
NOTES

PREJUDICIAL OR PROBATIVE: DETERMINING THE ADMISSIBILITY OF DECISIONS IN INTER PARTES REVIEW PROCEEDINGS

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The recent implementation of inter partes review proceedings has created an additional forum for parties to challenge the validity of issued patents. While this process was intended to provide an efficient way to invalidate bad patents, it has the potential to complicate patent infringement litigation. As more actions are brought using the inter partes review process, courts will need to decide how to treat decisions from inter partes review proceedings in subsequent infringement litigation. Specifically, courts will need to determine whether decisions from inter partes review proceedings should be admitted into evidence, given the fact that evidence may be excluded if its probative value is substantially outweighed by a danger of unfair prejudice. This Note will analyze whether courts should admit decisions in inter partes review proceedings into evidence in infringement litigation, while taking into account the different

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standards used by the federal courts and the patent office when determining patent validity.

INTRODUCTION

The Leahy-Smith America Invents Act (“AIA”), passed by Congress in 2011,¹ is the most significant piece of patent reform legislation since 1952.² Two important changes implemented by the AIA were the creation of post-grant opposition procedures that allow third parties to challenge the validity of issued patents before the U.S. Patent and Trademark Office (“PTO”),³ and the creation of the Patent Trial and Appeal Board (“PTAB”), an adjudicatory board within the PTO.⁴ Inter partes review (“IPR”), one of the post-grant opposition procedures created by the AIA, allows a third party to challenge the validity of one or more patent claims before the PTAB.⁵ IPR proceedings were intended to provide a more efficient, cost-effective alternative to challenging the validity of issued patent claims in federal court.⁶ IPR, which is by far the most popular of the new post-grant proceedings, has become a significant player in patent validity challenges and patent infringement litigation.⁷ In contrast to federal court suits, a challenger does not have to show standing to bring an IPR. Challengers do, however, need to show a reasonable likelihood of prevailing on one of the challenged claims for the PTAB to institute an IPR.⁸ Patent claims

¹ See generally Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.).

² See Michelle Carniaux & Michael E. Sander, Riding the PTAB Wave: An Empirical Study of the Surge of Petitions Filed in the Patent Trial and Appeal Board 2 (Apr. 1, 2015) (unpublished manuscript), available at <https://ssrn.com/abstract=2650662> [<https://perma.cc/ZSJ2-C3GK>] (describing AIA as “most substantial change in United States Patent Law since the Patent Act of 1952”).

³ See 35 U.S.C. §§ 316, 326 (2012) (describing inter partes review (“IPR”), post-grant review (“PGR”), and role of the Patent Trial and Appeal Board (“PTAB”)).

⁴ *Id.* § 6 (explaining that duties of the PTAB include conducting IPRs and PGRs).

⁵ See *id.* § 316 (describing IPR procedures).

⁶ H.R. REP. NO. 112-98, pt. 1, at 40 (2011) (“The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”).

⁷ See Carniaux & Sander, *supra* note 2, at 3. Note that it is too early to tell whether PGR will be popular. See Paul R. Gugliuzza, (*In*)valid Patents, 92 NOTRE DAME L. REV. 271, 282-83 (2016) (asserting that because the PTO has not issued many patents filed on or after March 16, 2013, “few [PGR] petitions have been filed to date”). PGRs can only be brought with respect to patents with a filing date on or after March 16, 2013, see Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 103(e)(3), 125 Stat. 284, 288 (2011) (codified in scattered sections of 35 U.S.C.), so there are very few patents currently eligible for PGR.

⁸ See Gugliuzza, *supra* note 7, at 284 (“[T]he PTAB will institute inter partes review if it determines ‘there is a reasonable likelihood that the petitioner would prevail’ on at least one of the challenged patent claims.” (quoting 35 U.S.C. § 314(a))).

can also be challenged in federal court as an affirmative defense to patent infringement.⁹ Prior to the AIA, infringement suits in federal court were by far the most common context in which validity challenges arose.¹⁰

Because both federal courts and the PTAB are able to decide issues of patent claim validity, situations may arise where the PTAB has already made a decision on the validity of a patent being litigated in federal court, or vice versa.¹¹ One common scenario is that party *A* will bring an infringement action against party *B* in federal court, claiming that *B* infringed *A*'s patent. In response, *B* will bring an IPR claiming that *A*'s patent is invalid and, therefore, cannot be infringed.¹² In this situation, the court will usually allow the parties to stay the federal court litigation until the IPR is adjudicated.¹³

It is often favorable for defendants in infringement suits to bring IPRs rather than challenge the validity of patents in court, in part because it cuts down on cost¹⁴ and partly because patents are easier to invalidate in IPRs due to different legal standards and a lower burden of proof at the PTO.¹⁵ If the patent is found invalid in the IPR, then the federal court action is dismissed. If the patent's

⁹ 35 U.S.C. § 282(b).

¹⁰ Inter partes reexamination proceedings, the predecessor to IPR, were a less robust alternative to litigation and were therefore relatively unpopular. Gugliuzza, *supra* note 7, at 281 (stating that "[m]ost participants in the patent system initially ignored inter partes reexamination," leaving federal court as only viable option to challenge patent validity).

¹¹ See *id.* at 273 ("Parallel proceedings and conflicting decisions are . . . increasingly common.").

¹² See *id.*

¹³ *Id.* Note, however, that courts are not required to stay litigation. District court judges have broad discretion in deciding whether to grant a motion to stay. *Stays*, THE PTO LITIG. CTR., <http://ptoligationcenter.com/2009/09/stays/> [<https://perma.cc/QBP2-6QWR>] (last visited Oct. 13, 2017). For example, the Eastern District of Texas has gained a reputation for refusing to stay litigation in the face of a pending IPR. *East Texas Court Orders Stays Pending Inter Partes Review*, BRANN & ISAACSON, (May 18, 2016), <http://www.brannlaw.com/ip-wise/east-texas-court-orders-stay-pending-inter-partes-review/> [<https://perma.cc/3YRK-N98Q>]; Jeffrey A. Miller, *Parallel Track Proceedings: Determining Whether to Stay Litigation*, ARNOLD & PORTER KAYE SCHOLER (May 19, 2016), https://www.apks.com/en/perspectives/publications/2016/05/2016_05_19_parallel_track_proceedings_de_12979 [<https://perma.cc/LX3F-4B7G>].

¹⁴ See William Hannah, *Major Change, New Chapter: How Inter Partes Review and Post Grant Review Proceedings Created by the America Invents Act Will Shape Litigation Strategies*, 17 INTELL. PROP. L. BULL. 27, 40 n.103 (2012) (explaining that IPR is good option for cutting down on costs, as "[t]ypical [IPR] can cost from \$35,000 to \$200,000, while full litigation can cost into the millions").

¹⁵ For a discussion of the advantages of IPRs to challengers, see *infra* notes 100-07 and accompanying text; see also *infra* notes 75-76 and accompanying text (discussing claim construction in IPRs versus federal court); *infra* notes 77-78 and accompanying text (discussing burden of proof in IPR).

validity is upheld in the IPR, then the litigation moves forward and the defendant is prohibited from raising any issue in court that she raised or reasonably could have raised in the IPR.¹⁶

One important rule of patent validity challenges is that once a patent is found invalid, either in court or before the PTAB, it is invalid against the world.¹⁷ However, a finding of *validity* by the PTAB does not generally prevent subsequent challenges to that patent's validity by other parties,¹⁸ and the PTAB is not bound by a court's refusal to find a patent invalid.¹⁹ For example, if the PTAB upheld the validity of A's patent, there is no rule prohibiting a different party, C, from challenging the same patent's validity in a later infringement suit.²⁰

The fact that a patent that has been challenged before the PTAB can later be involved in litigation creates a unique evidentiary issue. As illustrated above, a patent that has been found valid in an IPR could be subject to a later infringement suit with a defendant who was not a party to the IPR. The defendant in the subsequent infringement suit, party C, would be able to challenge the validity of A's patent, even though the patent's validity had been previously upheld in an IPR with party B.²¹ So far, there is no rule concerning whether a finding of validity in an IPR can be presented as evidence to a jury during a subsequent infringement suit. Further, there is no consistent rule as to whether a PTAB decision refusing to institute an IPR can be admitted as evidence to a jury in an infringement suit.²²

¹⁶ See 35 U.S.C. § 315(e)(2) (2012) ("The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision . . . may not assert . . . that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.").

¹⁷ See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 349-50 (1971) (holding that patentee whose patent is held invalid may be precluded under collateral estoppel doctrine from asserting validity of patent in suit against different infringer); *Gugliuzza*, *supra* note 7, at 280 (explaining that court ruling and PTO ruling of invalidity "nullifies the patent as against the entire world").

¹⁸ *Gugliuzza*, *supra* note 7, at 280.

¹⁹ See *id.* at 289.

²⁰ It is also true that party C would not technically be prohibited from challenging A's patent before the PTAB, but the PTAB probably would not institute the IPR if it had already found the patent valid.

²¹ A defendant in an infringement suit who has already previously challenged the patent at issue in an IPR is prohibited from raising in court any issue she "raised or reasonably could have raised" in the IPR. 35 U.S.C. § 315(e)(2); see also *infra* note 109 and accompanying text (explaining issue preclusion in context of IPRs).

