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# PTAB HIGHLIGHTS

New developments in post-issuance proceedings

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## Eight Days Late, and an Exercise of Discretion Short — PTAB Refuses to Conform to an IPR Settlement

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October 26, 2015 — 35 U.S.C. § 317(a) states that “[a]n *inter partes* review ... shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed.” 35 U.S.C. § 317(b) states that an agreement in writing “shall be filed before the termination.”

Under 37 C.F.R. § 42.74, “[t]he parties may agree to settle any issue in a proceeding.” The provision cautions, however, that “the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.”

When reviewing its own actions, the Patent Trial and Appeal Board acknowledges that it has abused discretion when a decision has been based on an erroneous interpretation of law, a factual finding not supported by substantial evidence, or when a decision represents an unreasonable judgment in weighing relevant factors. It sometimes relies on *Arnold P’ship v. Dudas*, 362 F.3d 1338, 1340 (Fed.Cir. 2004), for its formulation of abuse of discretion.

Thus, PTAB proceedings can be settled, under both 35 U.S.C. § 317 and 37 C.F.R. § 42.74. And the Board can abuse discretion when it erroneously interprets law. Does 37 C.F.R. § 42.74, however, give the Board discretion to refuse to conform to an *inter partes* review (IPR) settlement? Or is refusal an abuse of discretion?

In one case, the Board refused to conform to a settlement because it had invested in the activity of deciding the merits and wanted to finish the decision. It did so even though it was informed of the settlement before the hearing, and even though it was given the final settlement papers a mere eight days after the hearing.

The case is *In Kinetic Technologies, Inc. v. Skyworks Solutions, Inc.*, IPR2014-00690. There, the Board addressed a settlement in a decision on October 19, 2015 (Paper 43). (The decision is cited here in the form, “Dec. x” where “x” is the page number of the decision.) By background, this IPR concerned a patent in litigation. Dec. 3. Skyworks, the patent owner, asserted patent infringement in U.S. district court. *Id.* Kinetic, the IPR petitioner, brought the validity of the patent into question in the IPR. *Id.* 2. The patent was directed to integrated electronic circuits, and the pins through which they interface electrically. *Id.* 3-6.

The Board conducted proceedings beginning when the IPR was filed, in 2014. On May 27, 2015, the parties informed the Board they had settled. *Id.* 2. The parties did this through a joint motion to terminate the proceeding. *Id.* This was before any hearing on the IPR, which was scheduled for June 4, 2015. *Id.* The parties asserted that termination was proper under 35 U.S.C. § 317(a), because theirs was a joint request of the petitioner and patent owner, and the Office had not decided the merits of the proceeding before their request for termination was filed. But on the day of their filing, the parties could not provide the Board final settlement papers, because, as they stated in their motion, they were still at that time “in the process of finalizing an agreement to settle.” Dec. 2 n. 1. The Board nevertheless did not defer the IPR oral hearing, did not demand the prompt filing of final settlement papers or otherwise save itself work, and instead conducted the hearing. *Id.* It went forward on June 4, 2015. *Id.* at 3.

A mere eight days later, on June 12, 2015, the parties renewed their joint motion to dismiss, and filed their settlement agreement. *Id.* at 20. The agreement, an IPR exhibit 2040, is not open for public inspection, but it was filed. See IPR2014-00690, listing item 98, at [https://ptabtrials.uspto.gov/prweb/PRWebLDAP2/HcI5xOSeX\\_yQRYZAnTXXCg%5B%5B\\*/!S TANDARD?UserIdentifier=searchuser](https://ptabtrials.uspto.gov/prweb/PRWebLDAP2/HcI5xOSeX_yQRYZAnTXXCg%5B%5B*/!S TANDARD?UserIdentifier=searchuser).

One might think the effect of 35 U.S.C. § 317(a) would have been termination of the proceeding, on or about June 12, 2015, with no further work by the Board. The statute states that “review ... shall be terminated ... upon ... joint request.” One could argue that the “shall” of the statute does not allow the Board to refuse termination. § 317(a) also states that termination shall happen unless the Office has “decided the merits” before the request for termination is filed. One could argue that the Board has not “decided the merits” unless a decision on the merits has been fully made, *finite*, done. In *Kinetic Technologies*, however, the Board wrote a final decision over the next four months and issued it. See Dec.1.

The sum total of what the Board stated about its actions and the reasons behind them were a statement of the facts, denial of the renewed motion to terminate, and this spare explanation of reasoning: “Based on the facts of this case and because the settlement was not concluded until after the oral hearing and we had substantially decided the merits of the proceeding, we exercise our discretion not to terminate this proceeding.” Dec. 20-21.

Without stating as much, the Board apparently reasoned that since it believed it had “*substantially* decided the merits of the proceeding (emphasis added)” by June 12, that caused the situation to fall within the exception of 35 U.S.C. § 317(a) that an IPR proceeding had to terminate due to a joint request “unless,” quoting 317(a), the Board had “decided” the merits of the proceeding before the request for termination was filed. The Board also apparently reasoned

that a motion of the parties to terminate the proceedings was not effectively filed until the parties filed their agreement. And further, the Board apparently did not view what it did in refusing to conform to the settlement agreement and mutual request to terminate as an abuse of discretion.

What are the lessons from the case? Lesson No. 1: Don't think that in all cases you can move to terminate an IPR and have success without actually filing a completed settlement agreement. Lesson No. 2: Don't think you can wait until after a hearing to conclude the writing-up of a settlement that is in the works and having waited, avoid an IPR final decision — not even waiting as little as a mere eight days after a hearing, and not even with having alerted the Board before the hearing that settlement is coming — at least don't think so with some of the administrative patent judges at the PTAB. Lesson No. 3: Don't be eight days late, and an exercise of discretion short, in terminating an IPR proceeding by settlement, if you don't want to risk the PTAB Board writing a final decision in the case.

*The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office's Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer weekly summaries of the board's significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.*



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