

Prior art stipulations, a petitioner's tool for addressing *Fintiv* denials

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In December 2020, the Board designated as precedential *Sotera Wireless, Inc. v. Masimo Corporation*,¹ a decision instituting inter partes review (IPR) despite arguments from the patent owner that proceedings at the Patent Trial and Appeal Board (PTAB) would be inefficient given the overlapping prior art issues litigated concurrently in the co-pending district court case.

The Board's decision to institute turned on the petitioner's stipulation in district court not to pursue at trial any ground raised or that could have been raised in the IPR petition. This article provides a brief review of the *Sotera* decision and examines how prior art stipulations have been used by practitioners to date.

Sotera Wireless, Inc. v. Masimo Corporation

On June 13, 2019, Patent Owner Masimo served a nine-patent infringement suit against Sotera in the Southern District of California.² Nearly twelve months later, just ahead of the one-year statutory bar, Sotera petitioned for IPR of all nine patents.³

In its preliminary response to the lead petition, Masimo cited the parallel district court proceeding as grounds for discretionary denial of institution under the six-factor framework established in the precedential decision of *Apple Inc. v. Fintiv, Inc.*⁴

Sotera, on leave from the Board, filed a reply to the preliminary response highlighting its restrictive stipulation "not [to] pursue in the District Court Litigation any ground raised or that could have been reasonably raised in an IPR."⁵ Considering the stipulation and other relevant facts, the Board weighed the *Fintiv* factors in favor of instituting review.

In particular, the Board weighed *Fintiv* factor 4⁶ heavily in favor of institution based on Sotera's stipulation.

According to the Board, "Petitioner's stipulation here mitigates any concerns of duplicative efforts between the district court and the Board, as well as concerns of potentially conflicting decisions."⁷ In the Board's view, Sotera's stipulation was "much more substantial" than stipulations limited to the grounds and/or art raised in the IPR.⁸

A stipulation as restrictive as Sotera's "ensures that an *inter partes* review is a 'true alternative' to the district court proceeding"⁹ by matching the 35 U.S.C.A. § 315(e)(2) statutory estoppel applied to a petitioner at the conclusion of an IPR.

The Board also found under *Fintiv* factor 3¹⁰ that, "although the parties and the District Court have invested some effort in the parallel proceeding to date, further effort remains to be expended in this case before trial."¹¹

In reaching this conclusion, the Board observed that, even though initial invalidity contentions had been served, "much other work remains in the parallel proceeding as it relates to invalidity: fact discovery is ongoing, expert reports are not yet due, and substantive motion practice is yet to come."¹²

Additionally, the Board noted that the district court had already vacated its *Markman* deadlines, including the hearing date.¹³ Therefore, because of the "relatively limited investment" in the district court litigation, the Board found that this factor also weighed against exercising its discretion under § 325(d).

Following institution of the *Sotera* IPRs, the district court promptly stayed the litigation.¹⁴ Interestingly, in contrast to the effect Sotera's stipulation had on the Board's decision to institute the IPR, the district court's opinion granting Sotera's motion to stay did not mention the stipulation at all.

But the district court *did* acknowledge that the IPRs would "substantially simplif[y]" the issues in the case.¹⁵ And indeed, the PTAB subsequently found each of the challenged claims in eight of the nine patents under review unpatentable.¹⁶

Patent Owner Masimo has appealed these final written decisions to the Federal Circuit, where briefing is currently underway.

The broad range of stipulations

Following its designation of *Sotera* as precedential, the Board has continued to look favorably upon stipulations of equally restrictive scope.

For example, in *Ocado Group PLC v. AutoStore Technology AS et al.*, the Board instituted IPR in view of a *Sotera*-type stipulation that "address[ed] any concerns about overlap between the issues presented in the two fora."¹⁷

The Board went one step further in *R.J. Reynolds Vapor Company v. Philip Morris Products S.A.*, holding that it was "required to follow the *Sotera* precedent" for a stipulation "with substantively the same wording as the stipulation addressed in *Sotera*."¹⁸

Petitioners reluctant to submit a full *Sotera*-style stipulation may consider less-restrictive terms, which have also been used to combat discretionary denials.

Generally, prior art stipulations submitted in the PTAB fall into three categories based on their scope: *Sotera*-type stipulations, *Sand Revolution*-type stipulations, and intermediate stipulations.