²² Compare *StoneEagle Servs., Inc. v. Pay-Plus Sols., Inc.*, No. 8:13-cv-02240, 2015 WL 3824208, at *8-9 (M.D. Fla. June 19, 2015) (allowing the PTAB's refusal to institute IPR brought by defendant to be admitted into evidence in infringement litigation), with *Wis.*

The issue of whether to admit evidence from an IPR into court is challenging because the standards and procedural rules in an IPR are different than those in court, such that when a court rules on patent validity it is not deciding the same issue as when the PTAB rules on patent validity.²³ Although both the PTAB and the court are deciding the issue of whether the challenged claims are valid, a PTAB ruling is not directly determinative of the issue of patent validity in court because “the substantive law differs” between the two forums on the legal issues critical to determining validity.²⁴

The type of evidence admitted in patent litigation is particularly controversial for a few reasons. For one thing, patent litigation costs are astronomically high and patent infringement cases are often high-stakes.²⁵ Second, juries are believed to have difficulties understanding patent cases and are more likely to rely on tangential factors than juries in other, easier to understand contexts, thus heightening the importance of certain types of evidence.²⁶ Next, the decision of whether to allow evidence into court from IPRs affects the efficiency of patent litigation, the interest of uniformity between the PTAB and the court system, and the issue of consistency between different courts.²⁷ Finally, the incentive system that patent law is rooted in is affected by practices that increase uncertainty in the system.²⁸ Uncertainty is harmful to the patent system because it makes innovation more costly, which can decrease innovation incentives and work against the patent system’s goal of encouraging technological progress.²⁹ Any level of uncertainty on the issue of whether a decision in an IPR is allowed into evidence in patent infringement suits has the potential to significantly increase the uncertainty in the patent law system as a whole, which could harm innovation. Further, if there is a lack of certainty on how decisions in IPRs will be treated in subsequent litigation, patent owners may be unwilling to bring IPRs, which would undermine the system Congress aimed to create when it established the new PTAB proceedings. The ability to present evidence of an IPR decision in an infringement suit affects the patent system as a whole and could be outcome determinative in a patent infringement case. This issue is

Alumni Research Found. v. Apple, Inc., 135 F. Supp. 3d 865 (W.D. Wis. 2015) (deciding that evidence of denial of IPR petition should not be admitted into evidence).

²³ See Gugliuzza, *supra* note 7, at 316 (explaining that issue preclusion does not apply in cases involving conflicting decisions between courts and the PTO because “courts and the PTO apply different burdens of proof on the issue of validity, which defeats a key requirement for issue preclusion”); see also *infra* Section II.A (discussing differences between the PTAB and federal court on issue of claim validity).

²⁴ Gugliuzza, *supra* note 7, at 278.

²⁵ See *infra* notes 48-51 and accompanying text.

²⁶ See *infra* notes 53-58 and accompanying text.

²⁷ See *infra* notes 59-60 and accompanying text (discussing benefits of increased uniformity in patent system).

²⁸ See *infra* notes 59-60 and accompanying text.

²⁹ See *infra* notes 59-60 and accompanying text.

therefore of high importance not only theoretically, but also to litigators and innovators, as it could significantly affect intellectual property rights management strategies.

This Note will explore the issue of when decisions from IPR proceedings should be admitted as evidence in subsequent infringement suits under Rule 403 of the Federal Rules of Evidence. Part I will provide an overview of patent infringement litigation and the procedure of IPR proceedings. Part II will explain the interplay between the PTAB and federal courts, give a brief overview of Rule 403, and provide a landscape of how previous PTAB decisions have been treated in infringement suits in federal court. Finally, Part III will describe what considerations courts should take into account when deciding whether to admit evidence from PTAB decisions in IPRs and will conclude that, while courts should systematically exercise their discretion under Rule 403 to admit evidence of IPRs resulting in substantive decisions of validity, they should not admit evidence of PTAB decisions not to institute IPRs.

I. A PRIMER ON INFRINGEMENT LITIGATION AND IPR PROCEDURE

The patent system hinges on a delicate balance of granting limited property rights in exchange for public disclosure. The goal of patent law is to create a system that optimizes innovation incentives, thereby fulfilling the constitutional purpose of promoting progress and the useful arts.³⁰ The federal court system and the PTAB are both important institutions in patent law, as both can review the validity of patent claims. However, each forum has different rules and standards that affect how issues are decided and ultimately how the forums interact. This Part will give a brief overview of validity challenges in federal court, describe the procedural aspects of IPRs, and explain how the interaction of the two systems has the potential to significantly impact patent law and the incentive structure it strives to protect.

A. *Patent Infringement and the Problem with Parallel Proceedings*

As described above, the validity of patent claims can be challenged both before the PTAB and in federal court. The concept behind a challenge to an issued patent claim's validity is that because the PTO is limited in both time and resources, there are some patent claims that should not have issued in the first place,³¹ either because the invention did not meet the requirements for

³⁰ See Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1966 (2013) (stating that "constitutionally mandated goal" of patent system is "promotion of innovation").

³¹ See Bob High, Comment, *Redundant Prior Art References and Their Prejudicial Effects on Post-Issuance Review Petitioners*, 65 EMORY L.J. 581, 582 (2015) ("Due to the PTO's limited time and resources to review patent applications, it is inevitable that some patent applications will issue because the examiner could not find the invalidating prior art.").

patentability³² or because the patent was not drafted correctly.³³ The three main requirements for patent protection are that the invention be new, useful, and nonobvious.³⁴ The invention must also not fall into one of the categories of unpatentable subject matter,³⁵ and the patent must provide an adequate written description that would allow one of skill in the art to recreate the invention using the patent.³⁶ The claims must also be sufficiently clear to put the public on notice of the scope of the invention.³⁷ In court, the validity of patent claims can be challenged on any of these grounds.³⁸

Patent claims can be, and often are, challenged in federal court as an affirmative defense to infringement.³⁹ To illustrate the process of a validity challenge in court: if party *A* sues party *B* for patent infringement,⁴⁰ *B* can potentially defend herself using three different arguments.⁴¹ First, *B* can say that she did not infringe on *A*'s patent because her invention is outside the scope of *A*'s patent.⁴² Second, *B* can argue that *A*'s patent is unenforceable.⁴³ Finally, *B*

³² See 35 U.S.C. §§ 101-103 (2012).

³³ See *id.* § 112 (describing written requirements for patent).

³⁴ See *id.* §§ 101-103, 131.

³⁵ *Id.* § 101; see U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 2103 [III.A] (9th ed. Nov. 2015) ("The subject matter which courts have found to be . . . exceptions to . . . the four statutory categories of invention is limited to abstract ideas, laws of nature and natural phenomena . . .").

³⁶ 35 U.S.C. § 112.

³⁷ *Id.* (stating that one or more claims must point out and distinctly claim subject matter of invention).

³⁸ In contrast, IPR limits third-party challenges of claim validity to issues of novelty and nonobviousness. *Id.* § 311(b) (stating that petitioner in IPR "may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103"). Section 102 describes the novelty requirement and § 103 describes the nonobviousness requirement. See *id.* §§ 102-103. Novelty and nonobviousness challenges are referred to as § 102 and § 103 challenges, respectively.

³⁹ See *id.* § 282(b).

⁴⁰ See *id.* § 281 ("A patentee shall have remedy by civil action for infringement of his patent.").

⁴¹ See Gugliuzza, *supra* note 7, at 278.

⁴² See *id.* (explaining that accused infringer will argue that she "does not, in fact, infringe the patent" in response to infringement suit).

⁴³ A patent may be found unenforceable if, for example, the patent owner engages in inequitable conduct or fraud in dealing with the PTO. 6A-19 DONALD S. CHISUM, CHISUM ON PATENTS § 19.03A (2016) (citing to litany of cases where court found patent claims unenforceable in infringement suit due to inequitable conduct); see also Gugliuzza, *supra* note 7, at 278 (stating that accused infringer can assert that patent is unenforceable because "patent holder obtained the patent through misrepresentations to the PTO").

can argue that A's patent is invalid and therefore cannot be infringed.⁴⁴ Validity challenges are raised quite often as a defense in patent infringement cases.⁴⁵ Once B raises the affirmative defense of patent invalidity, the court will need to decide whether A's patent is valid prior to determining whether B infringed A's patent. To succeed on the affirmative defense of invalidity in court, B must show that A's patent claims are invalid by clear and convincing evidence.⁴⁶

As mentioned above, there is no established rule on whether evidence of a PTAB decision in an IPR can be presented to a jury in an infringement suit.⁴⁷ This uncertainty regarding the way decisions before the PTAB will be treated in court may affect innovators' decisions on whether or not to bring IPRs and may have consequences for the patent system as a whole. Whether evidence from IPRs is admissible in infringement litigation has the potential to have serious consequences for patent owners and innovators for a number of reasons. First, patent infringement litigation, which has somewhat famously been referred to as "the sport of kings,"⁴⁸ is often extremely costly and high-stakes.⁴⁹ A finding of infringement in regard to a company's key product can be completely destructive, which can make patent litigation a life-or-death situation for a company.⁵⁰ Therefore, when a patent infringement case reaches trial, skilled teams of lawyers are paid large fees, "insuring that every potential ambiguity and nuance in a patent document will be scrutinized, analyzed, magnified,

⁴⁴ See 35 U.S.C. § 282(b)(2)-(3) (stating that invalidity is one defense in patent infringement litigation); Gugliuzza, *supra* note 7, at 278-79 (stating that "accused infringer will claim that the patent is invalid because it does not satisfy one or more requirements of the Patent Act"); Ann E. Motl, Note, *Inter Partes Review: Ensuring Effective Patent Litigation Through Estoppel*, 99 MINN. L. REV. 1975, 1977 (2015) (explaining that defendant in infringement action may argue that "it did not infringe the specific claims of the patent" or that patent is invalid for not meeting requirements for receiving patent).

⁴⁵ See Gugliuzza, *supra* note 7, at 272 (asserting that courts declare patents invalid in nearly half of all patent cases that make it to final judgment on issue of validity).

⁴⁶ *In re Caveney*, 761 F.2d 671, 674 (Fed. Cir. 1985) (holding that party asserting patent invalidity must "support the assertion by facts constituting clear and convincing evidence").

