

Trials After PTAB Invalidity Rulings Present Tricky Issues

By **Ryan Davis**

Law360 (January 26, 2024, 5:15 PM EST) -- A recent case illustrates that Patent Trial and Appeal Board decisions finding patents invalid do not necessarily preclude a district court from holding an infringement trial on the same patents, though attorneys say such a scenario could raise some challenging issues.

The Federal Circuit this month denied a mandamus petition in which semiconductor company Micron asked to stay an Eastern District of Texas trial in a suit against it by Netlist, until after appeals of PTAB decisions that found some of the computer memory patents at issue invalid.

A magistrate judge recommended still holding the trial, and the district judge has not yet ruled. Micron said "the patent system is tarnished" by holding a trial on patents that have been deemed invalid. But the Federal Circuit denied Micron's petition, in part because it was filed close to the trial date, which has since been delayed.

Many judges stay infringement cases while the board reviews the patents at issue, but others in popular patent venues like those in Texas often do not, raising the possibility of a trial following an invalidity ruling. Since PTAB invalidity decisions aren't final and can be appealed, district courts can elect to still hold a trial.

"There is nothing legally prohibiting a patent owner from proceeding to trial on a claim that has been found unpatentable by the PTAB, as long as that decision is still subject to appeal," said Will Milliken of Sterne Kessler Goldstein & Fox PLLC.

He noted that courts will often put the case on hold after an invalidity decision, or the parties will concede that moving forward would be inefficient. But if that doesn't happen and the trial takes place, "it's definitely an interesting set of circumstances," Milliken said.

Efficiency Concerns

Since a number of judges have made clear that they aren't inclined to stay cases to await PTAB decisions, "I think it's an issue that is becoming more and more common," said Manny Caixeiro of Venable LLP.

He said it's true that once the PTAB has ruled, "the final death blow may not have occurred yet, but that really should be a very different question [from] whether it's efficient, and whether it makes sense, to

move forward with a trial."

Holding a trial after the board has found patents invalid can be expensive and burdensome for the court and the parties, but "judges have a ton of discretion in this regard," Caixeiro said.

He noted that holding a trial could make more sense when the parties are competitors, since continued infringement could cause the patent owner to lose market share, which is one of the reasons the magistrate judge recommended holding the trial in the Micron case. That's less of an issue when the patent owner is a nonpracticing entity that doesn't make products, Caixeiro said.

The "biggest concern" is that if the PTAB's decision is upheld on appeal, which happens in 73% of cases, "that could result in unwinding any verdict on behalf of the plaintiff that was reached at trial," said Scott Barnett of Honigman LLP. "The potential exists for the entire trial to have been for naught, and at great expense to both parties."

Unique Issues

If a trial goes ahead after the PTAB finds the patents invalid, the court and the parties may have to confront some thorny questions, beginning with what the jury can be told about the board's decision.

The defendant would most likely want jurors to know that the patent at issue has already been deemed invalid by a patent office tribunal. However, judges have wide discretion on such evidentiary issues, and many are reluctant to mix details of separate PTAB reviews into what may already be a complex case.

Some judges have taken the position that "the jury has enough to keep up with, without you guys starting to talk about different proceedings," which could be confusing, Milliken said. In many situations, the patent claims at issue in court and at the PTAB are slightly different, but if they are the same, there could be a case that the board's decision is relevant, he said.

"I think there are reasonable arguments on both sides," he said, so "it's not a foregone conclusion which way that one would come out."

An invalidity decision could also factor into a defense to allegations of willful infringement, said Edward Lanquist of Baker Donelson Bearman Caldwell & Berkowitz PC.

If the defendant claims it did not willfully infringe because it thought the patents are invalid, and the PTAB has backed up that belief, "you would think that that would certainly support my argument that there's no willfulness here," he said, but whether jurors could hear that would be up to the judge.

Inter partes reviews at the PTAB come with an estoppel provision, which holds that parties cannot make invalidity arguments in court that they raised or could have raised in the review. So if the board finds the patents invalid, the defendant faces some hurdles in securing an invalidity verdict at trial.

The defendant "is likely to have to mount its invalidity defense with a hand tied behind its back," Barnett said. The invalidity arguments presented to the board, which were likely viewed as the strongest ones, would be off-limits, along with others that could have been raised, which leaves arguments that can't be used in inter partes reviews, like patent ineligibility.

The situation arose in 2021 in a Delaware case where the PTAB found that one of the caller ID patents

that TrustID asserted against Next Caller was invalid, and U.S. District Judge Maryellen Noreika denied Next Caller's motion to exclude that patent from the trial.

She noted that holding a trial on claims the board found invalid, while barring the defendants from making invalidity arguments due to estoppel, "seems counterintuitive," but "it is a permissible result that follows from the statute and relevant case law." When the trial was held, the jury found Next Caller did not infringe any of the patents, an outcome that was affirmed on appeal.

Appeal Complications

When a trial is held after the PTAB has found the patents invalid, it's possible the jury will conclude the patents are infringed and not invalid, which would add complexity when the different outcomes are appealed, attorneys said.

"It's very procedurally complicated how this might play out," Sterne Kessler's Milliken said. He noted that under a 2013 Federal Circuit ruling known as *Fresenius*, an invalidity decision by the board that is upheld on appeal can wipe out a district court infringement verdict that is not yet final, making timing an important factor in the appeals.

If the board and a court reach different outcomes on invalidity and appeals are pending simultaneously, the Federal Circuit could coordinate the cases and resolve all the issues at once. But if the appeals end up on somewhat different timelines, "you can find a situation where the parties are basically in a race to try to get the judgment that they like final first," Milliken said.

The issues can get even more convoluted if the patent has been successfully challenged at the board by a different company than the one facing trial in district court, and if there are multiple infringement trials involving different companies, Venable's Caixeiro said.

In that scenario, there could be more than one infringement verdict, each presenting several issues, being appealed alongside a PTAB invalidity decision on the same claims, which "makes the appeal particularly complicated," he said.

If district courts decide to hold trials after the PTAB has found the patents invalid, "you can see it coming: There is going to be a day soon where these inconsistencies are really difficult to resolve," Caixeiro said. "The courts are going to have to address it after the fact, and that's less than ideal."

--Editing by Kelly Duncan and Lakshna Mehta.