

A New Spin on Fresenius – Fractus Uses Stay of Inter Partes
Reexamination to Move Ahead in Race to Federal Circuit
by Brent P. Lorimer

In a decision that has more twists and turns than the Keystone Cops, the PTAB has granted a patent owner a stay of *inter partes* reexamination proceedings in favor of *inter partes* review proceedings. The stay may in the end allow the patent owner to beat the challenger to the Federal Circuit and from there to collection of \$38,000,000.

In May of 2009, Fractus, S.A., sued Samsung Electronics Co., Ltd. in the Eastern District of Texas for infringement of various of its patents on antennas. On May 11, 2011, a jury awarded Fractus \$23,000,000 against Samsung. The trial judge later added \$15,000,000 for willfulness, for a total award of \$38,000,000. The result is now on appeal to the Federal Circuit.

In 2010, Samsung filed requests for *inter partes* reexamination of the Fractus patents at issue in the Texas litigation. After the enactment of the AIA, Samsung filed four petitions for *inter partes* review of the same patents. Then, five days after filing the petitions for *inter partes* review, Samsung filed four requests for *ex parte* reexamination of the same four patents. Thus, for each of the four patents at issue, there were three separate post grant proceedings, an *inter partes* reexamination, an *inter partes* review and an *ex parte* reexamination. Fractus filed a motion to stay the *inter partes* and *ex parte* reexaminations in each of the *inter partes* review proceedings.

Two of the *inter partes* reexaminations filed by Samsung, meanwhile, had resulted in rejection of key claims of the patents on which Fractus' judgment was based. Fractus appealed to the PTAB. The hearings on the two concluded *inter partes* reexaminations were set for appeal hearings before the PTAB on November 20, 2013. The *inter partes* reexamination proceedings were complex, involving numerous petitions to the Director, dismissals, and merger of various *inter partes* reexamination proceedings in which the Fractus patents were at issue. No decision had been reached regarding institution of the *ex parte* reexamination proceedings or the *inter partes* review proceedings as of the date of the November 12, 2013 order.

Samsung argued that it would be prejudiced by a stay, particularly because two of the *inter*

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partes reexaminations were set for appeal hearings before the PTAB in November 2013. Fractus, on the other hand, argued that the same prior art applied in the *inter partes* reexamination proceedings was also relied upon or at least cited in the petitions for *inter partes* review, and that the claims challenged by Samsung were the same in all of the proceedings.

The PTAB found that the efficiencies in the *inter partes* review proceedings warranted a stay of the *inter partes* reexamination. The PTAB placed particular reliance on the statutory requirements that the PTAB must decide whether to institute trial proceedings within three months after receipt of a preliminary response from the patent owner, and must issue its final decision not later than one year from the date of institution of *inter partes* review proceedings. The PTAB also relied on the fact that a single panel of APJs would decide the patentability of all of the challenged patents in the *inter partes* review proceedings, resulting in greater consistency and judicial economy. *Inter partes* reexaminations, by contrast, are decided initially by patent examiners, with the PTAB serving an appellate review function. The PTAB therefore stayed the *inter partes* reexaminations even though it had not yet issued a decision on whether to institute the *inter partes* review proceedings.

Curiously, the PTAB stayed only the *inter partes* reexaminations, and did not stay the *ex parte* reexaminations. The PTAB stated that because the *ex parte* petitions had not yet been decided, it would not exercise procedural control over those reexaminations at the present. It seems likely, however, that the same reasoning applied to stay the *inter partes* reexaminations will be applied if the *ex parte* petitions are granted.

Initially, it might seem odd that the patent owner, Fractus, sought the stay. Further digging, however, reveals that the *inter partes* reexaminations had not gone well for Fractus, and under the Federal Circuit's recent *Fresenius* decision, Fractus' \$38,000,000 judgment was at risk. So, instead of allowing the *inter partes* reexaminations to proceed to a final decision at the PTAB, Fractus sought a stay of those proceedings so that the appeal of the judgment in the Texas litigation to the Federal Circuit could proceed, and hopefully preempt the result of the *inter partes* reexamination and *inter partes* review proceedings at the PTO. If the appeal

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of the Texas judgment to the Federal Circuit is finalized before the *inter partes* review and reexamination proceedings, the PTAB stay order may effectively deprive the PTAB of jurisdiction, because a final judgment from the Federal Circuit in the appeal of the Texas case will trump the appeal of the PTAB proceedings. Stay tuned.