⁴⁷ Gugliuzza, *supra* note 7, at 290-91 (explaining that while "[s]ome district courts have allowed patent holders to inform the jury that the PTAB denied the accused infringer's petition for review" others have decided that differing standards in IPRs and litigation prohibit "litigants from referring to post-issuance proceedings involving the patent-in- suit").

⁴⁸ See Colleen V. Chien, *Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents*, 87 N.C. L. REV. 1571, 1584 (2009) ("Given such price tags, it is no wonder that patent litigation among large companies has been called the sport of kings.").

⁴⁹ *Id.*

⁵⁰ See Colleen V. Chien, *Predicting Patent Litigation*, 90 TEX. L. REV. 283, 287 n.16 (2011) (explaining that patent litigation is high stakes endeavor that "may be characterized as 'bet-the-company' patent litigation" when core technology is involved which can result in "company losing the right to sell its products").

dressed up, and ushered onto center stage with a grand flourish during the patent trial.”⁵¹ The high cost of patent infringement litigation means that issues that have the potential to weigh heavily on the outcome of a case can have major downstream effects on the costs of litigation, which can alter incentives to innovators who are tasked with deciding whether the potential payoff from innovation is worth the potential costs. That is, when the cost of defending intellectual property rights is high, inventors must take that cost into consideration when deciding whether to innovate, and they will be less likely to decide that the potential benefit of innovating outweighs the potential costs.⁵²

Additionally, the issue of patent validity will ultimately go to a jury in most cases, which means that issues that are likely to have a high bearing on a jury finding will be especially crucial. Jury trials in patent litigation have been the subject of heavy criticism by both litigators and commentators.⁵³ The technical nature of patent litigation can make effectively explaining the issues to a jury difficult⁵⁴ and can render jury verdicts unpredictable.⁵⁵ A common conception in patent litigation is that juries are unable to understand the complex subject matter and are thus more easily swayed by tangential factors.⁵⁶ Juries are also thought to be more pro-patentee than judges,⁵⁷ in part because they tend to give too much weight to the findings of the PTO.⁵⁸ Therefore, evidence that is shown to a jury can have serious consequences in infringement suits, which may

⁵¹ ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, *PATENT LAW AND POLICY* 669 (7th ed. 2017); see also Chien, *supra* note 48, at 1584 (“When large corporations sue each other, the result can be patent warfare, involving competing claims, multiple patents, and teams of lawyers.”).

⁵² See David Fagundes & Jonathan S. Masur, *Costly Intellectual Property*, 65 VAND. L. REV. 677, 717 (2012) (explaining that fear of litigation can be “prohibitively high” for some potential inventors).

⁵³ See Gregory D. Leibold, Comment, *In Juries We Do Not Trust: Appellate Review of Patent-Infringement Litigation*, 67 U. COLO. L. REV. 623, 624 (1996); Jennifer F. Miller, *Should Juries Hear Complex Patent Cases?*, 2004 DUKE L. & TECH. REV. 4, ¶ 32; Kimberly A. Moore, Essay, *Juries, Patent Cases, & a Lack of Transparency*, 39 HOUS. L. REV. 779, 779-80 (2002).

⁵⁴ See Moore, *supra* note 53, at 779 (“Lawyers wax on about juries lacking the competence to resolve technically sophisticated and legally complex patent cases.”).

⁵⁵ See Miller, *supra* note 53, at ¶¶ 29-30 (explaining that many argue jury verdicts in patent cases are often unpredictable and inconsistent, to push for more uniformity in patent law).

⁵⁶ See Leibold, *supra* note 53, at 624 (explaining that “[t]ypical complaints about the use of juries in patent cases” include juries’ lack of understanding of technology involved or nuances of legal standards, and their tendency to be “swayed too easily by tangential issues”).

⁵⁷ See Moore, *supra* note 53, at 780 (“[J]uries are more likely than judges to find for the patent holder and more likely to hold a patent valid, infringed, and willfully infringed.”).

⁵⁸ See Leibold, *supra* note 53, at 624 (explaining that typical complaints about juries in patent cases include that juries “are pro-patentee because they have a high regard” for the PTO).

significantly affect decision making by innovators and companies. Whether evidence of an IPR is allowed in an infringement suit could affect strategic decisions of what to argue during an IPR or when and whether to bring an IPR. Thus, this issue is likely of high importance both to patent litigators and patent owners, especially those who aggressively assert their rights, as these actors must consider how their decisions will affect potential downstream litigation.

Lastly, uncertainty in patent law can interfere with innovation incentives.⁵⁹ The patent system was created to encourage innovation by granting a temporary monopoly to innovators to help them recoup their investment.⁶⁰ However, because there is some undefined number of invalid patents and many patents have unclear and unpredictable boundaries of protection, the scope of patent protection is inherently uncertain to some degree.⁶¹ Ideally, before an innovator decides to invest in bringing an invention to market, she would want to know the risk of infringing someone else's patent and the potential cost or payoff of preventing others from infringing her patent.⁶² With this information, she would be able to make a decision of whether to pursue the invention, taking into account the cost of defending against infringement and enforcing her rights.

Uncertainty in the scope and boundaries of patents makes it harder to discern the type of information necessary to make an informed decision on whether to innovate, which makes innovation more costly and makes potential innovators less likely to pursue an invention.⁶³ For one thing, uncertainty makes enforcement more burdensome because disputes are more likely to occur.⁶⁴ Uncertainty also makes it more expensive for inventors to search for patents they

⁵⁹ See generally JAMES BESSEN & MICHAEL J. MEURER, *PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK* (2008) (explaining that high level of uncertainty in patent law results in inefficient investment incentives).

⁶⁰ See Justin R. Orr, *Patent Aggregation: Models, Harms, and the Limited Role of Antitrust*, 28 BERKELEY TECH. L.J. 525, 528 (2013) (stating theory that patents act as rewards for patentee's "money, time, energy, and creative energies").

⁶¹ See BESSEN & MEURER, *supra* note 59, at 54-68 (arguing that "fuzzy and unpredictable boundaries" cause patent law to "fail[] to provide good notice to innovators about the patent rights relevant to adoption of a new technology").

⁶² See Tom Ewing & Robin Feldman, *The Giants Among Us*, 2012 STAN. TECH. L. REV. 1, 19 ("In theory, the producer should be able to search for relevant patents and arrange necessary licensing, but in the real world, this description is no more than a convenient myth.").

⁶³ See Harry Surden, *Efficient Uncertainty in Patent Interpretation*, 68 WASH. & LEE L. REV. 1737, 1740-41 (2011) (claiming that "uncertainly scoped patent claims can increase transaction costs" and "depress innovation").

⁶⁴ James Bessen & Michael J. Meurer, *Lessons for Patent Policy from Empirical Research on Patent Litigation*, 9 LEWIS & CLARK L. REV. 1, 25 (2005) (explaining that increasing litigation costs could impose "increasing burden on innovators who cannot avoid the growing maze of patents").

could potentially infringe on.⁶⁵ This increased cost of innovation lessens the value of the property because it imposes costs on both innovators and the public.⁶⁶ It follows that any added uncertainty in the patent system is unfavorable because it decreases the ability of the patent system to provide efficient innovation incentives.

The more uncertainty that exists in the system, the more likely and costly disputes will be, which harms innovation incentives and works against the goals of the patent system because innovators will have to take potential costs of inadvertent infringement and enforcement of their rights into account when deciding whether to innovate.⁶⁷ Therefore, it is in the best interest of society and the courts to eliminate uncertainty to the largest extent possible. This is especially true for patent law, where uncertainty is notoriously high,⁶⁸ and the effects of this uncertainty are quite significant due to the importance of patents in the economy. Uncertainty surrounding IPR proceedings has the potential to undermine the efficacy of the post-grant review proceedings because patent owners who are unsure of the consequences of bringing an IPR will likely be unwilling to do so. Further, any inconsistencies that arise between district courts on this issue as a result of the ambiguity in the law can result in forum shopping, which further adds to uncertainty in the patent system and harms innovation incentives by undermining confidence in the patent law system.⁶⁹ Thus, the quicker and more definitively we are able to resolve the issue of what evidence from an IPR is admissible in patent infringement cases, the better off the patent system will be.

⁶⁵ See Orr, *supra* note 60, at 532 (stating that cost of searching for intangible property contributes to difficulty and cost of identifying competing patent rights).

⁶⁶ See BESSEN & MEURER, *supra* note 59, at 2 (“Burdensome means of enforcement lessen the value of property to its owners. . . . [P]roperty disputes impose costs on other parties.”).

⁶⁷ See *id.* (“A defective property system discourages trade and investment not just by property owners, but also by those who inadvertently face the threat of property related lawsuits.”).

⁶⁸ See *id.* at 2-3 (explaining that many have argued patent system is broken, and that “changes in patent law have created ‘a legal frenzy’” (quoting Clifton Leaf & Doris Burke, *The Law of Unintended Consequences*, FORTUNE (Sept. 19, 2005), http://archive.fortune.com/magazines/fortune/fortune_archive/2005/09/19/8272884/index.htm [https://perma.cc/V772-C9MY])).

⁶⁹ Christopher A. Cotropia, *Arising Under Jurisdiction and Uniformity in Patent Law*, 9 MICH. TELECOMM. & TECH. L. REV. 253, 259-60 (2003) (“This lack of uniformity and forum shopping caused the technology community to lose faith in the patent system, leading to a devaluation of patents.”).

B. *Purpose and Procedures of IPR*

The AIA significantly altered the landscape of challenges to patent validity.⁷⁰ As described above, the post-issuance proceedings created by the AIA allow a third-party to challenge the validity of issued patent claims in a proceeding before the PTAB as an alternative to challenging the validity of a patent in litigation.⁷¹ One goal in creating these post-grant review proceedings was to create a more efficient and cost-effective alternative to litigating patent validity in court, thereby decreasing the burden on inventors of defending against infringement suits and enforcing their rights.⁷² The second goal was to encourage the “weeding-out” of invalid patents in order to lower search costs and decrease the uncertainty in the patent system.⁷³ This Section will explain IPR proceedings and how they advance the goals of Congress in enacting the AIA.

