

NHK, Valve, and Discretionary Denials

June 13, 2019



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Overview

- **Topics**

- Important decisions
- Developments
- Practice tips

- **Housekeeping**

- CLE
- Questions
- Materials

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Register

The PTAB recently designated two decisions as precedential that expanded the factors upon which it may rely when exercising its discretion to deny IPR petitions under §§ 314(a) and 325(d). In *NHK Spring v. Intri-Plex*, the PTAB held that the Board may consider the status of co-pending district court litigation when evaluating whether to institute IPR proceedings. In *Valve Corp. v. Electronic Scripting Products*, the PTAB held that the *General Plastic* factors permit the Board to deny follow-on petitions even when filed by different petitioners where the petitioners are closely related or similarly situated.

Join Fish Principal and Post-Grant Practice Co-Chair [Karl Renner](#), Principal [Joshua Griswold](#), and Associate [Kenneth Darby](#) as they discuss these cases and their implications, including:

- In-depth analysis of the *NHK* and *Valve* decisions
- Trends and takeaways from other recent § 314(a) discretionary denials
- Strategic and tactical considerations for petitioners and patent owners

Register today!

Thursday, June 13, 2019
1:00 - 2:00pm EDT

Register

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If you have questions, please contact [Angela Park](#).

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Agenda

- **§314(a) Basics & Background**
- ***NHK* and *Valve*: Why Should You Care?**
- **In-Depth Analysis of *NHK* and *Valve***
- **Strategic & Tactical Considerations**



§314(a)

Basics & Background

Discretionary Denial

What is it?

When the Board refuses to institute despite finding the petition establishes a reasonable likelihood that at least one claim is unpatentable or without conducting a substantive analysis of the petition at all.

Discretionary Denial

Statutory Basis

- 35 U.S.C. § 314(a): The Director **may not** authorize an *inter partes* review to be instituted unless the Director determines . . . that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.
 - Federal Circuit Interpretation: “[T]he PTO is permitted, but never compelled, to institute an IPR proceeding.” *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016).
 - Confirmed by SCOTUS: “§314(a) invests the Director with discretion on the question [of] *whether* to institute review.” *SAS Inst. v. Iancu*, 138 S. Ct. 1348, 1356 (2018).

Initially For Follow-On Petitions

The General Plastic Factors

1. Same petitioner, same claims?
2. Petitioner already knew of prior art?
3. POPR or ID in hand before filing?
4. Time elapsed between finding new art and filing?
5. Adequate explanation for time elapsed?
6. Finite resources of the Board taxed?
7. One-year FWD deadline in jeopardy?

PTAB Encourages Expansion

Trial Practice Guide Update (August 10, 2018):

- The *General Plastic* factors are “not exclusive.”
- Other reasons may warrant denial despite the petition’s merits.
 - For example, where a petitioner’s delay means the Board will not issue a FWD until after the district court trial date.
 - *NetApp, Inc. v. Realtime Data LLC*, IPR2017-01195, Paper 9 at 12–13 (PTAB Oct. 12, 2017).
- “Accordingly, parties may wish to address . . . whether any other such reasons exist in their case that may give rise to additional factors that may bear on the Board’s discretionary decision to institute or not institute[.]”

Expanding *General Plastic*

- *Overlapping District Court Proceedings*
 - Considering the judicial efficiency of IPR in view of pending DCt proceedings
- *Similarly Situated Follow-On Petitioners*
 - A different petitioner's petition can be considered a follow-on petition
- *Efficiency In View of Post-SAS Binary Institution*
 - Considering the judicial efficiency of the IPR itself, i.e., will it be effective?
- *Limited Resources and Overlapping Challenges*
 - Considering the judicial efficiency of a petitioner's multiple petitions on the same patent

Expanding *General Plastic*

Overlapping District Court Proceedings

Institution **Denied**

- *NetApp v. Realtime Data LLC* (IPR2017-01195, Paper 9); Petition and joinder denied because too late; PTAB commented on relationship to DCt trial date
 - “There would be no offsetting conservation of the Eastern District of Texas’ judicial resources because any final written decision in this proceeding would not issue until well after the scheduled trial date in the NetApp Litigation.”
- *NHK Spring Co. Ltd. v. Intri-Plex Technologies Inc.* (IPR2018-00752, Paper 8); Primarily 325(d) denial, but parallel DCt case was an additional basis; trial 6mo after institution.
- *Mylan Pharmaceuticals Inc. et al. v. Bayer Intellectual Property GmbH et al.* (IPR2018-01143, Paper 13): One of two asserted grounds denied under § 325(d) influenced § 314(a) denial of second ground; trial 4mo after institution.