The *Sotera*-type stipulation discussed above is the most restrictive of these categories, as it prohibits future use of virtually all printed publication prior art in the parallel district court or ITC proceeding.

A *Sand Revolution*-type stipulation, on the other hand, is the least restrictive category. In *Sand Revolution*, the Petitioner stipulated that “if the IPR is instituted, Petitioner will not pursue the same grounds in the district court litigation.”¹⁹

By agreeing only to forego a perfect overlap of the IPR prior art grounds in the district court, the stipulation “mitigate[d] to some degree the concerns of duplicative efforts...[and] potentially conflicting decisions.”²⁰ Thus, the Board weighed *Fintiv* factor 4 just “marginally” in favor of institution.²¹

Finally, petitioners have used a variety of different “intermediate” stipulations to avoid *Fintiv* denials. The scope of these intermediate stipulations — which vary in both substance and effect — fall somewhere between *Sotera* and *Sand Revolution*.

Intermediate stipulations generally include the base *Sand Revolution* stipulation (i.e. specific grounds raised in the petition) and also additional grounds or combinations that the petitioner agrees not to pursue, such as: (i) grounds that include the same primary references used in the petition²²; (ii) grounds that include any of the references used in the petition²³; or (iii) grounds that include any of the same primary references or any references substantially similar to those primary references.²⁴

As one might expect, the general trend is that more restrictive stipulations carry more weight in favor of institution than less restrictive stipulations.

According to a recent study, cases where the petitioner submitted less restrictive *Sand Revolution*-type stipulations carried an institution rate of 63.3%, nearly twenty percent higher than cases where the petitioner did not make any stipulation.²⁵

By comparison, the same study reported that cases where the petitioner submitted *Sotera*-type stipulations carried an institution rate of 96.3%.²⁶ But even a *Sotera*-type stipulation does not guarantee success.

For example, in *Cisco Systems, Inc. v. Estech Systems, Inc.*, the Board exercised its discretion to deny institution notwithstanding a *Sotera*-type stipulation from the petitioner.²⁷ In the *Cisco* case, a jury trial was scheduled eleven months before the projected final written decision of an IPR, and the Board found that, among other things, the significant investment of resources poured into the district court proceeding outweighed the lack of overlapping prior art issues.²⁸

Despite the high success rate of *Sotera*-type stipulations, they have not been used frequently by petitioners. Petitioners have only used *Sotera*-type stipulations in about 18% of cases involving a *Fintiv* analysis.²⁹

Indeed, using a *Sotera*-type stipulation appears to be less common than filing no stipulation at all, as was done in 23% of cases involving a *Fintiv* analysis.³⁰ It is notable that discretionary *Fintiv* denials appear to be on the decline even without *Sotera*-type stipulations becoming common practice.

Data presented at a recent conference indicate that so far in 2022 only 3% of petitions involving a *Fintiv* analysis have been denied under § 314(a), down from the 26% of petitions denied on this basis in 2021 and the high water mark of 36% of petitions denied in 2020, the year *Fintiv* was made precedential.³¹

Different scope for different folks

Crafting the appropriate stipulation scope for an IPR can be difficult. One lens through which the dilemma might be viewed is weighing the benefit of institution against the cost of excluding printed publication prior art in the parallel proceeding.

Potential questions to guide this cost-benefit analysis include:

- **How strong is the patent owner’s denial argument based on *Fintiv* factors 1 (whether the co-pending proceeding is stayed), 2 (trial date proximity to final written decision), and 3 (investment by the parties and court in the co-pending proceeding)?** Petitioners who wait closer to the one-year statutory bar date or are defending in jurisdictions with rapid trial schedules typically face stronger arguments for denial.
- **What non-printed publication prior art defenses are viable?** Petitioners may consider the relative strength of these other defenses — such as §§ 102/103 defenses based on system prior art, § 112 defenses or § 101 defenses — in comparison to prior art defenses based on printed publications. Similarly relevant is whether and to what degree the printed publication prior art is digestible by a jury.
- **How strong is the petitioner-defendant’s non-infringement defense?** If strong non-infringement arguments will dominate the limited time available in a jury trial, a more restrictive stipulation may be palatable. Additionally, IPR proceedings may strengthen a non-infringement defense based on narrowing statements and disclaimers from the patent owner.
- **How likely is the court in the co-pending proceeding to grant a stay in view of an instituted IPR?** At this point, historical data provide a fairly accurate depiction of whether a particular court is inclined to grant a stay.