IPR is by far the most popular of the post-issuance proceedings created by the AIA.⁷⁴ IPR allows third parties to challenge the validity of one or more patent claims before the PTAB on limited grounds of § 102 novelty and § 103 nonobviousness.⁷⁵ That is, the initiating party in an IPR can only claim that a patent is invalid because of: (1) prior art references that show that the patent is not novel, or (2) references that, when combined, make the innovation disclosed in that patent obvious.⁷⁶ IPR also limits the prior art that can be relied upon to patents and printed publications.⁷⁷ In order to bring an IPR, the challenging party

⁷⁰ See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.); Carniaux & Sander, *supra* note 2, at 2 (stating that creation of PTAB was provision of AIA that most significantly affected patent litigation).

⁷¹ See 35 U.S.C. §§ 316, 326 (2012) (describing procedures for IPR and PGR, respectively).

⁷² H.R. REP. NO. 112-98, pt. 1, at 40 (2011) (“The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”).

⁷³ Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for Its Money: Challenging Patents in the PTAB*, 91 NOTRE DAME L. REV. 235, 236 (2015) (explaining that Congress adopted AIA procedures as way to “improve the likelihood that invalid patents would be quickly weeded out of the system” to lessen tax on innovation resulting from patent thickets).

⁷⁴ Carniaux & Sander, *supra* note 2, at 3.

⁷⁵ See Eric C. Cohen, *A Primer on Inter Partes Review, Covered Business Method Review, and Post-Grant Review Before the Patent Trial and Appeal Board*, 24 FED. CIR. B.J. 1, 3 (2014) (stating that claimants may challenge patentability of claims only under 35 U.S.C. §§ 102 and 103, and only based on patents or printed publications). PGR, by contrast, allows a patent to be challenged on any grounds of invalidity. See 35 U.S.C. § 321(b). However, PGRs can only be brought within nine months after the patent issues, which limits their usefulness as a forum for challenging patent validity. *Id.*

⁷⁶ See 35 U.S.C. §§ 102-103; Cohen, *supra* note 75, at 3.

⁷⁷ See Cohen, *supra* note 75, at 3.

must first petition the PTAB to institute the IPR, explaining why the challenged claims are invalid.⁷⁸ A three-judge panel will then decide whether the challenger meets its burden of showing “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition”⁷⁹ after considering both the petition and the patent owner’s response.⁸⁰ If the PTAB chooses to grant the request for an IPR, the parties are allowed additional paper submissions, depositions, and an oral hearing.⁸¹ The parties are also entitled to a fairly limited discovery process, but requests for additional discovery are sometimes granted, particularly when both parties agree.⁸² When a patent is challenged in court, the patent owner enjoys the presumption of validity, which must be rebutted by the challenger.⁸³ In contrast, in an IPR, the patent being challenged is not entitled to a presumption of validity.⁸⁴ This key difference between an IPR and traditional court proceedings means that the petitioner enjoys a lesser burden of proof in an IPR, having to prove unpatentability only by a preponderance of the evidence,⁸⁵ rather than having to meet the heightened clear and convincing standard the court would impose in a traditional court proceeding.⁸⁶

In order to decide if a patent is valid, the PTAB must engage in claim construction to determine the meaning of each challenged claim.⁸⁷ The PTAB gives claims their “‘broadest reasonable construction in light of the specification,’ as it would be interpreted by one of ordinary skill in the art.”⁸⁸

⁷⁸ See *id.* at 3-5 (stating that IPR proceedings are instituted by filing petitions which must explain reasons for relief requested, and how construed claims are unpatentable “under the statutory grounds on which the petitioner challenges the claim”).

⁷⁹ *Id.* at 5 (quoting 35 U.S.C. § 314(a)) (internal quotation marks omitted).

⁸⁰ *Id.* at 8.

⁸¹ See Andrei Iancu, Ben Haber & Elizabeth Igelsias, *Inter Partes Review Is the New Normal: What Has Been Lost—What Has Been Gained*, 40 AIPLA Q.J. 539, 552-60 (2012). Preliminary data indicates that about seventy-seven percent of petitions result in an institution in full. See Carniux & Sander, *supra* note 2, at 7.

⁸² See Cohen, *supra* note 75, at 14 (stating that statute provides for limited discovery in IPR proceedings, and that PTAB has been reluctant to grant additional discovery when request is contested).

⁸³ *Id.* at 15.

⁸⁴ *Id.* The justification for having no presumption of validity is that the three expert judges are better suited than the one, likely overburdened, patent examiner in determining if the patent is valid.

⁸⁵ 35 U.S.C. § 316(e) (2012).

⁸⁶ *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 113 (2011) (holding clear and convincing standard applies to patent validity challenges brought in federal court).

⁸⁷ See Cohen, *supra* note 75, at 16 (stating challenger is required to include proposed claim construction of disputed claims in petition, which patent owner can refute).

⁸⁸ *Id.* (quoting 37 C.F.R. § 42.100(b) (2013)). This is the same standard that has historically been used by the PTO in construing claims in analogous pre-AIA proceedings. *Id.*

The PTAB uses this broad claim construction standard “to encourage inventors to amend their claims to remove uncertainties and over breadth of claim scope,”⁸⁹ and to reduce the possibility that claims “will be interpreted more broadly than is justified.”⁹⁰ During the IPR proceeding, the patent owner is allowed to file one motion to amend the patent, but the amendment cannot enlarge the scope of the claims or introduce new matter.⁹¹ However, the ability to amend claims in IPR proceedings has been extremely limited, in part because the patent owner bears the burden of proof “demonstrating patentability of the proposed substitute claims over the prior art in general.”⁹² In practice, showing entitlement to an amendment is a very difficult task, as the PTAB has been very strict with allowing claim amendments.⁹³

Once the PTAB has reviewed the parties’ submissions, the PTAB will issue a final decision choosing to either uphold all or some of the challenged claims or declare all or some of the claims invalid.⁹⁴ If the parties choose to settle, the PTAB will terminate the IPR.⁹⁵ If the patent claims are held invalid in an IPR and the parties are also engaged in litigation, the litigation will often be stayed until any appeals of the IPR decision are concluded. If the IPR decision finding invalidation is upheld on appeal, the court will no longer have jurisdiction to render a decision and the case will be dismissed.⁹⁶ IPR proceedings are designed

⁸⁹ *Id.* (quoting *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, No. CBM2012-00001, 2013 WL 5947668 (P.T.A.B. Feb. 21, 2013)).

⁹⁰ *Id.* (quoting U.S. PATENT & TRADEMARK OFFICE, *MANUAL OF PATENT EXAMINING PROCEDURE* § 2111 (9th ed. Nov. 2015)).

⁹¹ 35 U.S.C. § 316(d)(1), (d)(3) (2012).

⁹² Cohen, *supra* note 75, at 11 (quoting *Nichia Corp. v. Emcore Corp.*, No. IPR2012-00005, 2014 WL 574596 (P.T.A.B. Feb. 11, 2014), *aff’d*, 599 F. App’x 959 (Fed. Cir. 2015)). A motion to amend may also be denied when the amendment does not respond to a ground of unpatentability raised in the IPR. *Id.*

⁹³ *Id.* at 12 (noting that reason for these strict rules is that “[IPR] is not an examination procedure; it is adjudicative in nature”); *see also id.* at 10 (“Although amendments in IPR proceedings are permitted, they are very limited.”). Note, however, that this difficulty in amending claims before the PTO is an agency practice, which could potentially change with different administrations. The Director of the PTO has the authority to prescribe regulations and set forth standards that govern IPR. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1276 (Fed. Cir. 2015) (citing 35 U.S.C. § 316(a)(2), (a)(4)) (explaining rulemaking authority granted to PTO under AIA).

⁹⁴ *See Iancu, Haber & Igelsias, supra* note 81, at 560. It is important to point out that the final written decision of the PTAB does not invalidate a patent until the time for appeal expires or the patent owner loses on appeal. *See Cohen, supra* note 75, at 24 (“A successful IPR results in the cancellation of claims found to be unpatentable, but only after the time for appeal is terminated.”).

⁹⁵ *See Aashish Kapadia, Inter Partes Review: A New Paradigm in Patent Litigation*, 23 TEX. INTELL. PROP. L.J. 113, 121 (2015).

⁹⁶ Cohen, *supra* note 75, at 24.

to be concluded within one year, and the Federal Circuit has exclusive appellate jurisdiction over IPR decisions.⁹⁷ So far, IPR proceedings have been much friendlier to challengers than federal court proceedings have been.⁹⁸

Although Congress envisioned IPRs as a way for third parties to eliminate potentially threatening invalid patent claims independent of litigation,⁹⁹ most IPRs arise in the context of patent infringement litigation.¹⁰⁰ Upon first inspection, it seems that it would be just as easy to bring the affirmative defense of invalidity in court as it would be to stay litigation in favor of bringing an IPR to resolve the validity issue. However, there are significant advantages for a defendant in an infringement suit to bring an IPR in defense of an infringement action rather than challenging the patent's validity in court. First, IPRs are designed to be conducted in one year, which is often much quicker than litigating the validity issue in court.¹⁰¹ Second, although the fee to institute an IPR is not insignificant, IPR proceedings are much cheaper than litigation.¹⁰² Thus, the efficiency gains from IPRs alone make it an attractive option for defendants.

The first few years of IPRs have indicated that the deal is even sweeter, as IPRs have been extremely favorable to challengers.¹⁰³ Early data indicates that once an IPR is instituted,¹⁰⁴ the PTAB has found all challenged claims invalid

⁹⁷ 35 U.S.C. § 141(c) (2012) (providing that appeal of PTAB decision may only be made to Federal Circuit); Iancu, Haber & Igelsias, *supra* note 81, at 560 (“The final decision must be issued one year after the IPR was instituted. In some cases, this timeline can be extended for up to six months.”).

