued, the invalidity judgment of the PTAB does not seem to have the effect of suspending or revoking it. However, if the invalidity of the PTAB is confirmed by a federal appeal, it seems to have effect on the ITC's decisions and actions.

It is noteworthy that in appeals against PTAB invalidity judgments, the Federal Court of Appeals often respects PTAB's judgments and upholds PTAB's invalidation judgments in about 75% of cases.[26] For this reason, the invalidation judgment of the PTAB has been widely used since 2012, with about 125 claims filed per month. As mentioned earlier, the probability of a patent invalidation decision in the PTAB invalidation trial itself is about 64%, which is rather high.[27] It can be safely said that the invalidity judgment of the PTAB has no legal binding force on the ITC until all appealable period for the judgment has expired, or all appeal proceedings are terminated with confirmation of the invalidity judgment, and accordingly, the US Trademark Office (USPTO) issues a certificate of revocation for the patent claim.

3) WHETHER THE JUDGMENT OF THE ITC CAN HAVE EFFECT INDEPENDENT OF PTAB'S JUDGMENT ON THE VALIDITY OF THE PATENT

As mentioned above, the ITC will not be bound by the PTAB's invalidity judgment unless it is finally confirmed on an appeal in a federal court. Therefore, the ITC can make its own judgment on the validity of a patent regardless of the judgment of the PTAB. However, in some cases, it would refrain from enforcing remedies in cases where PTAB's IPR decision was issued first, at least until the outcome of the appeal on IPR decision comes out.

23 Inv. No. 337-TA-945, Commission Opinion, 12쪽 (U.S.I.T.C. Aug. 16, 2017)
24 https://www.finnegan.com/en/insights/articles/the-interplay-between-the-itc-and-the-ptabmore-progress-needed.html
25 Id.
26 Id.
27 Navigating Issue Preclusion in Parallel Patent Proceedings, SHARON A. ISRAEL (2019)

4) EFFECT OF ITC JUDGMENT IN FEDERAL COURTS

Federal Courts of Appeals have long ruled that ITC infringement and validity rulings do not have a preclusive effect on federal courts. According to the court, "The National Assembly did not intend the ITC's decision on patent matters to have a conclusive effect." *Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996) However, in the case of non-statutory intellectual property rights such as trade secrets rather than statutory intellectual property rights such as patents, copyrights and trademarks, the ITC's decision is binding on the Federal Court of Appeal.

4. With whom the final binding power lies among the institutions

Judging from the results of the research so far, it could be summarized that the ITC, PTAB, and the Federal District Court may have procedural influence against each other's patent judgments resulting in the suspension of lawsuits and remedies, but it is safe to say that they do not have final binding power against one another. However, in the event that the IPR patent invalidation decision of the US Patent and Trademark Office is confirmed through appeal by the Federal Court of Appeals and accordingly, the US Patent and Trademark Office (USPTO) issues a certificate of revocation for the patent, it will have a final effect on the patent-related judgments of the ITC and lower courts.

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