Expanding *General Plastic*

Overlapping District Court Proceedings

Institution **Denied**

- *Thermo Fisher Scientific, Inc. v. The Regents of the University of California* (IPR2018-01367, Paper 10): Primarily a denial on the merits, but parallel DCt case was an additional basis; trial 3mo after institution.
- *E-One, Inc. v. Oshkosh Corp.* (IPR2019-00162, Paper 16): Pure 314(a) denial, but includes discussion of the merits; trial 10mo after institution (subset of issues already resolved).

Expanding *General Plastic*

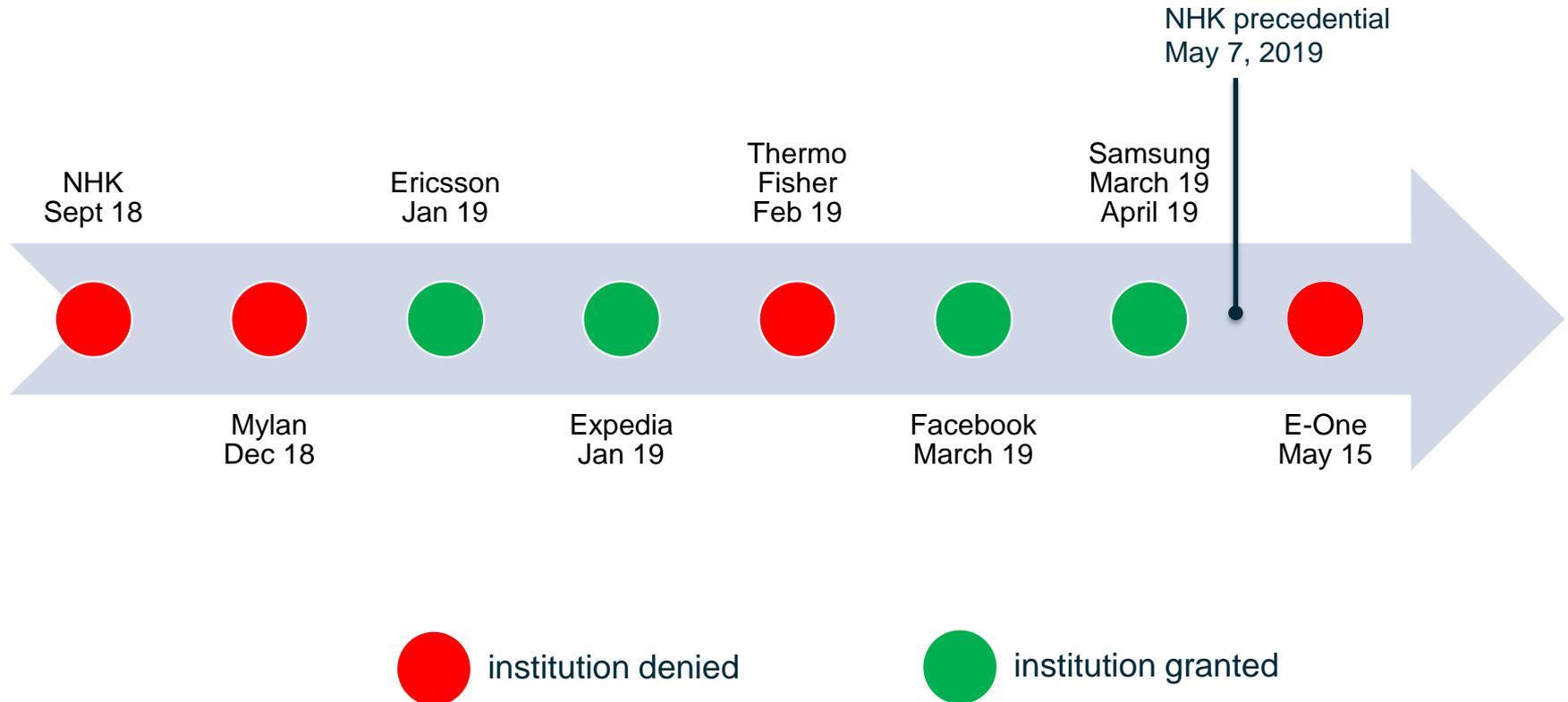
Overlapping District Court Proceedings

Institution **Granted**

- *Ericsson Inc. et al v. Intellectual Ventures I LLC*
(IPR2018-01256, Paper 6): Panel cited possibility of DCt stay and strength of unpatentability; trial 1mo after institution.
- *Expedia, Inc. et al v. International Business Machines Corp.*
(IPR2018-01354, Paper 8): DCt with different defendants found some claims not invalid over same reference two weeks after petition filed.
- *Facebook, Inc. et al v. Search and Social Media Partners, LLC*
(IPR2018-01622, Paper 8): PO argued complexity of parallel DCt/IPR, and IPR challenging subset of asserted claims; little emphasis on timing.
- *Samsung Electronics Co., Ltd. et al v. Immersion Corporation*
(IPR2018-1499, Paper 11; -01500 and -01501 Paper 10): Trial 2mo after institution; overlapping panels distinguished *NHK* and *Mylan*, second panel distinguished *Thermo Fisher*.

Expanding *General Plastic*

Overlapping District Court Proceedings



Expanding *General Plastic*

Overlapping District Court Proceedings

Samsung PTAB panels observed:

- *NHK* “was decided chiefly on § 325(d)” because the petition advanced art and arguments that “were substantially similar to the findings the Examiner made.”
- *Mylan* “does not hold that an IPR should be denied under § 314(a) because a district court is scheduled to consider the same validity issues before the IPR would complete.” There were “specific circumstances” - one ground denied under § 325(d).
- *Thermo Fisher* was decided on the merits; and “[a]fter those determinations, the Board considered a co-pending district court case involving the same parties as a basis for ‘additionally denying’ the petition under § 314(a).”

