

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

DISH NETWORK L.L.C.,
Petitioner,

v.

TQ BETA, LLC,
Patent Owner.

Case IPR2015-01756
Patent 7,203,456 B1

Before JAMESON LEE, MATTHEW R. CLEMENTS, and
JOHN F. HORVATH, *Administrative Patent Judges*.

HORVATH, *Administrative Patent Judge*.

DECISION
Denying Patent Owner's Motion to Vacate
37 C.F.R. § 42.71

INTRODUCTION

On January 30, 2017, we entered a Final Written Decision in this proceeding. Paper 31 (“Final Dec.”). In the Final Written Decision, we entered adverse judgment against TQ Beta LLC (“Patent Owner”) as to claims 11, 14, and 15 of U.S. Patent No. 7,203,456 B1 (“the ’456 patent”) due to Patent Owner’s abandonment of the contest as to those claims, and found Dish Network L.L.C. (“Petitioner”) had shown by a preponderance of evidence that claims 13 and 16 were unpatentable as anticipated by Compton,¹ obvious over Compton, and obvious over Compton and Shteyn.² *Id.* at 7–8, 32.

On April 3, 2017, Patent Owner appealed the Final Written Decision to the Court of Appeals for the Federal Circuit. Paper 32. Prior to receiving a decision on appeal, Petitioner and Patent Owner settled their dispute over the ’456 patent. Patent Owner then filed an unopposed motion requesting the Federal Circuit dismiss the appeal, and remand the case to the Board to allow Patent Owner to file a motion to vacate the Final Written Decision. The Federal Circuit granted Patent Owner’s motion, remanded the case to the Board, and took “no position as to whether the Board should grant the motion to vacate.” Ex. 3001.³

On February 6, 2018, pursuant to Board authorization, Patent Owner filed a Motion to Vacate the Final Written Decision finding claims 13 and 16

¹ Charles L. Compton, Internet CNN NEWSROOM: The Design of a Digital Video News Magazine (B.S. and M.S. Thesis, Massachusetts Institute of Technology) (Oct. 1995)

² U.S. Patent No. 6,611,654 B1

³ *TQ Beta, LLC v. Dish Network LLC*, Case No. 2017-1872, slip op. at 2 (Fed. Cir., Nov. 27, 2017).

of the '456 patent unpatentable. Paper 34 (“Mot”), 1. Patent Owner averred Petitioner would not oppose the Motion. *Id.* On February 27, 2018, Petitioner filed a Response to the Motion to Vacate, confirming that it did not oppose the Motion, but taking “no position with respect to Patent Owner’s arguments regarding legal and/or policy considerations of encouraging settlements.” Paper 37, 1. For the reasons discussed below, we deny Patent Owner’s Motion to Vacate the Final Written Decision.

ANALYSIS

Patent Owner argues “[v]acating the Final Written Decision is appropriate for a simple reason—the law and sound policy strongly favor and encourage settlements.” Mot. 2. Patent Owner argues settlements result in significant savings for both the parties and the judicial system, and that a refusal to vacate the Final Written Decision on policy grounds would remove any incentive for parties to settle their disputes after a Final Written Decision has been entered, and would force the parties “to always go through the full process of an appeal.” *Id.* at 3.

Patent Owner argues the Board has authority to vacate the Final Written Decision because nothing in the statute authorizing *inter partes* review “prevents the Board from doing so.” Mot. 4 (citing 35 U.S.C. § 317(a)). Patent Owner further argues that any public interest in finding claims unpatentable does not justify a policy of refusing to vacate the Final Written Decision. *Id.* According to Patent Owner, *inter partes* reviews are adversarial procedures akin to trials. *Id.* at 4. Therefore, vacating the Final Written Decision would mean little more than recognizing the mootness of the dispute between Petitioner and Patent Owner, and would not be an

affirmation that the challenged claims of the '456 patent are “*patentable* against the world.” *Id.* at 5.

We are not persuaded by Patent Owner’s arguments. Although we agree with Patent Owner that sound public policy favors settlement of *inter partes* reviews that is not the issue before us. Rather, the issue before us is whether public policy favors vacating a Final Written Decision that was entered *before* the parties settled their dispute. We find it does not.

