

What District Courts Are Saying About Admissibility Of IPR

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Six years after the America Invents Act created inter partes review proceedings, patent disputes increasingly involve parallel litigation, with at least one inter partes review proceeding in tandem with district court litigation(s) involving the same patent claims. Given the frequency with which IPRs are utilized as parallel means of resolving patent disputes, rather than as an alternative to district court litigation, the question that practitioners are starting to face with some regularity is whether, and to what extent, IPR decisions are admissible in district court litigation.



David Cavanaugh

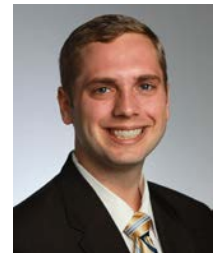
In this article, we examine how district courts have analyzed that question, focusing on recent case law addressing whether and to what extent IPR institution decisions and final written decisions are admissible in district court cases.



Omar Khan

Admissibility of Institution Decisions

The Patent Trial and Appeal Board may institute an IPR if there is a “reasonable likelihood” that the petitioner will prevail with respect to at least one of the challenged claims.[1] Disputes may then arise over whether the PTAB’s institution or non-institution decision is admissible evidence in a parallel district court litigation.



Jeffrey Dennhardt

Decisions Instituting Review

When a petition to institute IPR is granted, accused infringers may seek to admit the institution decisions in parallel district court litigation for various purposes.

Invalidity

Some litigants have sought to introduce institution decisions as evidence of invalidity in district court litigation. District courts in at least Wisconsin and California have rejected that approach, finding that institution decisions are overly prejudicial and have little probative value.[2] For example, in *Ultratec Inc. v. Sorenson Communications Inc.* in the Western District of Wisconsin, the defendants sought to admit evidence of institution of pending IPR proceedings in light of the court’s ruling that it would instruct the jury on the presumption of validity and allow plaintiff’s counsel to refer to the presumption during trial.[3] Finding the defendants’ position “not without merit,” the court nonetheless excluded the evidence. It reasoned that because “different standards, procedures and presumptions” are applied, evidence of a pending IPR is “irrelevant and highly prejudicial to the jury’s determination of the validity of the patents.”[4]

Good Faith Belief

Accused infringers have been more successful in obtaining admission of institution decisions as evidence of their good faith belief of invalidity.[5] In *Ultratec*, discussed supra, although the court excluded IPR institution decisions as evidence to rebut the presumption of invalidity, it allowed defendants to use the evidence to rebut willfulness and show good faith belief of invalidity.[6] Other district courts, however, have excluded institution decisions from the liability case altogether, finding the danger of undue prejudice too great — even when the evidence was introduced only to prove good faith belief of invalidity.[7] For example, in a case pending in the Eastern District of Texas, the court excluded evidence of an IPR institution, finding that although it had “some relevance” to the defendant’s intent, the institution decision posed an “extremely high” danger of undue prejudice that “cannot be mitigated simply by the use of a limiting instruction.”[8]

Damages

Defendants have further argued, without much success to date, that institution decisions bear on the value of the asserted patents and, in turn, on damages issues.[9] In a case pending in the Western District of Pennsylvania, for example, the defendant sought to introduce evidence of a pending IPR in the damages phase of the trial and for the limited purpose of showing “whatever differences there are between the prior art and the claimed invention, they are not extensive.”[10] The district court excluded the evidence. It found that introducing evidence of an incomplete IPR risks jury confusion and is “highly prejudicial” to the plaintiff because the jury might improperly transfer the IPR findings — made under a more lenient standard than that employed by the district court — onto the damages determination.[11] The court also warned of the danger that a jury might credit the findings of the PTAB based on “perceived credibility of government agencies over a foreign corporate Plaintiff.”[12]

Decisions Denying Institution

A denial of institution should not estop an accused infringer from advancing the petitioned-for grounds in litigation, but plaintiffs may nonetheless seek to rely on the noninstitution decision to bolster the validity of the challenged patents in litigation.[13] District courts appear to be divided on whether noninstitution decisions are admissible to bolster validity.