Expanding *General Plastic*

Similarly Situated Follow-On Petitioners

- *Shenzhen Silver Star v. iRobot Corp.* (IPR2018-00761, Paper 15): Discretionary denial, majority and concurrence discussed similarly situated petitioner as a *General Plastic* factor (petitioners were co-respondents in ITC)
 - “the extent to which the petitioner and any prior petitioner(s) were similarly situated defendants or otherwise realized a similar-in-time hazard regarding the challenged patent.”
 - “it is generally unfair for one defendant to wait for a ‘test case’ to go through”
- *Valve Corp. v. Elec. Scripting Prods., Inc.* (IPR2019-00062, -00063, -00084, Paper 11): Discretionary denial applying similarly situated petitioner as *General Plastic* factor

Expanding *General Plastic*

Efficiency Under Post-SAS Binary Institution

- *Chevron Oronite Company LLC v. Infineum USA L.P.* (IPR2018-00923, Paper 9): Discretionary denial when just two of twenty claims met the standard for institution. [designated informative]
- *Deeper, UAB v. Vexilar, Inc.* (IPR2018-01310, Paper 7): Discretionary denial when just one of four grounds addressing two of twenty-three claims met the standard for institution. [designated informative]
- *Biofrontera Inc., et al, v. DUSA Pharmaceuticals, Inc.* (IPR2018-01585, Paper 10): Discretionary denial when just one of eight grounds addressing three of sixteen claims met the standard for institution.
- *Intex Recreation Corp. v. Team Worldwide Corp.* (IPR2019-00243, Paper 7): Discretionary denial when seven of ten claims did not meet the standard for institution.

Expanding *General Plastic*

Limited Resources and Overlapping Challenges

Comcast Cable v. Rovi Guides, Inc. (IPR2019-00232, Paper 14):

- Petitioner filed two petitions on same day; one denied via 314(a)
- Different primary references, but the same challenged claims and overlapping secondary references
 - Interestingly, the Board issued an order prior to institution asking petitioner to rank the two petitions, identify distinctions, and explain why both should be considered.
- Differences deemed insufficient “to support the inefficiencies and costs associated with instituting on an additional petition”



NHK and Valve
Why Should You Care?

Why Should You Care?