⁹⁸ See Cohen, *supra* note 75, at 27 (“[T]he majority of final written decisions issued by the PTAB have been generally favorable to petitioners.”).

⁹⁹ See Dreyfuss, *supra* note 73, at 236 (explaining that Congress adopted AIA procedures as way to “improve the likelihood that invalid patents would be quickly weeded out of the system” to lessen tax on innovation resulting from patent thickets).

¹⁰⁰ See Mark Consilvo & Jonathan R.K. Stroud, *Unraveling the USPTO's Tangled Web: An Empirical Analysis of the Complex World of Post-Issuance Patent Proceedings*, 21 J. INTEL. PROP. L. 33, 49 (2013) (noting that so far, “roughly 80%-90% of all IPRs filed have related litigation”); Motl, *supra* note 44, at 1978 (explaining that “IPR is attractive to defendants in patent litigation and other parties seeking to invalidate low-quality and potentially threatening patents,” however, more of former has occurred than latter); Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 65 (2016) (“[M]ost patents challenged in the PTAB are also challenged in Article III litigation.”).

¹⁰¹ Dreyfuss, *supra* note 73, at 243.

¹⁰² See *id.* at 242.

¹⁰³ See Cohen, *supra* note 75, at 27.

¹⁰⁴ The PTAB institutes IPR petitions for at least one challenged claim about sixty-six percent of the time, according to the data from the mid-point of 2017. See Kerry S. Taylor, *PTAB Releases March 2017 Stats*, KNOBBE MARTENS (Apr. 27, 2017), <https://www.knobbe.com/news/2017/04/ptab-releases-march-2017-stats> [<https://perma.cc/R697-8JUZ>].

about seventy percent of the time.¹⁰⁵ Thus, IPRs are much more favorable to challengers than are courts, which find all claims invalid about fifty percent of the time.¹⁰⁶ Although it is hard to say precisely why IPRs are more favorable to challengers, the lower burden of proof and broader claim construction certainly contribute to the high rate of success. IPRs also allow the defendants to switch to an offensive position and argue in front of technically trained judges with expertise in patent law, in contrast to federal court judges who are usually generalists with no technical background, which may be beneficial to challengers.¹⁰⁷

As noted above, once a patent claim (or an entire patent) is found invalid, it is invalid against the world and cannot be asserted against anyone else in subsequent litigation.¹⁰⁸ Therefore, challenging a patent's validity in the more favorable forum is a significant advantage. If the PTAB upholds the validity of the challenged claims in an IPR, the challenging party cannot reassert the same issues, or any issues it "reasonably could have raised," in any subsequent litigation.¹⁰⁹ This prevents challengers from getting two bites at the apple to challenge the validity of the patent.

The rules are less clear, however, when we begin to think about how a decision in an IPR affects subsequent litigation involving the same patent, but a different defendant. Federal courts have not yet dealt with the issue of whether a substantive decision in an IPR to uphold the validity of claims should be admitted into evidence in subsequent litigation. It is also unclear how courts should treat a decision by the PTAB not to institute an IPR. Although a decision

¹⁰⁵ See Carniaux & Sanders, *supra* note 2, at 9. Other more recent data is consistent with this finding. See Evan J. Wallach & Jonathan J. Darrow, *Federal Circuit Review of USPTO Inter Partes Decisions, by the Numbers: How the AIA Has Impacted the Caseload of the Federal Circuit*, 98 J. PAT. & TRADEMARK OFF. SOC'Y 105, 111 (2016); see also Jason Mock, *Post-Grant Proceedings at the USPTO and the Rising Tide of Federal Circuit Appeals*, 25 FED. CIR. B.J. 15, 23 (2015) (stating that, as of July 2015, "PTAB was canceling 72.8% of claims for which review was instituted").

¹⁰⁶ Gugliuzza, *supra* note 7, at 272 (noting that, in lawsuits involving validity challenges, courts declare patents invalid "in nearly half of all patent cases litigated to a final judgment"); see also Orr, *supra* note 60, at 531 (citing 1998 study finding that nearly half of all litigated patents are eventually declared invalid).

¹⁰⁷ See Vishnubhakat, *supra* note 100, at 52-53 ("[J]udges in the federal courts tend to be generalists who may not be equipped to tackle complex questions at the intersection of law, science, and policy.").

¹⁰⁸ See Gugliuzza, *supra* note 7, at 280 ("Like a court ruling that a patent is invalid, a PTO ruling of invalidity nullifies the patent as against the entire world.").

¹⁰⁹ 35 U.S.C. § 315(e)(2) (2012) (stating that petitioner in IPR cannot assert "that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that [IPR]"). Also note that "a party cannot file an IPR petition with the [PTO] if that party first brought a declaratory-judgment action in district court asserting invalidity of the same patent." Mock, *supra* note 105, at 19.

not to institute an IPR is technically a final decision, it is not a decision on the merits and therefore is not as relevant to a determination of validity as a full decision. Courts are divided on this issue of admissibility of decisions not to institute IPRs in infringement litigation.¹¹⁰ This uncertainty has the potential to deter patent owners from bringing IPRs at all, or may encourage forum shopping, which further adds to uncertainty in the patent system. In order to understand the arguments for and against admitting different types of evidence from IPRs into patent infringement suits, it is necessary to understand the procedural differences between IPRs and district court proceedings. The next Part will discuss the procedure of an infringement suit, the differences between IPRs and validity challenges in district court, and how federal courts have treated the issue of admissibility of PTAB decisions in subsequent infringement litigation.

II. THE FEDERAL COURT-PTAB DICHOTOMY

Litigating the validity of a patent in federal court differs from contesting the validity of a patent in an IPR in a few important respects¹¹¹ which can have significant implications for how decisions in IPRs are treated by courts, and vice versa.¹¹² This Part will first highlight the differences in these proceedings and the effects these differences have on estoppel. This Part will then introduce the standard for Rule 403 and discuss recent federal court decisions dealing with the issue of whether to admit decisions in IPRs into evidence in a subsequent patent infringement suit.

A. *The Differences Between Federal Courts and the PTAB*

To review, both the PTAB and the federal courts can make determinations regarding the validity of patent claims.¹¹³ In the context of patent infringement litigation, a court will review the validity of a patent if the defendant raises

¹¹⁰ Compare *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SACV 12-00329 AG (JPRx), 2014 WL 8096334, at *7 (C.D. Cal. Apr. 21, 2014), and *StoneEagle Servs., Inc. v. Pay-Plus Sols., Inc.*, No. 8:13-cv-02240, 2015 WL 3824208, at *8-9 (M.D. Fla. June 19, 2015) (allowing the PTABs refusal to institute IPR brought by defendant to be admitted into evidence in infringement litigation), with *Interdigital Commc'ns Inc. v. Nokia Corp.*, C.A. No. 13-10-RGA, 2014 WL 8104167, at *1 (D. Del. Sept. 19, 2014), and *Wis. Alumni Research Found. v. Apple, Inc.*, 135 F. Supp. 3d 865 (W.D. Wis. 2015).

¹¹¹ See Gugliuzza, *supra* note 7, at 278 (“[O]n legal issues critical to determining patent validity, the substantive law differs depending on the forum, which complicates the relationship between the two proceedings.”).

¹¹² *Id.* at 289 (“The differences in the legal doctrines applied by the courts and the PTO complicate the relationship between the two forums.”).

¹¹³ *Id.* at 279.

invalidity as an affirmative defense to infringement.¹¹⁴ In an IPR, an invalidity challenge can arise concurrently with litigation as a substitute for a court determination of validity if the defendant in the litigation decides to bring an IPR against the plaintiff; or, an IPR can be brought by a third party independent of litigation.¹¹⁵ One obvious, but important, difference between litigation and an IPR is that the PTAB can choose not to institute an IPR if it does not believe the challenger has shown a reasonable likelihood of success.¹¹⁶ A court, however, cannot decline to rule on the validity of a patent if the issue is raised in the context of an affirmative defense to patent infringement.¹¹⁷ Further, in IPRs, only § 102 novelty and § 103 nonobviousness issues may be raised, and only patents and printed publications can be submitted as prior art.¹¹⁸ This means that there are issues that can arise during an invalidity defense in court that by definition cannot arise during an IPR proceeding.¹¹⁹

The legal standard applied to claim construction is one of the major differences between the PTAB and federal courts. Both engage in claim construction in order to rule on the validity of a patent. "Claim construction is the process by which the judge decides" the meaning of the claims of a patent, which is a critical question important "to determining both validity and infringement."¹²⁰ However, the PTAB construes claims according to their

¹¹⁴ See *id.* at 278-79 (noting that "[i]n response to an infringement suit, accused infringers commonly raise" defense that patent is invalid "because it does not satisfy one or more requirements of the Patent Act").

¹¹⁵ *Id.* at 279-80 (explaining that PTO proceedings are "usually instigated by defendants in patent infringement litigation or by those who are worried about becoming defendants in infringement litigation").

¹¹⁶ See Amanda Murphy et al., *Adjusting for the New Normal: Thoughts on Enhancing the Possibilities of Success for the Patent Owner in an AIA Post-Grant Proceeding*, 11 BUFF. INTELL. PROP. L.J. 258, 260, 262 (2015) (explaining that "IPR petitions are not automatically granted," petitioner must meet statutory threshold for institution by showing "reasonable likelihood that the petitioner would prevail" on at least one challenged claim); see also 35 U.S.C. § 314(a) (2012) (mandating that Director only institute IPR where there is a reasonable likelihood that petitioner will prevail). Recall from above that a three-judge panel determines whether or not to institute an IPR based on whether the challenger has met their burden. See *supra* notes 78-80 and accompanying text.