Some district courts find noninstitution decisions admissible as to validity, notwithstanding the possibility that introducing such evidence might cause jury confusion.[14] In such cases, admissibility is often premised on the notion that appropriate jury instructions on the standard of proof for invalidity can mitigate any potential confusion.[15] For example, one court in the Central District of California allowed the plaintiff to introduce at trial the PTAB’s rejection of the defendant’s IPR petition, which contained many of the same prior art references relied on in the litigation.[16] Meanwhile, it instructed the jury to make “independent[]” determinations regarding the validity of the patents-in-suit notwithstanding the noninstitution decision.[17]

Other courts have excluded noninstitution decisions, primarily out of concern for potential jury confusion.[18] A Delaware court excluded evidence of the PTAB’s denial of a third-party IPR petition based on the same prior art to be presented at trial.[19] It found the PTAB proceedings to be of “marginal relevance” and the “probative value ... greatly outweighed by the expenditure of time that would be required to give the jury the full context necessary to fairly evaluate the

evidence.”[20] Specifically, the court excluded the PTAB’s noninstitution decision for three reasons: (1) a noninstitution decision is not a decision on the merits; (2) IPR decisions are made by administrative judges who, according to the court, “are not persons of ordinary skill in the art”; and (3) the defendants were not parties to the IPR.[21]

Admissibility of Final Written Decisions

By statute, final written decisions have preclusive effect in district court litigation with respect to any prior art that a petitioner “raised or reasonably could have raised” during the IPR.[22] Once a final written decision issues in an IPR, an accused infringer is barred from raising the same invalidity grounds in subsequent district court litigation. Beyond estoppel, how an IPR final written decision may be used in parallel district court litigation (and under what circumstances) appears to depend on various factors. At bottom, courts must weigh the probative value of a final written decision that is necessarily directed at different grounds and/or different parties than those in litigation.[23]

Final Written Decisions Canceling Claims

Unlike an IPR institution decision, a final written decision is generally the PTAB’s final say on the validity of the challenged patents. Accordingly, defendants understandably have sought to introduce final written decisions invalidating claims into litigation.

Some district courts have declined to admit such evidence.[24] In a Delaware case, for example, the defendants sought to introduce a final written decision of a third-party IPR invalidating certain asserted claims based on the same prior art references the defendants relied on in the district court. In a brief order, the court found inadmissible “the PTAB’s factual findings, decisions, and legal conclusions” and only allowed the defendants to introduce evidence of the plaintiff’s statements made during the IPR as party admissions.[25] While the order did not explain in detail the court’s reasoning, the plaintiff’s briefing cited extensively to decisions in which courts excluded nonfinal and final U.S. Patent and Trademark Office decisions based on the different invalidity standards applicable to IPRs/re-examinations and litigation, and the risk of jury confusion.[26] While it is unclear whether the court found it relevant, the plaintiff’s brief also emphasized that the final written decision at issue was the subject of a pending appeal.[27]

Albeit in the context of re-examinations, at least one district court has admitted final rejections from the PTO invalidating the challenged patent. A Northern District of California court denied a plaintiff’s motion in limine to exclude evidence of several ex parte and inter partes re-examinations that “have run their course before the examiners,” i.e., the examiners had closed prosecution.[28] The court held that it would be “misleading to instruct the jury on the presumption of validity while concealing from the jury the fact that the rationale for the presumption — PTO examiner expertise — has been drawn into question by more recent examiner rejections based in part on prior art previously not disclosed to the PTO.”[29] Thus, the court indicated that while it would instruct the jury on the presumption of validity, the jury should also hear evidence that the examiner subsequently issued rejections on two of the patents-in-suit “because the rationale underlying the presumption of validity is much diminished where the evidence before the factfinder was not before the PTO during the examination process.”[30]

Final Written Decisions Confirming Claims

While claims are afforded the “presumption of validity” in district court litigation, patent holders have argued for the admission of PTO final written decisions confirming claims as further evidence of validity. Courts, however, are divided on the admissibility of such decisions.[31]

For example, in a case pending in the Eastern District of Texas, the court admitted an examiner’s final decision confirming the validity of the challenged claims in an inter partes re-examination initiated by the defendants.[32] The court found the evidence “highly probative” and the risk of confusion “minimal” because the PTO applies a lower threshold of proof for invalidity than the court.[33] Presumably, it meant that the defendants’ failure to meet the lower standard before the PTO is highly probative of their likelihood of satisfying the higher standard before the district court.

