

ITC Dispute May Lead To PTAB Litigation Strategy Shifts

By **Christine Lehman, Connor Houghton and Philip Ekle** (January 27, 2021)

Companies sued in the U.S. International Trade Commission often look to the Patent Trial and Appeal Board to sidestep the harsh impact of an exclusion order by trying to get a final decision from the PTAB before the ITC issues remedial orders.

However, because ITC investigations move very quickly and are rarely stayed, few respondents found in violation of Section 337 of the Tariff Act have been able to do this.

Recently, the PTAB has made it even harder to escape the impact of the ITC, using its discretion to deny institution of IPR petitions for the last few months when there is a copending ITC investigation — a trend with the potential to give patentees in ITC investigations a big advantage.

A new dispute between robotics companies AutoStore Technology AS and Ocado Group PLC has brought the competing interests and timelines of the ITC and PTAB to a head and has the potential to reshape the typical strategy for patentees and patent challengers alike.

ITC and PTAB Proceedings

AutoStore filed a complaint in the ITC on Oct. 1, 2020, accusing Ocado's automated storage and retrieval systems and robots of infringing five patents.[1] The ITC instituted an investigation on Nov. 2, 2020, in *In re: Certain Automated Storage and Retrieval Systems, Robots, and Components Thereof* and assigned to Administrative Law Judge Sandra Dee Lord. The ITC case is set for a hearing from Aug. 2-6, 2021, an initial determination is due on Nov. 5, 2021, and the target date for completion of the investigation is March 7, 2022, 16 months after institution.[2]

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

In each petition, Ocado argued that the factors derived from the PTAB's 2020 *Apple Inc. v. Fintiv Inc.* decision weighed in favor of institution in this case because its petitions were filed soon after the ITC investigation was instituted, the parties had not yet undertaken significant work in the ITC proceeding, and the petitions were strong on the merits.[4]

Ocado's Motion to Stay

On Jan. 19, 2021, Ocado filed a motion to stay the ITC investigation pending resolution of the PTAB proceedings, a move that previous ITC respondents whose petitions have been discretionarily denied by the PTAB have not tried.[5]

In its motion, Ocado conceded that ITC investigations are rarely stayed; however, it



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highlighted that the PTAB's recent application of the Fintiv factors has led to dramatic results:

Over the last three months, the PTAB has exercised its discretionary authority to deny institution of IPR with respect to all 18 IPR petitions considered where the challenged patents also were asserted in a parallel ITC investigation.[6]

In addition, Ocado notes that many of the PTAB's recent decisions denying institution have faulted IPR petitioners for failing to seek a stay of ITC investigations. Thus, according to Ocado, the impact of failing to raise and address a potential stay of ITC proceedings has been to "effectively deny Section 337 Respondents access to IPR proceedings." [7]

While repeatedly pointing to the strength of its PTAB petitions on the merits, Ocado's motion also raises policy points in support of its argument that the ITC should pause this case and allow the PTAB to take the lead.[8] In this case, Ocado filed petitions for review of all of the claims asserted in the ITC within 11 weeks of institution of the investigation.

Thus, resolution of issues by the PTAB has the potential to dramatically reduce the scope of the ITC investigation by eliminating asserted claims and barring many later prior art challenges. Additionally, because the ITC generally sets the target date for completion of its investigations at 16 months or less, an 18-month PTAB proceeding will always terminate after an ITC investigation such that, according to Ocado, this should not be a disqualifying factor.

Analysis and Implications

Since the PTAB's precedential Fintiv decision, Section 314(a) has been increasingly applied by the PTAB to discretionarily deny institution of post-grant proceedings when there are parallel ITC proceedings.[9]

Indeed, the PTAB's trend of institution denials has received significant attention recently, in the November case *Garmin International Inc. v. Koninklijke Philips NV*, with Garmin's asking the PTAB precedential opinion panel a similar situation to review the Fintiv factors and their application to parallel ITC proceedings.[10] Garmin's request is still pending, and it remains to be seen whether the PTAB will rethink its current factors.

If the ITC denies Ocado's motion to stay, the status quo of the PTAB denying institution of petitions under Section 314(a) will likely continue, creating a strong incentive for patent owners to consider filing at the ITC. Applying the Fintiv factors, the PTAB will likely continue to find that ITC cases will get to an advanced stage and resolve validity disputes before it can reach a final decision.