¹¹⁷ The court can, however, grant a motion to dismiss or a motion for summary judgment.

¹¹⁸ See Carniaux & Sanders, *supra* note 2, at 3 (explaining that "petitioner may challenge a patent only on the basis that the patent is anticipated or obvious in light of patents and printed publications").

¹¹⁹ See *id.* ("[A] petitioner may not challenge a patent on the basis that it is indefinite, fails to have sufficient written description support, is not directed to statutorily protected subject matter, or is anticipated or obvious in light of prior art other than patents and printed publications").

¹²⁰ See Gugliuzza, *supra* note 7, at 287; see also Paul R. Gugliuzza, *The Federal Circuit as a Federal Court*, 54 WM. & MARY L. REV. 1791, 1831-32 (2013).

“broadest reasonable construction,” while courts construe claims according to “the ordinary and customary meaning” that they would have “to ‘a person of ordinary skill in the art.’”¹²¹ Therefore, the PTAB’s construction of a claim can either be the same as, or broader than, the court’s construction,¹²² but not narrower, which means a patent is more vulnerable to invalidation before the PTAB.¹²³ This is because a broader claim will result in the patent covering more of the prior art, which makes the patent easier to invalidate based on either lack of novelty or obviousness.¹²⁴ Due to these different claim construction standards, if a district court and the PTAB were to decide the validity of the same patent, they could come to opposite conclusions and both be correct under their respective standards.¹²⁵ A court could find that a set of patent claims survives novelty and nonobviousness challenges in light of the prior art and is therefore valid. The PTAB could construe those same claims more broadly and find that the claims were not novel because they were anticipated by prior art. Because the claims were construed differently, both decisions could be correct in light of the meanings of the respective claims as interpreted under the different standards of claim construction.¹²⁶

Perhaps most significantly, the burden of proof on the challenger of a patent is different before the PTAB than in patent infringement cases in federal court.¹²⁷ Because there is no presumption of a patent’s validity at the PTAB, the

¹²¹ Gugliuzza, *supra* note 7, at 288 (first quoting 37 C.F.R. §§ 1.555(b), 42.100(b), 42.200(b), 42.300(b) (2015); then quoting *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005)).

¹²² *Facebook, Inc. v. Pragmaus AV, LLC*, 582 F. App’x 864, 869 (Fed. Cir. 2014). The primary justification for the PTO applying the broadest reasonable interpretation standard is that patent claims can be amended in a PTAB proceeding. Gugliuzza, *supra* note 7, at 288. Therefore, if the PTAB construes a claim broadly enough that a claim is anticipated by prior art, the patent owner can petition the PTAB to amend the claim. *Id.* This also encourages patent owners to write their patent claims to more definitely describe their underlying inventions. *See id.*

¹²³ Gugliuzza, *supra* note 7, at 288. (noting that broader claim construction at the PTO “renders patents more vulnerable to invalidation at the PTO than in court”).

¹²⁴ *See id.* (noting that broader claim construction at the PTO means that claims are “more likely to encompass technology already disclosed in the prior art, making” patents more vulnerable to invalidation before PTO). Broader claim construction could also render a claim more vulnerable to invalidation based on indefiniteness or lack of support in the written description, but those issues cannot be raised in an IPR.

¹²⁵ *Id.* at 277 (explaining that when the PTO and court come to conflicting decisions about validity of patent, “it is possible that both decisions are actually correct based on the governing law and the factual record”).

¹²⁶ *See id.*

¹²⁷ *Id.* at 287 (stating that most significant differences between courts and the PTO “involve the burden of proof on invalidity and the standards used to construe the claims of the patent”).

challenger must prove that the challenged claims are invalid by a preponderance of the evidence.¹²⁸ In court, however, patents are presumed valid, so the challenger must show that the challenged claims are invalid by clear and convincing evidence.¹²⁹ Again, a court could find that the challenger did not meet its burden of proof to show that the claims were invalid, while the PTAB could find that same patent invalid under the lower burden of proof.¹³⁰

These differing standards have important implications for how estoppel applies between the parallel forums. Recall that a finding of invalidity in court and a finding of invalidity by the PTAB both nullify the patent “against the entire world.”¹³¹ Thus, if a patent is found invalid either by a court or by the PTAB, future defendants accused of infringing the same patent can “rely on the previous judgment of invalidity as a complete defense.”¹³² The Supreme Court recently held that “decisions of administrative agencies can preclude relitigation in court, and vice versa, so long as the ordinary requirements of issue preclusion are satisfied.”¹³³ However, parallel patent disputes do not meet the ordinary requirements of issue preclusion because the “same issue” requirement of issue preclusion is not satisfied.¹³⁴ That is, because of the differing standards of claim construction and burdens of proof between the PTAB and the courts, both tribunals are not deciding the same issue.¹³⁵ Therefore, if a court has rejected a challenge to validity, the PTAB is not precluded from reassessing the validity of the same patent.

¹²⁸ *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (asserting that standard of proof before the PTO—preponderance of evidence—is substantially lower than in civil case and there is no presumption of validity before the PTO).

¹²⁹ 35 U.S.C. § 282(a) (2012) (setting forth presumption of validity standard); Gugliuzza, *supra* note 7, at 287 (explaining that “Patent Act states that issued patents are presumed to be valid,” therefore, “litigant[s] challenging patent validity in court must prove invalidity by clear and convincing evidence”).

¹³⁰ *See* Gugliuzza, *supra* note 7, at 277 (“[T]he record in a given case might be insufficient to show that a patent is invalid by clear and convincing evidence, which means that a validity challenge in court will fail, but the same record might be strong enough to show that the same patent is invalid by a preponderance of the evidence, which will be sufficient to obtain a ruling of invalidity from the PTO.”).

¹³¹ *Id.* at 280; *see supra* note 108 and accompanying text.

¹³² Gugliuzza, *supra* note 7, at 279-80. In practice, an invalid patent cannot be asserted against anyone, so there would be no situation in which a defendant would need to use invalidity as a defense.

¹³³ *Id.* at 289 (citing *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1299 (2015)).

¹³⁴ *Id.* (explaining that there is no ambiguity that same issue requirement of issue preclusion is not met in context of parallel patent disputes).

¹³⁵ *See id.* (“The differing burdens of proof and standards of claim construction applied by the courts and the PTO unequivocally mean that the ‘same issue’ requirement is not met.”).

It is also interesting to note that when a court rejects a challenge to validity, a plaintiff cannot assert that rejection offensively in subsequent litigation with a different defendant.¹³⁶ This is because a court does not determine that a patent is valid, it merely finds that the defendant has not shown by clear and convincing evidence that the patent is invalid.¹³⁷ If the PTAB confirms the validity of a patent in an IPR, an accused infringer is prohibited from raising any argument in litigation that it raised or could have raised in an IPR before the PTAB.¹³⁸ However, the same is not true in the case of subsequent litigation over the same patent with a different defendant. That is, if the PTAB upholds the validity of a patent in an IPR, a defendant involved in subsequent infringement litigation is not precluded from arguing that the patent is invalid. Further, a decision by a PTAB panel not to institute an IPR does not carry the same estoppel effect as a decision of validity or invalidity by the PTAB on the merits. Therefore, it is unclear how a finding of validity by the PTAB, or a decision not to institute an IPR, can be used in a subsequent infringement suit with a different defendant.¹³⁹

In sum, a finding of invalidity either in court or before the PTAB prohibits any subsequent litigation or PTAB proceedings regarding that patent; a refusal to find a patent invalid in court cannot be used to argue that a patent is valid; and a finding of validity by the PTAB should mean that the PTAB will not institute an IPR of that same patent again. The confusion arises when we begin to think about how a PTAB finding of validity affects subsequent litigation with different parties and how a decision by the PTAB not to institute an IPR should affect any subsequent litigation. It is unclear what evidence of PTAB findings courts should allow into infringement suits, if any. The same concerns that affect estoppel in parallel proceedings help to inform the issue of whether courts should allow evidence of a PTAB finding of validity in subsequent litigation with a different defendant. The next Section will give a brief overview of Rule 403, discuss recent court decisions on the issue of admitting IPR decisions into evidence, and highlight the inconsistencies in decisions and conflicting reasoning that the courts have applied so far.

¹³⁶ *Id.* at 279 (explaining that, if court rejects challenge to patent's validity in one case, patent holders cannot use that finding offensively against another accused infringer because "due process strictly limits the use of preclusion against nonparties to a previous case").

¹³⁷ *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988) ("Courts do not find patents 'valid,' only that the patent challenger did not carry the 'burden of establishing invalidity in the particular case before the court . . .'" (citations omitted)).

¹³⁸ *Gugliuzza*, *supra* note 7, at 289-90 (stating that in case of IPR, "AIA explicitly prohibits an accused infringer who has pursued a PTAB proceedings to a final decision from raising in litigation any argument it raised or . . . could have raised before the PTAB").

¹³⁹ Recall that although it is also unclear whether a finding of validity could be asserted offensively in a subsequent IPR proceeding with a different party, this is unlikely to be an issue because the PTAB probably would not institute an IPR if the PTAB had already found the patent valid. *See supra* note 20.