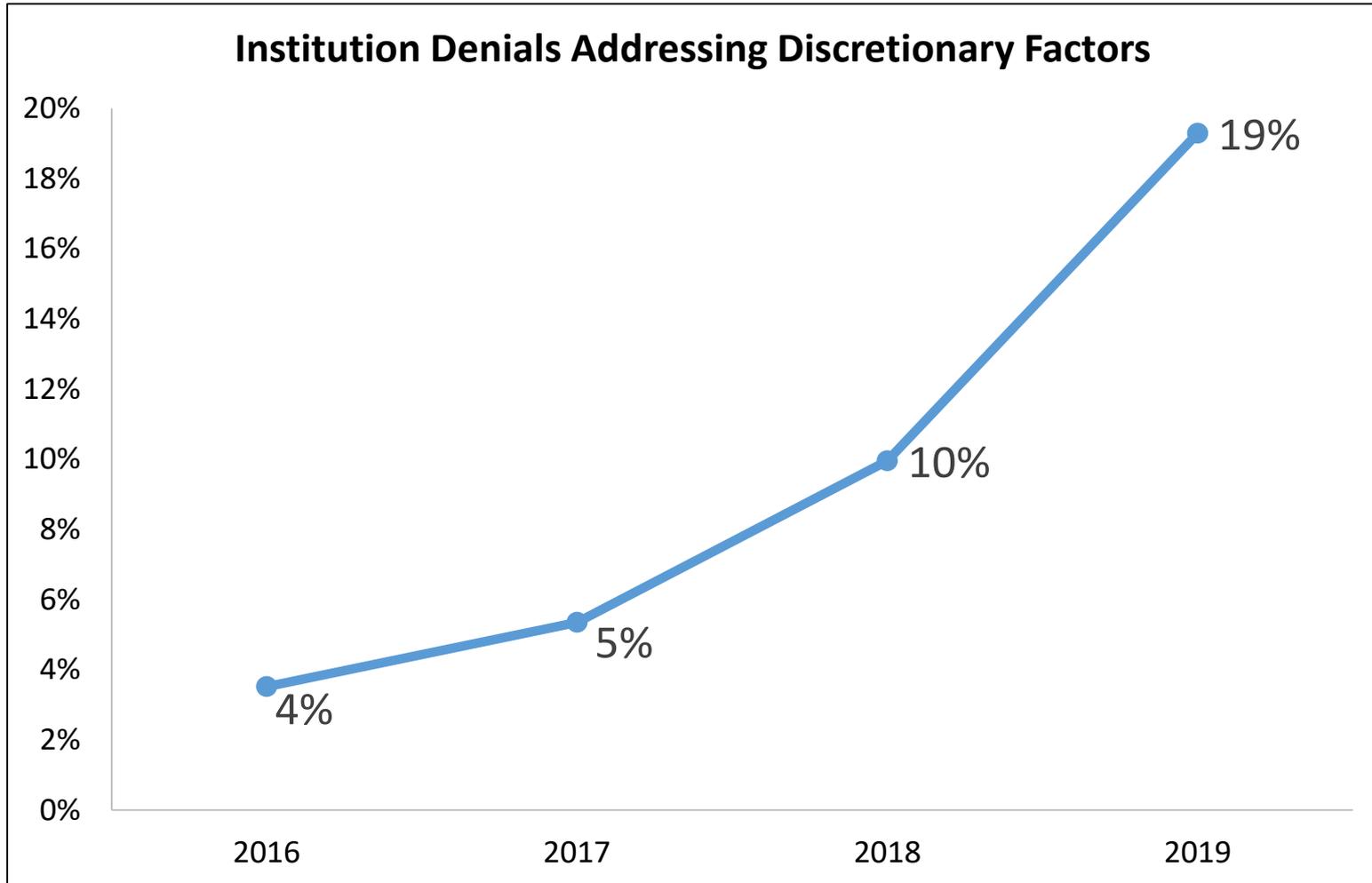
NHK Impact

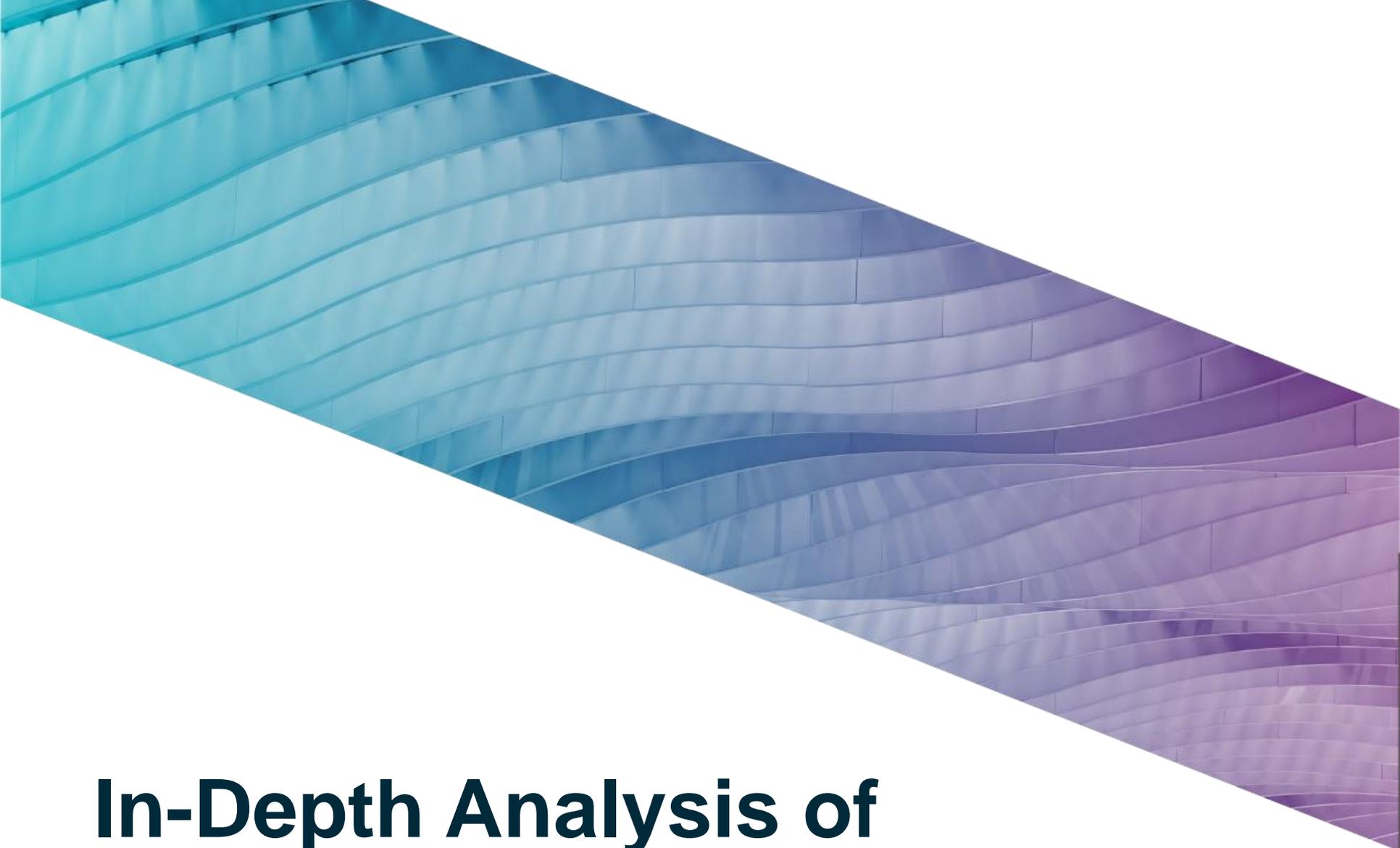
- 14% POPR citation rate pre-designation
- 21% POPR citation rate post-designation
- Cited in 50 IPR institution/rehearing decisions
 - Institution denied in 7; two addressed 314(a) (overlapping DCt) in combination with 325(d); three addressed 325(d) alone; and 2 addressed 314(a) alone.

Valve Impact

- 11% POPR citation rate
- Cited by the Board in *Samsung Elec. Am., Inc. et al. v. Uniloc 2017 LLC et al.* (IPR2018-01756, Paper 9) to support extension of *General Plastic* to instances where multiple petitions are filed by different petitioners.

Why Should You Care?





