

# ITC Seems Unlikely To Stay Investigations For Parallel IPRs

By **Christine Lehman, Connor Houghton and Philip Eklem** (March 17, 2021)

Ocado Group PLC's recent attempt to obtain a rare stay of a U.S. International Trade Commission investigation[1] pending resolution of its early-filed petitions for inter partes review was denied, signaling an advantage to complainants at the ITC.



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The administrative law judge's order denying Ocado's motion acknowledges the Patent Trial and Appeal Board's recent trend of using factors derived from its 2020 *Apple Inc. v. Fintiv Inc.* decision to deny IPR petitions filed against patents asserted in the ITC — and its potential advantage to complainants — but suggests that the PTAB, not the ITC, should adjust its practices.



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Whether the PTAB will revisit the application of *Fintiv* to parallel ITC cases remains to be seen. For now, however, ITC complainants seem to have the best of both worlds: a quick timeline to trial and a low likelihood that a parallel PTAB proceeding will get in the way.

## Background on ITC and PTAB Proceedings

AutoStore AS filed a complaint in the ITC on Oct. 1, 2020, accusing Ocado's automated storage and retrieval systems and robots of infringing five patents. The ITC instituted an investigation on Nov. 2 in *Certain Automated Storage and Retrieval Systems, Robots, and Components Thereof*. [2]



Philip Eklem

Ocado quickly filed five petitions for review with the PTAB, challenging all asserted patents and claims, between Nov. 30, 2020, less than a month after institution of the investigation, and Jan. 18, 2021, about 2.5 months after institution. [3]

On Jan. 19, 2021, Ocado filed a motion to stay the ITC investigation pending resolution of the PTAB proceedings. [4] In view of the PTAB's recent trend of denying IPR petitions where there is a copending ITC investigation, Ocado argued that "the impact of failing to raise and address" [5] a potential stay of ITC proceedings has been to "effectively deny Section 337 Respondents access to IPR proceedings." [6] Ocado further argued that a stay was warranted under the commission's five-factor test. [7]

## ITC's Denial of Ocado's Stay Motion Citing Need to Preserve Patent Holder Rights

On March 9, 2021, Administrative Law Judge Sandra Dee Lord denied Ocado's motion to stay. [8] The ALJ found that none of the five factors traditionally considered by the commission weighed in favor of granting a stay. [9] The ALJ acknowledged Ocado's concern that unless a stay is granted, patentees in general will take advantage of the PTAB's recent trend of denying IPR petitions against patents asserted in the ITC. [10]

However, the ALJ found that "[t]here are indications that Congress did not intend that petitions at the PTAB should result in a stay at the ITC," and thus the PTAB's recent trend of denials "would argue for an adjustment in the PTAB's current practices, not for a stay of

proceedings under section 337." [11]

The ALJ also rejected Ocado's argument that the PTAB's trend of denying institution could lead to gamesmanship from patent holders, finding that the same potential for gamesmanship would exist if the ITC began staying cases in which IPRs were filed. [12]

Thus, while the ITC recognized the potential for issues down the line for patent challengers, it found that the public interest in protecting domestic industries at the ITC outweighed any of these concerns.

### **Analysis and Implications**

The order denying Ocado's motion for a stay made clear that the ITC will continue to move cases forward in the face of pending PTAB petitions and will not adjust its mandate to resolve cases quickly in favor of review by another agency.

This suggests that Ocado's attempt to seek a stay of the investigation, and similar attempts by future respondents, will not be enough to avoid discretionary denial under *Fintiv*, and that under the PTAB's current practice, a complainant's patents are effectively shielded from PTAB challenges brought by a respondent.

In its motion to stay, Ocado argued that "[r]espondents are required to seek a stay of this Investigation to address PTAB precedents" where "the PTAB found that an IPR petitioner/ITC respondent's failure to seek a stay of the ITC investigation weighs in favor of denying institution." [13]

Under *Fintiv*, however, merely seeking a stay is not likely to be enough. *Fintiv* says that discretionary denial may not be warranted in view of (1) a stay, or (2) where there is no stay, but the court indicates it will consider, or reconsider, a motion to stay if a PTAB trial is instituted. [14]

In Ocado's case, there is no stay, and the ALJ's order denying its motion made clear that the investigation will go forward in this case notwithstanding Ocado's petitions to the PTAB. The reasoning of the ALJ's order also indicates that the circumstances under which the ITC would stay an investigation would be exceedingly rare, and thus it would be very unlikely in general for a stay to be granted.

For example, the ALJ noted that "there is no evidence that the PTAB's review will be completed any time before [the target date for completion of this investigation]." [15] But unless a respondent had prior notice of asserted patents and proactively filed IPRs before being sued, this will be the case in nearly every ITC investigation, given the ITC's general policy of setting target dates at 16 months or less, compared to the 18-month PTAB review process.

Of course, an unforeseen delay in an ITC investigation's procedural schedule — perhaps caused by a government shutdown, global pandemic or other circumstance — could create a different scenario but may be impossible to predict. [16]

The ALJ was also unconvinced that filing PTAB petitions against all patents and claims asserted in the ITC weighs in favor of a stay. Specifically, the ALJ held that "there is of course the potential for the issues in this investigation to be simplified by PTAB rulings," but that "[t]here also is a possibility, however, that at least some if not all the patents and claims will survive PTAB review." [17]

This is also likely to be the case in most ITC investigations, since the extent to which PTAB proceedings will actually simplify the issues in the investigation, if at all, can only be determined after the PTAB issues an institution decision if the petition is denied or a final written decision if the petition is granted.