On the other hand, a Western District of Wisconsin court held that “Federal Rule of Evidence 403 ... obliges the Court [to] broadly exclude evidence related to the IPR proceedings and reexaminations.”[34] The court reasoned that because IPR estoppel provisions prevent subsequent challenges to a patent based on (1) any ground the petitioner could have reasonably raised but did not, and (2) any instituted ground, “the IPRs necessarily covered different prior art than will be used at trial” such that admission of a final written decision upholding the claims “is irrelevant to the specific prior art at issue here.”[35] Thus, the court cited potential jury confusion, the potential waste in time and resources, and the lack of probative value in excluding evidence regarding the IPR proceedings.[36]

Conclusion

The admissibility of IPR institution and final written decisions is, at present, an issue generally committed to the discretion of the district court. Several common considerations, however, underlie the various decisions analyzed here, including (1) the purpose(s) for which the IPR decision is sought to be introduced, (2) the probative value of the PTAB decision weighed against the risk of potential jury confusion and prejudice; (3) whether the decision cancels or confirms the asserted claims and the relationship between the IPR decision and the presumptions and burdens of proof applicable to invalidity issues; (4) whether there is a pending appeal of the final written decision; (5) the applicability of IPR estoppel to the validity issues presented in litigation; (6) the perceived feasibility of educating the jury about the PTAB proceedings and the different standards of proof applicable at the PTAB and in the district court; and (7) the relationship(s), if any, between the parties to the litigation and the parties to the IPR.

—David Cavanaugh, Omar Khan and Jeffrey Dennhardt, WilmerHale

[David Cavanaugh](#) is a Partner in WilmerHale’s Washington office and specializes in post-grant patent proceedings.

[Omar Khan](#) is a Partner in WilmerHale’s New York office and specializes in intellectual property matters.

[Jeffrey Dennhardt](#) is Senior Associate in WilmerHale's New York office and specializes in intellectual property litigation.

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[1] 35 U.S.C. § 314.

[2] See, e.g., *Ivera Med. Corp. v. Hospira, Inc.*, No. 14-CV-1345-H-RBB, 2015 WL 11529819, at *1 (S.D. Cal. July 21, 2015); *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 13-CV-346-BBC, 2014 WL 5023098, at *2 (W.D. Wis. Oct. 8, 2014).

[3] *Ultratec*, 2014 WL 5023098, at *2.

[4] *Ultratec*, 2014 WL 5023098, at *2. On May 9, 2018, the PTO issued a Notice of Proposed Rulemaking that, if enacted, would align the claim construction standards applied in IPRs with those of district courts. Specifically, the PTO proposed (1) replacing the broadest reasonable construction standard with the Phillips claim construction standard applied by district courts; (2) allowing the PTAB to consider a district court's prior construction of a claim term at issue in an IPR; and (3) applying the new standard "to all pending IPR ... proceedings before PTAB." 83 Fed. Reg. 21,221-21,226 (May 9, 2018).

[5] See, e.g., *Ericsson Inc. v. TCL Commc'n Tech. Holdings, Ltd.*, No. 2:15-CV-00011-RSP, 2018 WL 2149736, at *11 (E.D. Tex. May 10, 2018) ("TCL's success in convincing the Patent Office to institute inter partes review of the '510 patent would ordinarily be evidence of the reasonableness of [its good faith believe of invalidity]."); *Allure Energy, Inc. v. Nest Labs, Inc.*, No. 9-13-CV-102, 2015 WL 11110643, at *2 (E.D. Tex. May 11, 2015) (good faith belief of invalidity to disprove willfulness "is bolstered by Patent Trial and Appeal Board instituting inter partes review on all asserted claims").

[6] See *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, 45 F. Supp. 3d 881, 920 (W.D. Wis. 2014).