In-Depth Analysis of *NHK* and *Valve*

NHK v. IPT (IPR2018-00752)

Trials@uspto.gov
571-272-7822



Patent Trial and Appeal Board
PRECEDENTIAL
Standard Operating Procedure 2
Designated: 05/07/2019

Paper No. 8
Entered: September 12, 2018

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

NHK SPRING CO., LTD.,
Petitioner,

v.

INTRI-PLEX TECHNOLOGIES, INC.,
Patent Owner.

Case IPR2018-00752
Patent 6,183,841 B1

Before CHRISTOPHER M. KAISER, ELIZABETH M. ROESEL, and
MICHELLE N. ANKENBRAND, *Administrative Patent Judges*.

ANKENBRAND, *Administrative Patent Judge*.

NHK v. IPT (IPR2018-00752)

Background

- NHK makes suspensions for hard disk drives (HDDs)
- IPT makes “swage mounts” for HDD suspensions
- Licensing negotiations deteriorate into a business relationship
- Business relationship deteriorates into a lawsuit



Generic HDD

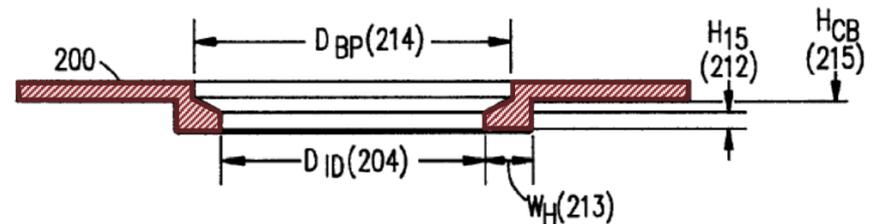


Fig. 2c of IPT's Patent

NHK v. IPT (IPR2018-00752)

Timeline

- **March 3, 2017:** IPT brings suit
- **March 7, 2018 (1yr later):** NHK files for IPR
- **Sept. 12, 2018:** Institution decision issues
- **March 25, 2019:** Expected DCt trial date
- **Sept. 12, 2019:** Hypothetical IPR FWD

NHK v. IPT (IPR2018-00752)

NHK's Petition

- Advanced three grounds based on one reference

Reference(s)	Statutory Basis	Claims Challenged
Braunheim ¹	§ 102(e)	1, 4, 7, 10
Braunheim	§ 103	1, 4, 7, 10
Braunheim and Applicant Admitted Prior Art (AAPA) ²	§ 103	1, 4, 7, 10

- Concedes that reference was discussed during prosecution
- Preemptively argues the cited reference is now framed “in an entirely different manner”
- No substantive analysis of co-pending DCt proceeding

NHK v. IPT (IPR2018-00752)

IPT's Preliminary Response

- Response largely about 325(d), 314(a) was an afterthought
 - 11 pages, 325(d) – The petition raises the same art and arguments as were overcome during examination
 - 1.5 pages, 314(a) – The Board should deny the petition because:
 - Petitioner waited nearly a decade to file its IPR, absent justification (0.5 pages); and
 - A DCt trial under the same claim construction standard will be completed long before the FWD (1 page)

NHK v. IPT (IPR2018-00752)

PTAB's Decision Denying Institution

- 325(d) Discretion: The six Becton factors weigh heavily in favor of denial (7 pages)
- 314(a) Discretion:
 - Unexplained 10-year delay does not warrant denial (0.5 pages); but
 - The fact that the same reference is at issue in a DCt proceeding to conclude 5-6 months before our FWD does (1.5 pages).

NHK v. IPT (IPR2018-00752)

Notes & Takeaways

- Two weeks after ID, the DCt trial was moved back
 - Currently scheduled Sept. 9, 2019 - 3 days before FWD would have been due
- NHK ID published a month after the PTAB's Practice Guide Update
 - Overlapping DCt proceeding named as an example for expanding 314(a) beyond *General Plastic*
- PTAB record unclear as to whether the same reference would be in issue at trial
 - IPT represented that the reference was in the NHK's invalidity contentions
- Neither the parties nor the Board sought additional briefing

NHK v. IPT (IPR2018-00752)

Notes & Takeaways

Specifically, Patent Owner discusses several Board cases where the panel considered litigation timing and denied review. Prelim. Resp. 61–63. Those cases are distinguishable. Patent Owner cites *NHK* as an example in which a district court decision on the same prior art was expected prior to a final written decision deadline. *Id.* But that case was decided chiefly on § 325(d). The Board determined not to institute an IPR under § 325(d)

Samsung Elec. Co., LTD. v. Immersion Corp., IPR2018-01470, Paper 10

Id. at 10–15, 17–20. Thus, as in the *NHK* and *Mylan* cases, the denial in *Thermo* under § 314(a) is based on specific circumstances and not the mere presence of district court litigation. In this case, by contrast, Petitioner establishes a reasonable likelihood of prevailing in showing the unpatentability of at least one challenged claim. *See infra* §§ III.E., III.F.