B. *Rule 403 and Recent Decisions Regarding Admissibility of Evidence from IPRs*

According to Rule 403, when deciding whether to exclude a particular piece of evidence, a court must consider whether the evidence is more prejudicial than probative.¹⁴⁰ That is, “[t]he court may exclude relevant evidence if its probative value is substantially outweighed by a danger of one or more of the following: unfair prejudice, confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting cumulative evidence.”¹⁴¹ Rule 403 is “designed as a guide for handling situations for which no specific rules have been formulated,” as is the case for whether decisions in IPRs should be admissible in patent infringement litigation.¹⁴² The district court has “considerable discretion in making its determination under Rule 403,” which requires that the court perform an on-the-spot balancing of probative value and potential prejudice.¹⁴³ The court should exercise its discretion with recognition that exclusion of evidence should be invoked sparingly.¹⁴⁴

Because the issue of admitting decisions from a previous IPR into infringement litigation is not particularly fact-specific, it is reasonable to expect district courts to follow a consistent pattern in deciding whether to admit this type of evidence, even though Rule 403 requires a case-by-case assessment. Dealing with evidentiary issues that arise from IPR decisions under Rule 403, rather than creating a new rule specific to this scenario, is desirable because it accords the court the flexibility needed to exclude evidence arising from an IPR when the issues presented in court do not align with the exact issues presented in the IPR. This misalignment can occur when the case being decided by the court deals with issues that could not have come up in an IPR, as is the case when the litigation deals mainly with an issue of patentable subject matter or sufficient written description.¹⁴⁵ Thus, this Note is merely meant to urge district court judges to adopt a consistent practice on two discrete evidentiary issues, and is not meant to advocate for the creation of a *per se* rule of evidence.

So far, federal court decisions regarding the admissibility of IPR decisions as evidence have been inconsistent.¹⁴⁶ As discussed above, many commentators have regarded consistency as an issue of particular importance in patent law. The historical development of patent law has showcased the dangers of

¹⁴⁰ See FED. R. EVID. 403. A court may also exclude evidence that is irrelevant under Rule 402, but the existing court decisions focus primarily on admissibility under Rule 403.

¹⁴¹ *Id.*

¹⁴² JACK B. WEINSTEIN & MARGARET A. BERGER, WEINSTEIN’S EVIDENCE MANUAL § 6.02[1] (Matthew Bender ed., 2017).

¹⁴³ *Id.*

¹⁴⁴ *Id.*

¹⁴⁵ For a brief discussion of the restrictions on issues that can arise in IPRs, see *infra* notes 193-95 and accompanying text.

¹⁴⁶ See *supra* note 110 and accompanying text.

inconsistency, an issue that ultimately led to the creation of the Federal Circuit in order to remedy the problems of a decentralized patent law system.¹⁴⁷ In brief, lack of uniformity in patent law can lead to forum shopping, which adds to uncertainty in the patent system and can result in a lack of faith in the value of patents.¹⁴⁸ This uncertainty and devaluation of patents can hamstring technological growth and innovation, which is contrary to the goals of the patent system.¹⁴⁹ In the cases that have decided whether to admit evidence concerning IPRs, federal courts have been conflicted on whether the probative value of evidence of IPRs where a final decision issued outweighed the risk of unfair prejudice and jury confusion. It is important to recognize that the cases discussed below deal with evidence of decisions of whether to *institute* an IPR, not substantive decisions of claim validity. Courts have not yet addressed how a PTAB decision upholding the validity of a patent should affect subsequent litigation of the same patent. However, both types of decisions by the PTAB will be discussed in Part III.

In April 2014, in *Universal Electronics, Inc. v. Universal Remote Control, Inc.*,¹⁵⁰ the District Court for the Central District of California held that evidence of the PTAB's rejection of the defendant's IPR petition could be admitted into a patent infringement suit in response to a motion in limine brought by the defendant.¹⁵¹ The defendant in this case moved to exclude evidence concerning an IPR petition against the patent at issue, arguing that introducing evidence of the refusal by the PTAB to institute an IPR was irrelevant to the district court case "because the legal standards applicable to an *inter partes* review are different than those that apply" in court, and it "would increase the complexity of the trial and confuse the jury."¹⁵² However, the court found that "[a]ny potential confusion [could] be addressed by appropriate jury instructions on the standard of proof applicable to patent invalidity defenses and counterclaims."¹⁵³ The *Universal Electronics* court seemed to be confident that a jury could

¹⁴⁷ See Cotropia, *supra* note 69, at 259-60 ("The Federal Circuit was formed in response to a perceived crisis in the federal courts system, and, more particularly, in the judicial handling and development of patent law.").

¹⁴⁸ *Id.* at 260 (explaining that differing laws across jurisdictions led to rampant forum shopping in patent cases, which created a "race to the courthouse" between parties, which ultimately resulted in lack of faith in patent system and devaluation of patents).

¹⁴⁹ *Id.* ("The lack of certainty and predictability in patent law hampered technological growth, innovation, research, and business planning.").

¹⁵⁰ No. SACV 12-00329 AG (JPRx), 2014 WL 8096334 (C.D. Cal. Apr. 21, 2014).

¹⁵¹ Order re Jury Selection Procedures and Motions in Limine, *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SACV 12-00329 AG (JPRx), 2014 WL 8096334, at *7 (C.D. Cal. Apr. 21, 2014).

¹⁵² *Id.*

¹⁵³ *Id.*

effectively distinguish between the standard for instituting an IPR and the standard for a finding of validity in court.¹⁵⁴

Just months later, in *Interdigital Communications Inc. v. Nokia Corp.*,¹⁵⁵ the District Court for the District of Delaware ordered the exclusion of evidence under Rule 403, finding that the probative value of a PTAB decision to not institute an IPR was “greatly outweighed by the expenditure of time that would be required to give the jury the full context necessary to fairly evaluate the evidence” and the “significant risk of confusion of the issues.”¹⁵⁶ The court in this case explained that, although an IPR denial is a final decision, it is not “a decision on the merits any more so than a grant of an IPR is a decision on the merits.”¹⁵⁷ The court stated that a denial of an IPR is “akin to a ruling on a preliminary injunction, where the merits are assessed with less than a full record and with less than a full adversarial proceeding.”¹⁵⁸ The court concluded by excluding the IPR denial under Rule 403.¹⁵⁹

Then, in *StoneEagle Services, Inc. v. Pay-Plus Solutions, Inc.*,¹⁶⁰ the District Court for the Middle District of Florida came to the opposite conclusion of the *Nokia* court, allowing the PTAB’s denial of the defendants’ petition for an IPR to be admitted into evidence in an infringement case.¹⁶¹ The defendants argued that because IPR procedures “have distinctly different standards, parties, purposes, and outcomes compared to civil litigation,”¹⁶² the IPR denial is “irrelevant and highly prejudicial to the jury’s determination.”¹⁶³ Despite the defendants’ use of the decision in *Nokia* for support, the court in *StoneEagle Services* denied the defendants’ motion to exclude the IPR denial, finding that it

¹⁵⁴ In order for a court to find a patent claim invalid, the challenger must prove that the claim is invalid by clear and convincing evidence. *See supra* note 130 and accompanying text. This is in contrast with the burden of proof in an IPR, which requires the challenger to show that any challenged claims are invalid by a preponderance of the evidence. *See supra* notes 128-30 and accompanying text.

¹⁵⁵ No. 13-10-RGA, 2014 WL 8104167 (D. Del. Sept. 19, 2014).

¹⁵⁶ Order, *Interdigital Commc’ns Inc. v. Nokia Corp.*, C.A. No. 13-10-RGA, 2014 WL 8104167, at *1 (D. Del. Sept. 19, 2014).

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ *Id.* (concluding that the PTAB’s actions in relation to patent are of marginal relevance, and deciding to “exclude the . . . IPR denial under Rule 403”).

¹⁶⁰ No. 8:13-cv-02240, 2015 WL 3824208 (M.D. Fla. June 19, 2015).

¹⁶¹ Order, *StoneEagle Servs., Inc. v. Pay-Plus Sols., Inc.*, No. 8:13-cv-02240, 2015 WL 3824208, at *8-9 (M.D. Fla. June 19, 2015) (denying defendants’ motion to preclude plaintiff from offering evidence regarding post-issuance decisions of patent at issue).

¹⁶² *Id.* at *8 (internal quotation marks omitted).

¹⁶³ *Id.*

was favorable to “instruct the jury on the appropriate law to apply to this case,” and on the different standards that apply to the different proceedings.¹⁶⁴

Most recently, in *Wisconsin Alumni Research Foundation v. Apple, Inc.*,¹⁶⁵ the District Court for the Western District of Wisconsin decided that evidence of non-dispositive IPR proceedings (such as denial or institution of an IPR) should not be admitted into an infringement trial because the probative value of this evidence is substantially outweighed by the risk of unfair prejudice and confusion.¹⁶⁶ The court pointed out that the decision of whether to institute an IPR “is not an examination . . . in which a decision is made about the scope and validity of a patent;” it is a determination by a three-judge panel of “whether the challenger has shown ‘a reasonable likelihood’ that it will prevail on its challenges.”¹⁶⁷ The court explained that when the PTAB decides not to institute an IPR, it does not decide whether a patent is valid or invalid.¹⁶⁸ That is, there is no “explicit, or even implicit, decision on the validity of the patent.”¹⁶⁹

The court went on to explain that, although there is no controlling Federal Circuit law on the admissibility of evidence from an IPR proceeding, several district courts have concluded that evidence of a completed IPR proceeding “could be admitted in conjunction with jury instructions explaining the different standards applicable to court and IPR proceedings.”¹⁷⁰ However, the court in this case reasoned that the PTAB’s decision of whether to institute an IPR was not binding on the court, as the IPR proceeding was subject to different standards, purposes, and outcomes than the court.¹⁷¹ Therefore, although the court could attempt to give the jury instructions explaining the different purposes and standards applicable to the IPR, “it would be difficult for a jury to understand, much less apply, the nuanced differences between the various proceedings and to determine how much weight should be given to PTAB’s decision, if any.”¹⁷² The court found that evidence of an IPR denial could unfairly prejudice the jury

¹⁶⁴ *Id.* at *9.

¹⁶⁵ 135 F. Supp. 3d 865 (W.D. Wis. 2015).