In the statutory framework for conducting *inter partes* reviews, Congress has set forth the dual policy goals of encouraging settlement, and canceling claims that have been shown to be unpatentable on the merits during the course of such reviews. Specifically, when parties settle, Congress has determined:

An inter partes review instituted under this chapter *shall be terminated with respect to any petitioner* upon the joint request of the petitioner and the patent owner, *unless the Office has decided the merits of the proceeding* before the request for termination is filed. . . . If no petitioner remains in the inter partes review, the Office *may* terminate the review or *proceed to a final written decision* under section 318(a).

35 U.S.C. § 317(a) (emphases added). Thus, settlement requires termination of the proceeding *only with respect to the petitioner*, and only when the settlement occurs *prior to deciding the merits of the proceeding*. Settlement never requires termination of the proceeding with respect to the patent owner, regardless of when the settlement occurs, and does not preclude the Board from proceeding to a final written decision even *after* settlement occurs.

Moreover, when section 317(a) is considered together with the statutory requirement that “the Director *shall* issue and publish a certificate

canceling any claim of the patent finally determined to be unpatentable” after issuance of a final written decision and the termination of any appeal, the settlement provision discussed above expresses Congress’ considered opinion that public policy favors both the settlement of *inter partes* reviews, and the cancellation of any claim that has been shown to be unpatentable on the merits. *See* 35 U.S.C. § 318(b)⁴ (emphasis added).

Consistent with this statutory framework, the Office’s rules allow parties “to settle any issue in a proceeding, but the Board is not a party to the settlement and *may independently determine* any question of . . . *patentability.*” 37 C.F.R. § 42.74(a) (emphases added). Rule 42.74(a) is also consistent with Congress’ instruction that the Director shall prescribe regulations governing *inter partes* reviews in a manner that “*shall consider the effect* of any such regulation *on the economy* [and] *the integrity of the patent system.*” 35 U.S.C. §§ 316(a), 316(b) (emphases added). By allowing the parties to settle, rule 42.74(a) promotes the public policy favoring settlement. By allowing the Board to independently determine questions of patentability, even *after* the parties have settled, rule 42.74(a) promotes the public policy favoring the cancellation of any claim that has been shown to be unpatentable on the merits to both promote the integrity of the patent system and to prevent undue constraints on the economy in the form of undeserved patent monopolies.

⁴ We note that section 318(b) simply requires the appeal to have been terminated, not to have been decided on the merits. By obtaining a voluntary dismissal, Patent Owner’s appeal to the Federal Circuit has been terminated. *See General Elec. Co. v. Wilkins*, 750 F.3d 1324, 1329 (Fed. Cir. 2014) (finding that by “voluntary dismissal, [a party’s] appeal was terminated”).

In the instant proceeding, *prior* to the settlement of the parties, we determined that Patent Owner had requested adverse judgment against itself as to claims 11, 14, and 15, and that Petitioner had shown by a preponderance of evidence that claims 13 and 16 are unpatentable. *See* Final Dec. 7–8, 32. Patent Owner has not shown any error in that Final Written Decision. Rather, Patent Owner requests we vacate the Decision because, in its view, “an IPR is an adversarial procedure,” and vacating the Final Written Decision would amount to little more than “vacating [a] decision in the now-moot dispute between this Petitioner (Dish Network) and the Patent Owner.” Mot. 4–5.

We disagree with Patent Owner’s contentions for the reasons discussed above. Congress has expressed its opinion that *inter partes* reviews encompass more than a simple dispute between two parties by (1) granting the Board the discretion to issue a final written decision even *after* the parties have settled; (2) instructing the Director to cancel any claim found to be unpatentable on the merits after the issuance of a final written decision and the termination of any appeal; and (3) instructing the Director to prescribe regulations for the conduct of *inter partes* reviews that consider both the effects on the economy and the integrity of the patent system. *Inter partes* reviews, therefore, encompass important public policy considerations that go beyond the dispute between the parties, such as the negative effects that unpatentable claims may have on the economy or the integrity of the patent system.

Although the statutes and regulations governing *inter partes* reviews encourage settlements, once a final written decision has issued finding claims to be unpatentable on the merits, it would be against the public

interest to vacate that final written decision simply because the parties have settled.