The denial of Ocado's motion to stay therefore suggests that filing PTAB petitions and seeking a stay very early in an ITC investigation will not be enough to get the ITC to issue a stay pending PTAB review.[18] Because of this, under the PTAB's current application of Fintiv, the existence of a parallel ITC investigation would usually weigh in favor of discretionary denial.[19]

The PTAB is due to issue institution decisions on each of Ocado's petitions between June 10 and Aug. 10, 2021. But by that time, the ITC case will have passed the deadline for summary determination motions on June 3 and completed the evidentiary hearing on Aug. 6.[20] With the ITC trial set to conclude before the last PTAB institution decision issues, a future stay is very unlikely.

Whether this reality causes the PTAB to rethink and reshape its Fintiv factors will require further development. And whether this will lead to "the very real prospect of a complainant rushing to the ITC to head off PTAB review, knowing that the PTAB will not institute proceedings if there is an ongoing ITC investigation" also remains to be seen.[21]

However, it certainly creates a strong incentive for patent holders seeking relief against infringement from products manufactured abroad to consider the ITC as an avenue to avoid expensive and potentially time-consuming parallel litigation at the PTAB.

Despite the increasing risk of discretionary denial, some respondents continue to seek relief from the PTAB. Since May 20, 2020, the date of the PTAB's precedential Fintiv decision, the ITC has instituted 53 investigations under Section 337, and petitions for PTAB review were filed against patents asserted in 15 of them.[22]

For respondents, filing PTAB petitions despite the risk of noninstitution may prove beneficial because, if they are instituted, they could provide relief from the ITC's remedial orders.

For example, in *Certain Unmanned Aerial Vehicles and Components Thereof*, the commission found a violation and determined that a limited exclusion order and cease-and-desist orders were warranted.[23]

However, the commission suspended enforcement of those remedial orders pending resolution of appeals of the PTAB's final written decision in related IPRs, noting that "[t]he Commission may issue an exclusion order in a patent-based investigation only if it finds that the accused articles "infringe a valid and enforceable United States patent." [24]

The commission cited several investigations in which remedial orders were similarly suspended, also noting that "[n]either party has identified an instance in which the Commission determined not to suspend remedial orders due to a PTAB final written decision that issued prior to the Commission's determination." [25]

Thus, while an ITC respondent's PTAB challenges are increasingly unlikely to be instituted under Fintiv, a successful challenge could forestall, or at least significantly delay, the effects of being found in violation of Section 337.

Outside of the ITC's refusal to stay, the landscape of parallel proceedings continues to be in flux, where there remain pending challenges on several fronts to the PTAB's current Fintiv analyses. At the PTAB, Garmin International Inc. has asked the precedential opinion panel to reconsider its application of Fintiv as applied to parallel ITC cases, but the panel has not yet decided whether to take up the case.[26]

And in federal court, Apple and several other high-volume PTAB petitioners have challenged the PTAB's application of the Fintiv factors, arguing that it undermines both the Leahy-Smith America Invents Act and the notice-and-comment rulemaking requirements in the Administrative Procedure Act. The U.S. District Court for the Northern District of California recently heard arguments on summary judgment but has not yet issued a decision in *Apple v. Hirshfeld*. [27]

Both of these proceedings, along with the PTAB's upcoming decisions on whether to institute Ocado's IPR petitions, will be significant in how parallel proceedings at the ITC and PTAB continue to evolve.

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[1] Certain Automated Storage and Retrieval Systems, Robots, and Components Thereof , Inv. No. 337-TA-1228.

[2] Inv. No. 337-TA-1228, Order No. 4 (Dec. 4, 2020).

[3] See IPR2021-00274 (Nov. 30, 2020); IPR2021-00311 (Dec. 11, 2020); IPR2021-00398 (Jan. 2, 2021); IPR2021-00412 (Jan. 11, 2021); PGR2021-00038 (Jan. 18, 2021).

[4] See Memorandum in Support of Respondents' Motion to Stay Investigation Pending Resolution of PTAB Proceedings ("Motion to Stay"), Inv. No. 337-TA-1228, EDIS Doc. ID 731160 (Jan. 19, 2020).

[5] *Id.* at 3.

[6] *Id.* at 2.

[7] *Id.* at 6 (citing cases).

[8] Inv. No. 337-TA-1228, Order No. 6 (Mar. 9, 2021).

[9] *Id.* at 7-10.

[10] *Id.* at 4.

[11] *Id.* at 11-12.

[12] Id. at 8.

[13] Motion to Stay at 4.

[14] Apple Inc. v. Fintiv, Inc. , IPR2020-00019, Paper 11 at 6-7 (PTAB Mar. 20, 2020).

[15] Inv. No. 337-TA-1228, Order No. 6 at 7.

[16] Id. at 8.

[17] Id.

[18] Although rulings by the ALJ on motions may not be appealed to the Commission prior to the ALJ's issuance of an initial determination, Ocado may seek interlocutory review of the Order by the Commission with leave from the ALJ under 19 CFR § 210.24(b).

[19] See Fintiv, IPR2020-00019, Paper 11 at 7-8.

[20] Inv. No. 337-TA-1228, Order No. 4 (Dec. 4, 2020).

[21] Id.

[22] <https://pubapps2.usitc.gov/337external/results>.

[23] Certain Unmanned Aerial Vehicles and Components Thereof, Inv. No. 337-TA-1133, Comm'n Op. at 35.

[24] Id.

[25] Id.

[26] See Garmin Int'l, Inc. v. Koninklijke Philips NV, IPR2020-00754, Ex. 3007 (Nov. 19, 2020).

[27] <https://www.law360.com/ip/articles/1361028/tech-titans-strike-chord-with-judge-on-ptab-denials-suit>.