Samsung Elec. Co., LTD., et al. v. Immersion Corp., IPR2018-01501, Paper 10

Valve v. ESPI (IPR2019-00062)

Trials@uspto.gov
571-272-7822



Patent Trial and Appeal Board
PRECEDENTIAL
Standard Operating Procedure 2
Designated: 05/07/2019

Paper 11
Entered: April 2, 2019

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

VALVE CORPORATION,
Petitioner,

v.

ELECTRONIC SCRIPTING PRODUCTS, INC.,
Patent Owner.

Case IPR2019-00062 (Patent 9,235,934 B2)
Case IPR2019-00063 (Patent 9,235,934 B2)
Case IPR2019-00084 (Patent 9,235,934 B2)¹

Before ANDREI IANCU, *Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office*,
WILLIAM M. FINK, *Vice Chief Administrative Patent Judge*, and
ROBERT J. WEINSCHENK, *Administrative Patent Judge*.

WEINSCHENK, *Administrative Patent Judge*.

Valve v. ESPI (IPR2019-00062)

Background

- Valve develops video games and related technologies
- Certain of Valve's gaming technologies were incorporated in virtual reality headsets made by a licensor, HTC
- ESPI sued both HTC and Valve in DCt for patent infringement relating to virtual reality headsets
- Early on in the DCt proceeding, ESPI voluntarily dismissed its claims against Valve

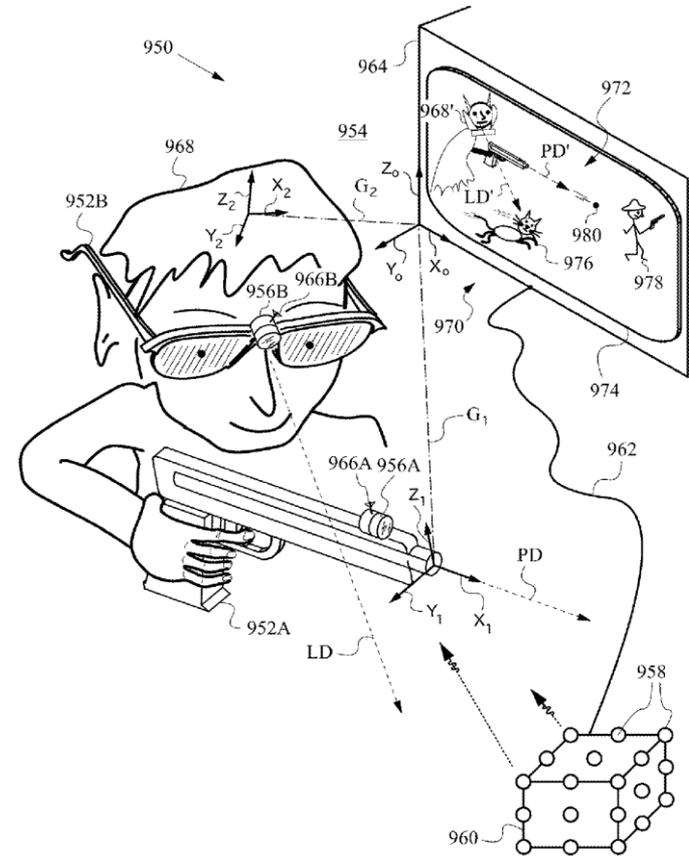


Fig. 23 of ESPI's Patent

Valve v. ESPI (IPR2019-00062)

Timeline

- **Oct. 9, 2017:** ESPI brings infringement suit
- **Jan. 25, 2018:** ESPI dismisses Valve
- **Sept. 24, 2018:** Institution of HTC's IPR denied
- **Aug. 16, 2018:** CAFC's *Click-to-Call* decided (dismissal w/o prejudice doesn't restart 1yr clock)
- **Oct. 11 & 12, 2018:** Valve files three IPR petitions