In addition to, and independently of the reasons expressed above, we find that by abandoning its appeal before the Federal Circuit and failing to articulate any exceptional circumstances that would justify vacating the Final Written Decision, Patent Owner is not entitled to that equitable remedy. *In U.S. Bancorp Mortg. Co. v. Bonner Mall Partnership*, 513 U.S. 18 (1994), the Supreme Court found:

Congress has prescribed a primary route, by appeal as of right and certiorari, through which parties may seek relief from the legal consequences of judicial judgments. To allow a party who steps off the statutory path to employ the secondary remedy of vacatur as a refined form of collateral attack on the judgment would—quite apart from any considerations of fairness to the parties—disturb the orderly operation of the federal judicial system.

U.S. Bancorp, 513 U.S. at 27. Although the specific issue decided in *U.S. Bancorp* addressed whether an appellate court should vacate a lower court's judgment when settlement rendered an appeal of that judgment moot, the facts of that case are sufficiently similar to the facts presented here to warrant applying the same reasoning to the issue before us. *See Karl Storz Imaging, Inc. v. Point Conception Medical, Inc.*, 471 Fed. Appx. 904 (Fed. Cir. 2012) (granting a request to remand a case on appeal after settlement, and “leaving it to the district court to apply the principles enunciated in *U.S. Bancorp*”).

In *U.S. Bancorp*, a bankruptcy court decision was overturned by the U.S. District Court for the District of Idaho. *U.S. Bancorp*, 513 U.S. at 20. The judgment of the Idaho District Court was appealed to the Court of Appeals for the Ninth Circuit, which affirmed the Idaho District Court's

decision. *Id.* The Supreme Court granted certiorari to consider the merits of the Ninth Circuit’s judgment, but the parties effectively settled their dispute while that appeal was pending. *Id.* Despite the mootness of the appeal, the Supreme Court refused U.S. Bancorp’s request to vacate the Ninth Circuit’s judgment, finding “mootness by reason of settlement does not justify vacatur of a judgment under review.” *Id.* at 20, 29. In doing so, the Supreme Court found a party seeking relief from a judgment must demonstrate “equitable entitlement to the extraordinary remedy of vacatur.” *Id.* at 26. The Court further found that when the mootness of an appeal results from settlement, “the losing party has voluntarily forfeited his legal remedy by the ordinary processes of appeal or certiorari, thereby surrendering his claim to the equitable doctrine of vacatur.” *Id.* at 25.

The facts presented here are analogous to the facts presented in *U.S. Bancorp.* Patent Owner, disagreeing with the judgment rendered in our Final Written Decision, appealed that decision to the Court of Appeals for the Federal Circuit pursuant to the statutory scheme enacted by Congress. *See* 35 U.S.C. § 319. Nonetheless, prior to receiving a decision on appeal, Patent Owner settled its dispute with Petitioner, and voluntarily obtained dismissal of the appeal. *See* Ex. 3001, 2. Patent Owner now seeks to collaterally attack the Final Written Decision by requesting we vacate it.

To succeed, Patent Owner must show “equitable entitlement to the extraordinary remedy of vacatur.” *U.S. Bancorp*, 513 U.S. at 25–26. However, the only reason proffered by Patent Owner for vacating the Final Written Decision is the parties’ settlement. *See* Mot. 2 (“[v]acating the Final Written Decision is appropriate for a simple reason—the law and sound policy strongly favor and encourage settlements”). As the Supreme Court

found in *U.S. Bancorp*, this is an insufficient reason to set aside the Final Written Decision because when Patent Owner “voluntarily forfeited [its] legal remedy by the ordinary processes of appeal or certiorari,” Patent Owner also “surrender[ed] [its] claim to the equitable doctrine of vacatur.” *Id.*

Finally, we note the Supreme Court’s reasoning in *U.S. Bancorp* supports our conclusion that our Final Written Decision involves public interests that go beyond the mere interests of the parties. In particular, the Supreme Court found “[j]udicial precedents are presumptively correct and valuable to the legal community as a whole. They are not the property of private litigants and should stand unless a court concludes that the public interest would be served by vacatur.” *U.S. Bancorp*, 513 U.S. at 26; *see also Cardinal Chemical Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 100 (1993) (recognizing “a strong public interest in the finality of judgments in patent litigation,” and finding judgments on validity have “the greater public importance”).

Accordingly, for the reasons discussed above, Patent Owner’s request to vacate the Final Written Decision is denied.

ORDER

It is hereby:

ORDERED, that Patent Owner’s Motion to Vacate the Final Written Decision is *denied*.

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Patent No. 7,203,456 B1

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