

When Will The ITC Honor A PTAB Finding Of Invalidity?

By **Bryan J. Vogel** and **Derrick J. Carman** (June 21, 2018, 5:32 PM EDT)

We previously discussed in Law360 how the U.S. International Trade Commission and the Patent Trial and Appeal Board interacted as collateral administrative agencies independently and simultaneously assessing patent validity. As a general rule, the ITC has given little to no deference to PTAB decisions, assessing patent validity in the same manner it did prior to the formation of the PTAB. However, recent decisions by the ITC seem to throw a wrinkle into this lack of deference. A recent opinion from the Federal Circuit appears to affirm the ITC's seemingly new "middle ground" approach to PTAB decisions. This article provides an update on the interplay between potentially conflicting determinations of invalidity by the ITC and the PTAB, and the circumstances for resolving those potential conflicts.



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In *Certain Network Devices, Related Software and Components Thereof (II)*, the respondent, Arista Networks Inc., originally filed an emergency motion to suspend or rescind remedial orders pending appeal. The commission rejected this request and told Arista to come back when all appeals were exhausted and the U.S. Patent and Trademark Office had canceled the claims. The ITC stated:



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PTAB final written decisions finding the relevant claims of [asserted patents] unpatentable do not constitute a change in circumstances warranting temporarily rescinding the remedial orders [T]he law is clear that patent claims are valid until the PTO issues certificates cancelling for those claims which it cannot do until the exhaustion of any appeals [Patent Owner] may take from the PTAB's final written decision. [Respondent] may seek redress from the Commission pursuant to section 337(k) and Commission Rule 210.76 if and when the certificates of cancellation of the subject patent claims are issued.[1]

With its opinion, the ITC identified two prerequisites that must be satisfied before it would modify an ITC remedial order based on a PTAB finding of invalidity. First, all appeals must be exhausted, and second, the PTO must issue a certificate of cancellation. Only then, according to the ITC, could a party subject to an ITC remedial order seek a modification of that order.

In the meantime, the appeal proceeded and on Feb. 14, 2018, the Federal Circuit summarily affirmed, under Rule 36, the PTAB's determination of invalidity with respect to one of the asserted patents.[2] Arista, in contrast of the ITC's previous decision, filed a new emergency motion to stay the limited

exclusion order and cease and desist order immediately after the Federal Circuit affirmance, before the time for seeking rehearing or filing a petition for a writ of certiorari had expired and before the PTO had canceled the claims.[3] In its motion, Arista emphasized the extremely small likelihood that Cisco would succeed on rehearing or certiorari, and emphasized the irreparable harm Arista would suffer if the remedial orders were left in place.[4] Notably, Cisco did not oppose Arista's motion, but did file a response in which it pointed out that Arista's motion was based on an assumption that Cisco would not succeed on rehearing or certiorari and that the claims would ultimately be canceled.[5]

This time, the ITC appears to have been more sympathetic to Arista's position. The ITC suspended enforcement of its remedial orders with respect to the patent whose invalidity had been summarily affirmed by the Federal Circuit.[6] The ITC did not provide any justification for its decision, and did not explicitly address the reasons for departing from its previous decision identifying two prerequisites for modifying an ITC remedial order — i.e., that it would only modify an ITC remedial order following exhaustion of all appeals and cancellation of the claims by the PTO.

So, what changed? The answer remains murky. In the ITC's initial decision against Arista's request to suspend the remedial orders based solely on the PTAB's findings of invalidity, the ITC emphasized the differences between an invalidity decision by the PTO (i.e., an executive agency), which does not result in collateral estoppel, and an invalidity decision by a district court (i.e., an Article III court), which does result in collateral estoppel.[7] Specifically, the ITC stated: "The Federal Circuit has explained that a finding of invalidity by a federal district court has immediate preclusive effects upon the continued vitality of Commission remedial orders In contrast ..., the instant situation concerns a PTAB final written decision, which, as noted above, has no collateral estoppel effect on the Commission Proceeding." [8] Therefore, it appears that the ITC believes it must honor a federal district court decision of invalidity, but it is not bound by a decision of invalidity by the PTO, at least not immediately.