Valve v. ESPI (IPR2019-00062)

The Parties' Arguments

ESPI

- Valve conceded in DCt that it is a “similarly-situated” party to HTC
- Under *Shenzhen Silver Star* (IPR2018-00761), it is unfair for one co-defendant to wait for a “test-case” IPR
- Use of the same expert, cumulative art, and similar arguments reveals that Valve gained an unfair advantage

Valve

- Valve and HTC are linked by nothing more than a business relationship; no privity
- Valve had no intention of filing IPRs until *Click-to-Call*
- Valve began work on its petitions before HTC’s petition was denied

Valve v. ESPI (IPR2019-00062)

PTAB's Decision Denying Institution

General Plastic Factor 1:

Different party, but similarly-situated

“Valve and HTC were co-defendants in the District Court litigation and were accused of infringing the '934 patent based on HTC's VIVE devices that incorporate technology licensed from Valve.”

Valve v. ESPI (IPR2019-00062)

PTAB's Decision Denying Institution

General Plastic Factor 2:

Prior art known or should have been known

“Valve knew or should have known of [Reference 1] around the time HTC filed its petition . . . Because it was on of the two references relied upon by HTC.”

“Although Valve may not have known of [References 2 & 3] at the time HTC filed its petition . . . The timing of Valve's petitions suggests it could have found [them] through the exercise of reasonable diligence[.]”

Valve v. ESPI (IPR2019-00062)

PTAB's Decision Denying Institution

General Plastic Factor 3:

The ID in HTC's IPR was leveraged

“Valve had access to the Board’s institution decision in the [HTC] IPR before the Petition and used the institution decision as a guide to addressing the deficiencies in the [HTC] IPR.”

Valve v. ESPI (IPR2019-00062)

PTAB's Decision Denying Institution

General Plastic Factors 4 & 5:

Change in law does not excuse filing delay

“The fact that Valve waited five months after HTC’s petition to file the Petition in this case favors denying institution. If Click-to-Call had been decided differently, and Valve had waited even longer to file these petitions, Valve’s delay still would favor denying institution.”

Valve v. ESPI (IPR2019-00062)

PTAB's Decision Denying Institution

General Plastic Factors 6 & 7:

Non-contemporaneous petitions are inefficient

“In general, having multiple petitions challenging the same patent, especially when not filed at or around the same time as in this case, is inefficient and tends to waste resources. Here, Valve waited until after the institution decision in the [HTC] IPR, and then filed not one but three additional petitions.”

Valve v. ESPI (IPR2019-00062)

Notes & Takeaways

- Apparent playbooking is a highly aggravating factor
- Playbooking could be presumed if not adequately explained
- Different prior art alone may not be enough
 - Factor 2 accounts for prior art that should have been known
- PTAB views “similarly-situated” broader than “privity”
- Diminished interest in pursuing IPR may not excuse an otherwise late filing
- Unclear what type of explanation would be sufficient
 - See *Shenzhen Silver Star* (IPR2018-00761) for examples



Strategic & Tactical Considerations

Strategy and Tactics

Similarly Situated Follow-On Petitioners

- When multiple defendants in same suit:
 - Petitioners
 - File first or at least before POPR
 - Differentiate grounds from prior filed petitions
 - Address *General Plastic*, similarity of situation and reason for any delay
 - Consider copycat joinder or not filing at all
 - Patent Owners
 - Argue evidence of delay, playbooking, cooperation, similarity in petitions

Strategy and Tactics

Similarly Situated Follow-On Petitioners

- When defendant in later suit:
 - Petitioners
 - Same advice – file early, explain delay
 - But, if no relation to prior defendants, likelihood of discretionary denial lower
 - Patent Owners
 - Still argue any evidence of delay, playbooking, cooperation, similarity in petitions

Strategy and Tactics

Overlapping District Court Proceedings

– Petitioners

- Explain realities of court schedule (e.g., post trial briefing and time to judgement)
- Differentiate grounds from issues in district court (e.g., challenge claims not before court, use art not in invalidity contentions)

– Patent Owners

- Stress petitioner delay
- Don't overplay
- Pair with strong arguments on the merits

Thank You!

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