[7] See, e.g., *XY, LLC v. Trans Ova Genetics, LC*, No. 13-CV-0876-WJM-NYW, 2016 WL 97691, at *2 (D. Colo. Jan. 7, 2016) ("[T]he evidence of the pending Inter Partes Review proceedings is relevant to willfulness, but ... that relevance is substantially outweighed by the danger of undue prejudice."); see also *SSL Servs., LLC v. Citrix Sys., Inc.*, 769 F.3d 1073, 1092-93 (Fed. Cir. 2014) (district court did not abuse discretion in excluding under Rule 403 evidence of ongoing re-examination proceeding as evidence of a good faith believe of invalidity to rebut willfulness); *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1324-25 (Fed. Cir. 2014) (giving deference to the district court's exclusion of PTO nonfinal rejections and declining to decide whether its "opinion in Commil justifies reliance on re-examination evidence to establish a good faith belief of invalidity" regarding inducement). The Supreme Court has since overruled the Federal Circuit's *Commil* decision with respect to inducement. See *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361 (Fed. Cir. 2013) vacated, 135 S. Ct. 1920 (2015). The Federal Circuit has not directly addressed the admissibility of IPR decisions in subsequent litigation.

[8] *Personalized Media Commc'ns, LLC v. Zynga, Inc.*, No. 2:12-CV-00068-JRG, 2013 WL 10253110, at *1 (E.D. Tex. Oct. 30, 2013).

[9] See, e.g., *Ultratec, Inc.*, 2014 WL 5023098, at *2 (“[D]efendants may not rely on evidence of the IPR proceedings during the damages phase to argue that the patents are entitled to diminished value.”).

[10] *Drone Techs., Inc. v. Parrot S.A.*, No. 14CV0111, 2015 WL 12752847, at *2 (W.D. Pa. Apr. 9, 2015).

[11] *Id.*

[12] *Id.*

[13] See *HP Inc. v. MPHJ Tech. Inv., LLC*, 817 F.3d 1339, 1347 (Fed. Cir. 2016) (“[T]he noninstituted grounds were not raised and, as review was denied, could not be raised in the IPR. Therefore, the estoppel provisions of § 315(e)(1) do not apply.”).

[14] *Chamberlain Grp., Inc. v. Techtronic Indus. Co.*, No. 16 C 6097, 2018 WL 2332461, at *19 (N.D. Ill. May 23, 2018) (admitting evidence of denial of institution with limiting instruction); *Dexcowin Glob., Inc. v. Aribex, Inc.*, No. CV 16-143-GW(AGRX), 2017 WL 3478492, at *3 (C.D. Cal. June 29, 2017) (same); *Metaswitch Networks Ltd. v. Genband US LLC*, No. 2:14-CV-744-JRG-RSP, 2016 WL 3618831, at *4 (E.D. Tex. Mar. 1, 2016) (excluding “any argument, testimony, evidence or reference to any pending ... inter partes review petition,” but noting that “[t]his motion does not preclude reference to post-grant review petitions where the PTAB denied institution of review”); *StoneEagle Servs., Inc. v. Pay-Plus Sols., Inc.*, No. 8:13-CV-2240-T-33MAP, 2015 WL 3824208, at *8-9 (M.D. Fla. June 19, 2015) (admitting denial of institution, but implying that it may be inappropriate for plaintiff to suggest at trial that a denial of institution strengthens the presumption of validity of the asserted patent); *Procter & Gamble Co. v. Team Techs., Inc.*, No. 1:12-CV-552, 2014 WL 12656554, at *10-11 (S.D. Ohio July 3, 2014) (considering non-institution decision in granting summary judgment of no invalidity).

[15] See, e.g., *Chamberlain Grp., Inc.*, 2018 WL 2332461, at *19 (“[I]mproper effects on juries of introducing PTO determinations can be mitigated with a limiting instruction TTI requested, and the Court gave, such an instruction in this case”); *Dexcowin Glob., Inc.*, 2017 WL 3478492, at *3 (“Denial to institute IPR has different legal standards but any potential confusion can be addressed by appropriate jury instructions on the standard of proof applicable to patent invalidity defenses and counterclaims.” (internal quotation marks omitted)).