The ITC also quoted *Fresenius USA Inc. v. Baxter International Inc.*[9] in support of its initial decision in *Certain Network Devices*. In *Fresenius*, the Federal Circuit held:

[T]here is no basis for distinguishing between the effects of a final, affirmed court decision determining invalidity and a final, affirmed PTO decision determining invalidity on a pending litigation. The latter is binding not because of collateral estoppel, but because Congress has expressly delegated reexamination authority to the PTO under a statute requiring the PTO to cancel rejected claims.[10]

According to the Federal Circuit in *Fresenius*, a decision of invalidity by the PTO that has been affirmed by the Federal Circuit has the same effect as an affirmed decision of invalidity by a district court, but for different reasons. On one hand, a district court decision is binding based on the doctrine of collateral estoppel, which prevents a litigant from relitigating an issue already decided in another proceeding. On the other hand, an affirmed decision of invalidity by the PTO is binding because Congress has delegated that authority to the PTO. The Federal Circuit in *Fresenius*, however, does not make clear when the affirmed decision of the PTO becomes binding. The reference by the Federal Circuit to "an affirmed PTO decision" appears to indicate that the ITC (or any other court) is bound by the PTO decision when the Federal Circuit affirms that PTO decision. However, the reference to "a statute requiring the PTO to cancel rejected claims" points in the direction originally adopted by the ITC in *Certain Network Devices* — that is, that the ITC is not bound by the PTO's decision until cancellation actually occurs.

The Federal Circuit recently complicated the issue even further in *XY LLC v. Trans Ova Genetics LC*. [11] In that case, the Federal Circuit, *sua sponte*, concluded that "an affirmance of an invalidity decision,

whether from a district court or the [Patent Trial and Appeal] Board, has a collateral estoppel effect on all pending or copending actions.”[12] This conclusion in XY appears in contradiction to the conclusion in Fresenius, which stated that an affirmed PTO decision is not binding by means of collateral estoppel. While the conclusions of XY and Fresenius appear to be in conflict, at least in rationale, the result appears to be the same — that is, if one assumes that Fresenius’ holding takes effect on affirmance by the Federal Circuit, and not on cancellation by the PTO.

Based on these recent decisions, it appears that the ITC, in certain circumstances, may not require exhaustion of all appeals and cancellation by the PTO prior to modifying or suspending an ITC remedial order after the PTAB finds the claims invalid. Stated differently, an affirmance of a PTAB invalidity decision by the Federal Circuit may be enough to warrant suspension of an ITC remedial order pending further appeal and cancellation.

That said, there are still unanswered questions and room for factual distinction that a patentee may use to maintain an ITC remedial order following an adverse PTAB decision. Uncertainty still remains regarding the proper interplay between decisions from the ITC, the PTAB, and Article III courts. Only time will tell whether the unanswered questions and factual distinctions will alter the outcome for investigations in the future.

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[1] Inv. No. 337-TA-945, Commission Opinion at 12 (U.S.I.T.C. Aug. 16, 2017) (emphasis added).

[2] Cisco Systems, Inc. v. Arista Networks, Inc., Appeal No. 17-2384 (Fed. Cir. Feb. 14, 2018).

[3] Respondent Arista Network Inc.’s Emergency Motion to Stay the Limited Exclusion Order and Cease and Desist Order as to the ’668 Patent, Certain Network Devices, Inv. No. 337-TA-945 (U.S.I.T.C. Mar. 15, 2018).

[4] *Id.* at 6-16.

[5] Complainant Cisco Systems, Inc.’s Response to Respondent Arista Network, Inc.’s Emergency Motion to Stay the Limited Exclusion Order and Cease and Desist Order as to the ’668 Patent Certain Network Devices, Inv. No. 337-TA-945 (U.S.I.T.C. Mar. 26, 2018).

[6] Commission Order Modifying the Remedial Orders to Suspend Enforcement as to U.S. Patent No. 7,224,668 at 3, Certain Network Devices, Inv. No. 337-TA-945 (U.S.I.T.C. Apr. 5, 2018).

[7] Certain Network Devices, Inv. No. 337-TA-945, Commission Opinion at 12 (U.S.I.T.C. Aug. 16, 2017)

[8] *Id.* at 12-13 (emphasis added) (citing *SSIH Equip. S.A. v. Int’l Trade Comm’n*, 718 F.2d 365, 370 (Fed. Cir. 1983)).

[9] 721 F.3d 1330 (Fed. Cir. 2013).

[10] Id. at 1344.

[11] No. 2016-2054, 2016-2136, slip op. (Fed. Cir. 2018).

[12] Id. at 19.