Conclusion

While observers have commented that discretionary denials under *Fintiv* are on the decline, the underlying cause is less certain than the trend of outcomes.

One potential impetus is that petitioners have become more adept at navigating the six *Fintiv* factors by filing their petitions earlier and utilizing stipulations. To that end, petitioner-defendants are still feeling *Fintiv*’s impact, as many (if not most) instituted petitions involve a stipulation to forego one or more invalidity defenses in parallel proceedings.

And the decision to submit a stipulation is just the first step. The challenge comes with selecting the stipulation scope, which involves a balance of multiple competing factors. A stipulation matching the restrictive scope employed successfully in *Sotera* can be highly effective in gaining institution at the PTAB but can have critically important consequences in a parallel district court or ITC proceeding.

If one thing is clear, there is no one-size-fits-all approach. Petitioners should take a holistic view when weighing the benefits and costs of prior art stipulations.

Notes

¹ IPR2020-01019, Paper 12 (Dec. 1, 2020).

² See IPR2020-01019, Paper 6 at 14-15 (Sept. 4, 2020).

³ *Id.* at 16.

⁴ *Id.* at 12-20.

⁵ IPR2020-01019, Paper 10 at 6 (Oct. 16, 2020).

⁶ The “overlap between issues raised in the petition and in the parallel proceeding[.]” *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 12-13 (Mar. 20, 2020).

⁷ IPR2020-01019, Paper 12 at 19 (Dec. 1, 2020).

⁸ *Id.*

⁹ *Id.*

¹⁰ The “investment in the parallel proceeding by the court and parties[.]” *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 9-12 (Mar. 20, 2020).

¹¹ IPR2020-01019, Paper 12 at 16 (Dec. 1, 2020).

¹² *Id.*

¹³ *Id.*

¹⁴ See *Masimo Corp. v. Sotera Wireless et al.*, C.A. No. 19-cv-1100, D.I. 112 (S.D. Cal. Jan. 29, 2021).

¹⁵ See *id.* at 6.

¹⁶ See *Masimo Corp. v. Sotera Wireless et al.*, C.A. No. 19-cv-1100, D.I. 113 (S.D. Cal. Dec. 13, 2021).

¹⁷ IPR2021-00311, Paper 11 at 17 (June 28, 2021).

¹⁸ IPR2021-00585, Paper 10 at 13 (September 13, 2021).

¹⁹ *Sand Revolution II, LLC v. Continental Intermodal Grp. – Trucking LLC*, IPR2019-01393, Paper 24 at 11-12 (June 16, 2020).

²⁰ *Id.* at 12.

²¹ *Id.*

²² See, e.g., *Microsoft Corp. v. WSOU Investments, LLC*, IPR2021-00930, Paper 8 at 11 (Dec. 2, 2021).

²³ See, e.g., *Cloudflare, Inc. v. Sable Networks, Inc.*, IPR2021-00969, Paper 16 at 10-11 (Nov. 23, 2021).

²⁴ See, e.g., *Progenity, Inc. v. Natera, Inc.*, IPR2021-00267, Paper 11 at 63-65 (June 7, 2021).

²⁵ <https://bit.ly/3NFcXf6> (“Glass and Adickman article,” last accessed June 7, 2022).

²⁶ *Id.*

²⁷ IPR2021-00333, Paper 12 at 10-14 (July 7, 2021); see also IPR2021-00329, -331, -332 (related proceedings).

²⁸ *Id.*

²⁹ The authors searched Docket Navigator for institution decisions from June 19, 2020, to December 31, 2021, based on the latest data available, where “Fintiv” was found in the text of the decisions, and compared this number against the number of Sotera-type stipulations identified over that same period by the Glass and Adickman article.

³⁰ The authors searched Docket Navigator for institution decisions from June 19, 2020, to December 31, 2021, based on the latest data available, where “Fintiv” was found in the text of the decisions, and compared this number against the number cases identified over that same period in which no stipulation was filed, as identified by the Glass and Adickman article.

³¹ See <https://bit.ly/3az7E2v> (last accessed June 7, 2022).

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