[16] *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SACV 12-00329 AG, 2014 WL 8096334, at *7 (C.D. Cal. Apr. 21, 2014).

[17] Jury Instructions, *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. 8:12-cv-329, Dkt. No. 410, at 37 (C.D. Cal. May 21, 2014).

[18] See, e.g., *Acantha LLC v. Depuy Orthopaedics Inc.*, No. 15-C-1257, 2018 WL 2431852, at *2-3 (E.D. Wis. May 30, 2018) (excluding denial of IPR institution due to “[t]he danger of unfair prejudice ... [and] jury confusion that cannot be cured through a jury instruction”); *Andover Healthcare, Inc. v. 3M Co.*, No. CV 13-843-LPS, 2016 WL 6404111, at *2 (D. Del. Oct. 27, 2016) (“The PTAB’s decision [denying institution] is not a final decision on validity, is based on different legal standards, and has no estoppel effect.”); *Finjan, Inc. v. Sophos, Inc.*, No. 14-CV-01197-WHO, 2016 WL 4560071, at *14 (N.D. Cal. Aug. 22, 2016) (“probative value [of denial of institution] ... will be far outweighed by likely confusion to the jury,” and “there is a substantial risk that the jury will improperly substitute its own judgment for the PTO decisions”); *Ziilabs Inc., Ltd. v. Samsung Elecs. Co.*, No. 2:14-CV-203-JRG-RSP, 2015 WL 13617214, at *3 (E.D. Tex. Oct. 28, 2015) (same); *Wisconsin Alumni Research Found. v. Apple, Inc.*, 135 F. Supp. 3d 865, 873-75 (W.D. Wis. 2015) (same); *Paice LLC v. Hyundai Motor Co.*, C.A. No. MJG-12-499, 2015 WL 5158727, at *1-2 (D. Md. Sept. 1, 2015) (admitting statements made in IPR on case-by-case basis, but excluding “reference to any ruling by the PTAB, including its ruling regarding the institution or non-institution”); *Rembrandt Wireless Techs., LP v. Samsung Elecs. Co.*, Case No. 2:13-CV-213-JRG-RSP, 2015 WL 627430, at *5 (E.D. Tex. Jan. 31, 2015) (excluding denial of institution).

[19] *Interdigital Commc’ns Inc. v. Nokia Corp.*, C.A. No. 13-10-RGA, 2014 WL 8104167, at *1 (D. Del. Sept. 19, 2014).

[20] *Id.*

[21] *Id.*

[22] 35 U.S.C. § 315(e)(2).

[23] For additional information regarding the application of IPR estoppel, see, e.g., David L. Cavanaugh and Christopher Noyes, *WilmerHale Webinar: Untangling IPR Estoppel and Navigating Into the Future*, WilmerHale (June 21, 2017), <https://www.wilmerhale.com/en/insights/media/wilmerhale-webinar-june-21-2017>; Mindy Sooter and Gregory Lantier, *What the Fed. Circ. Says About IPR Estoppel*, *Law360* (Sept. 23, 2016), <https://www.law360.com/articles/842619>.

[24] See, e.g., *ABS Glob., Inc. v. Inguran, LLC*, No. 14-CV-503-WMC, 2016 WL 4009987, at *3 (W.D. Wis. July 25, 2016) (excluding evidence of final written decision, then on appeal at the Federal Circuit, where district court stayed proceedings relating to patents at issue in IPRs and same claims were at issue in both forums); *Morley v. Square, Inc.*, No. 4:10CV2243 SNLJ, 2016 WL 2733114, at *3 (E.D. Mo. May 11, 2016) (excluding evidence of final written decision, in part because “some matters are still on appeal,” but admitting testimony and evidence from IPR proceeding, where same claims were at issue in IPR and litigation); *Magna Elecs., Inc. v. TRW Auto. Holdings Corp.*, No. 1:12-CV-654, 2016 WL 4238769, at *2 (W.D. Mich. Jan. 28, 2016) (excluding evidence regarding outcomes of IPR proceedings but admitting statements and evidence from those proceedings, where different claims were at issue in IPRs and litigation); *GreatBatch Ltd. v. AVX Corp.*, C.A. No. 13-723-LPS, Dkt. No. 594 at 72-74 (D. Del. Jan. 8, 2016) (excluding evidence of final