As discussed in Ocado's motion to stay, the PTAB has relied heavily on this fact recently, denying at least 18 consecutive IPR petitions when the patents are also asserted in parallel ITC cases, regardless of the potential merit of the invalidity arguments.

If this trend continues, patent owners could turn to the ITC to avoid the risk of IPR proceedings derailing their chances at relief. Respondents are unlikely to be able to get IPR petitions on file any more quickly than Ocado did in this investigation, and future motions to stay ITC proceedings will probably not have a more favorable set of facts than this case. Thus, if the trend continues, patent holders may be able to effectively block PTAB review of their patents by choosing to litigate in the ITC.

If Ocado's motion to stay the ITC proceedings is successful, however, it has the potential to completely reverse that litigation strategy. Historically, patent holders have looked to the ITC for extremely quick relief from patent infringement to avoid the potential for long delays in federal district court. District courts generally have longer times to trial and are far more likely to grant stays pending PTAB proceedings. In the ITC, in contrast, patent holders can generally expect to get a final determination within 16 months.[11]

If the ITC begins to stay investigations pending PTAB proceedings, it could lead to patent holders thinking twice about choosing to file in the ITC rather than district courts that move quickly, such as the U.S. District Court for the Western District of Texas. Indeed, beyond the remedies offered by the ITC, one of the most appealing aspects of filing a case in this forum is the speed and certainty of timeline for relief.

The potential that an ITC investigation could be stayed for 18 months while PTAB proceedings run their course could also open the door to a significant new avenue for respondents to escape ITC remedies. This could strongly incentivize respondents to move very quickly to find prior art and file PTAB petitions before discovery the ITC proceeding gets too far along.

That said, the dispute between AutoStore and Ocado is unique and any decision on a motion to stay could be limited to its facts. Ocado filed petitions with the PTAB on each of the asserted patents fairly quickly, with the first petition filed only four weeks after institution and the last petition filed 11 weeks after institution. Not every respondent in the ITC would be able to move that quickly or successfully file petitions that both the ITC and PTAB find meritorious.

Additionally, because AutoStore's patents are all fairly recently issued — within two years of the filing of the complaint — Ocado argued there is a lack of prejudice to the patent holder because many years remain for AutoStore to seek relief at the ITC. That is not always the case in the ITC, where complainants often assert patents with less patent term remaining, making the case for immediate relief without delay more compelling.

How the ALJ, and potentially the commission, handle this motion to stay could have far-reaching implications on forum selection and defense tactics going forward.

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[1] AutoStore also filed a complaint in the Eastern District of Virginia on October 1, 2020, which is stayed pending resolution of the ITC case. See *AutoStore Technology AS v. Ocado Central Services Ltd., Ocado Group plc, Ocado Innovation Ltd., Ocado Operating Ltd., Ocado Solutions Ltd. and Ocado Solutions USA, Inc.*, Civil Action No. 2:20-cv-00494 (E.D. Va.).

[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). AutoStore can file preliminary responses to Ocado's petitions up to three months after they receive filing dates. 37 C.F.R. § 42.107. The PTAB's institution decisions are due three months after the preliminary responses are filed or could have been filed. 35 U.S.C. § 314(b).


[4] See, e.g., IPR2021-00274, Paper No. 1 at 72-80 (Nov. 30, 2020).

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

[6] Id. at 3 (citing cases).

[7] Id. at 2.

[8] The ITC considers the five Semiconductor Chips factors when analyzing motions to stay, which are: 1) the state of discovery and the hearing date; (2) whether a stay will simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; and (5) the efficient use of Commission resources. Certain Semiconductor Chips with Minimized Chip Package Size & Prods. Containing Same, Inv. No. 337-TA-605, Comm'n Op. at 3 (May 27, 2008).

[9] See Apple Inc. v. Fintiv, Inc. , IPR2020-00019, 2020 WL 2126495, at *2 (PTAB Mar. 20, 2020).

[10] See IPR2020-00754, Ex. 3007 (Nov. 19, 2020).

[11] See 19 C.F.R. §210.51.