written decision holding claims unpatentable due in part to pending appeal, where claims held unpatentable were a subset of claims in litigation); *Affinity Labs of Texas, LLC v. Ford Motor Co.*, No. 1-12-CV-580, 2014 WL 11510084, at *1-2 (E.D. Tex. Sept. 8, 2014) (excluding evidence of a PTAB final written decision in a re-examination—then on appeal at the Federal Circuit—finding one claim term failed the written description requirement, where patent in litigation and patent in re-examination “share the same specification”).

[25] *Reckitt Benckiser Pharms. Inc. v. Watson Labs. Inc.*, C.A. No. 13-1674-RGA, 2015 U.S. Dist. LEXIS 167982, at *4-5 (D. Del. Dec. 16, 2015) (same claims at issue in IPR and litigation); Fed. R. Evid. 801(d)(2).

[26] Motion in Limine to Preclude Evidence Concerning Inter Partes Review, *Reckitt Benckiser Pharms. Inc. v. Watson Labs. Inc.*, C.A. No. 13-1674-RGA, Dkt. No. 386-4 at 1-2 (D. Del. Nov. 17, 2015) (citing *Wisconsin Alumni Research Found.*, 135 F. Supp. 3d at 874-75; *Interdigital Commc’ns Inc.*, 2014 WL 8104167; *Personalized User Model, L.L.P. v. Google Inc.*, No. CV 09-525-LPS, 2014 WL 807736, at *3 (D. Del. Feb. 27, 2014); *IA Labs CA, LLC v. Nintendo Co.*, 857 F. Supp. 2d 550, 551-52 (D. Md. 2012)).

[27] Motion in Limine to Preclude Evidence Concerning Inter Partes Review, *Reckitt Benckiser Pharms. Inc. v. Watson Labs. Inc.*, C.A. No. 13-1674-RGA, Dkt. No. 386-4 at 3 (D. Del. Nov. 17, 2015).

[28] *Oracle Am., Inc. v. Google Inc.*, No. C 10-03561-WHA, 2012 WL 1189898, at *3 (N.D. Cal. Jan. 4, 2012) (same claims at issue in litigation and re-examinations).

[29] *Id.*

[30] *Id.*

[31] Compare, e.g., *Oracle v. Google*, 2012 WL 1189898, at *3 (in addition to admitting two PTO re-examination decisions invalidating claims, the court also admitted a third PTO decision confirming claims for an asserted patent that had finished re-examination) with *Precision Fabrics Grp., Inc. v. Tietex Int’l, Ltd.*, 297 F. Supp. 3d 547, 553 (D.S.C. 2018) (explaining that “the determinations of the IPR proceedings generally should not be admitted,” where same claims were at issue in IPR and litigation).

[32] *L.C. Eldridge Sales Co. v. Azen Mfg. Pte., Ltd.*, No. 6:11CV599, 2013 WL 7964028, at *3 (E.D. Tex. Nov. 14, 2013) (same claims at issue in re-examination and litigation).

[33] *Id.*

[34] *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, No. 14-CV-1296-JPS, 2017 WL 4570787, at *5-7 (E.D. Wis. Oct. 12, 2017) (same claims at issue in IPRs and litigation).

[35] *Id.* at *6. In so holding, the court disagreed with the determination in *StoneEagle Servs.* that any prejudice can be cured through jury instructions because, as the prior art at issue in the litigation was necessarily different from the art at issue in the IPR due to estoppel, “IPRs would only ever be relevant for the broad notion that the patents are resilient, but such a proposition is misleading and unhelpful.” *Id.*

[36] The court also addressed the admissibility of a denial of institution, holding that “there is no reason to show the jury that IPR was not instituted because the Federal Circuit has instructed that it does not matter the reason for the decision not to institute IPR.” *Id.* at *6 (citing *Interdigital Commc’ns*, 2014 WL 8104167).