¹⁶⁶ *Id.* at 874 (concluding that any probative value of evidence of non-dispositive IPR proceedings is “substantially outweighed by the risk of unfair prejudice, as well as the risk of jury confusion”).

¹⁶⁷ *Id.* at 873. The court does note, however, that “PTAB’s rulings *are* generally intended to have a preclusive effect on the parties.” *Id.*

¹⁶⁸ *See id.* (explaining that although “PTAB concluded that Apple had not shown a ‘reasonable likelihood’ of prevailing on its challenges,” it “did *not* conclude that the patent was either ‘valid’ or ‘invalid’”).

¹⁶⁹ *See id.*

¹⁷⁰ *See id.* at 873-74.

¹⁷¹ *Id.* at 874-75.

¹⁷² *Id.* at 875.

because “there is a great risk that the jury would conclude, incorrectly, that the Patent Office has twice held that the . . . patent is nonobvious over prior art.”¹⁷³

As evidenced by this line of cases, the federal district courts have been inconsistent on the issue of whether to admit evidence of an IPR denial at trial, and no court has yet dealt with the issue of how to treat a substantive finding of validity from an IPR in a subsequent court proceeding. This ambiguity in the law can harm innovation incentives by contributing to the overall uncertainty in the patent system.¹⁷⁴ As discussed above, uncertainty in the patent system can lead to costly disputes and difficulties predicting the cost of defending IP rights. This inconsistency in the existing law makes it difficult for potential inventors to weigh the costs and benefits of innovating, which may discourage potential inventors from innovating.

Uncertainty in the treatment of IPR decisions could also harm the congressional goals of the post-grant review proceedings by making people overly cautious of bringing IPRs. If innovators are unsure how an IPR decision will be treated in subsequent litigation, they may be less willing to bring IPRs. If people are afraid to bring IPRs, the congressional goals of weeding out invalid patents and creating a more cost-effective alternative to validity challenges in court will not be realized.¹⁷⁵ Further, inconsistency among district courts in resolving these evidentiary issues can result in forum shopping, which further adds to uncertainty and unpredictability in the patent law system. In short, inconsistent treatment of IPR decisions in court could harm the incentive structure of the patent system and the goals of the post-grant proceedings created by the AIA. Courts will need to be more aligned in their decisions of whether to admit evidence of IPRs if the patent system is to function properly. Courts will also eventually need to address the issue of whether to admit a substantive decision from an IPR, and it would be beneficial for courts to present a unified front on this issue before inconsistencies begin to erupt. It would be desirable for the Federal Circuit to set the precedent for both of these issues in the interest of uniformity among district courts.¹⁷⁶

III. ADOPTING A STANDARD FOR WHEN EVIDENCE OF IPR DECISIONS SHOULD BE ADMISSIBLE IN PATENT INFRINGEMENT LITIGATION

There are a few distinct situations where a court will need to decide whether to admit evidence of an IPR. Each must be considered separately, as each raises

¹⁷³ *Id.*

¹⁷⁴ *See supra* notes 68-69 and accompanying text.

¹⁷⁵ *See supra* notes 72-73 and accompanying text (describing Congress’s goals in passing AIA and allowing for validity challenges before the PTAB).

¹⁷⁶ The standard of review of lower court decisions regarding Rule 403, however, is abuse of discretion, which makes this a difficult issue for the Federal Circuit to resolve. WEINSTEIN & BERGER, *supra* note 142, § 6.02[1].

different questions of probative value and potential prejudice.¹⁷⁷ First, there is the question of whether to admit evidence of a completed IPR that resulted in a finding of validity for the claims instituted. This question has not yet been confronted by a court. Second, there may also be a question of whether to admit evidence of a decision to institute an IPR, or a decision declining to institute an IPR by the PTAB. Many courts and commentators have agreed that evidence of a decision to institute an IPR is not admissible because it is not a final decision and the PTAB has not actually reached a conclusion of validity or invalidity.¹⁷⁸ Therefore, this Note assumes that evidence of a decision by a panel to institute an IPR is inadmissible. However, there is an open question of whether a decision *not* to institute an IPR is admissible.¹⁷⁹ This is where the main disagreement has been among the different courts, as discussed in Section II.B of this Note.¹⁸⁰ Thus, this Part will discuss two separate issues: whether courts should admit evidence of a completed IPR that resulted in upholding challenged claims (i.e., a finding of validity) and whether courts should admit evidence of a decision not to institute an IPR. This Part will conclude that district court judges should systematically conclude that a finding of validity in a completed IPR is more probative than prejudicial, and should thus be admissible. In contrast, district court judges should arrive at the opposite conclusion when considering PTAB decisions of whether to institute an IPR; that is, district court judges should conclude that any probative value these decisions may have is “substantially outweighed by a danger of . . . unfair prejudice . . . [and] misleading the jury”¹⁸¹ and should thus generally be excluded from evidence under Rule 403.

¹⁷⁷ It is important to remember that a party that has brought an IPR is prohibited from raising the same defenses in subsequent litigation with the same patent and parties. Therefore, much of this Part will be concerned with subsequent litigation involving the same patent, but a defendant who is not the same party who brought the IPR against the patent at issue.

¹⁷⁸ See *Wis. Alumni Research Found. v. Apple, Inc.*, 135 F. Supp. 3d 865, 873 (2015) (“Several Courts, including the Federal Circuit, have considered whether evidence of an *ongoing* reexamination or IPR proceeding is admissible, with the majority concluding that the evidence should be precluded.”); Lauren C. Jarvis, Note, *More Appealing? What Evidence to Admit During Litigation Concurrent with Patent Reexamination*, 20 FED. CIR. B.J. 467, 501-02 (2011) (concluding that district courts should exclude from evidence still-pending reexamination decisions regarding patents at issue in litigation because those decisions are “ineffective and untrustworthy,” more prejudicial than probative, and could cause significant jury confusion).

¹⁷⁹ *Apple*, 135 F. Supp. 3d at 874 (noting that “several” district courts have concluded that evidence from completed IPR proceedings could be admitted into court, but agreeing instead “with those courts that have declined to admit evidence of non-dispositive IPR proceedings”).

¹⁸⁰ *Id.* (pointing out disagreement between district courts on issue of whether to admit evidence of completed IPR proceedings); see also *supra* Section II.B (discussing recent federal decisions that have dealt with issue of how to treat IPR decisions as evidence).

¹⁸¹ FED. R. EVID. 403.

A. *Treatment of Completed IPRs Resulting in Upholding Challenged Claims*

The many differences between PTAB and federal court proceedings call into question the probative value of an IPR decision and present significant risks of jury confusion and inefficiency at trial. This Section, however, will argue that despite the differences between IPRs and court proceedings, the probative value of a substantive IPR decision outweighs the risk of confusion and prejudice in most cases. To be clear, this Section argues that evidence of an IPR that resulted in a final decision upholding the validity of challenged claims should consistently be allowed into evidence in infringement litigation.¹⁸² The relevant differences between the PTAB and courts are the differences in claim construction standards, burdens of proof, issues that can be introduced, the expertise of the judges, and the discovery processes.

As mentioned above, the PTAB gives patent claims their “broadest reasonable construction,” whereas federal courts construe claims according to their “ordinary and customary meaning” to one skilled in the art.¹⁸³ This is potentially problematic, because if the patent claims are construed to mean different things, a decision of validity before the PTAB may not be particularly relevant to a decision of validity in court. However, because the claims are construed more broadly before the PTAB, it is harder for a respondent to defend against a validity challenge before the PTAB than it is in court.¹⁸⁴ It then follows that if the PTAB upheld the validity of challenged claims, it should be just as easy, if not easier, to convince a court to uphold the validity of those same claims.¹⁸⁵ Therefore, admitting evidence of a completed IPR where claims have been upheld should be highly probative of the validity of a patent, at least in light of the claim construction standards. Although the different constructions could potentially cause confusion and consume time at trial, it is reasonable to expect a jury to understand that, although the claim construction standards are different, the fact that the PTAB upheld the validity of a patent claim is indicative of the patent’s validity. This evidence does not unduly prejudice the defendant because the jury can appropriately rely on the PTAB’s validity determination due to the higher standard for showing that a patent is valid.

¹⁸² This Section discusses a situation where a patent has been challenged by a party in an IPR and then an infringement suit is subsequently brought against a *different* party. If the defendant who was engaged in litigation with the patent owner had already brought an IPR, she would be precluded from raising in the litigation any issue that was raised or could have been raised in the IPR. *See supra* note 16 and accompanying text.

¹⁸³ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313, 1316 (Fed. Cir. 2005) (en banc).

¹⁸⁴ *See Gugliuzza, supra* note 7, at 288 (“The broader claim construction at the PTO . . . renders patents more vulnerable to invalidation at the PTO than in court.”).

¹⁸⁵ *Id.*

The next major difference between the PTAB and courts is the burden of proof that the challenger must meet to show that a patent claim is invalid.¹⁸⁶ At the PTAB, the challenger must show that patent claims are invalid by a preponderance of the evidence,¹⁸⁷ whereas in court, a challenger must show that patent claims are invalid by clear and convincing evidence.¹⁸⁸ This difference is due to the presumption of validity that applies in court, but not before the PTAB.¹⁸⁹ Again, this means that it is more difficult to show that a patent is valid before the PTAB than before the court.¹⁹⁰ Therefore, an IPR decision to uphold the validity of patent claims is highly relevant to a determination of validity in court. However, as in the case of claim construction, there is a risk of confusing the jury by asking them to keep straight the different burdens of proof in the two proceedings.¹⁹¹ Nevertheless, it is appropriate for the jury to give substantial weight to the PTAB's decision, so courts should not be as worried about juries relying too heavily on the decision.¹⁹² The jury may correctly conclude that demonstrating validity is more difficult before the PTAB than it is before the court. Therefore, the PTAB's decision to uphold the validity of an issued patent is entitled substantial weight.¹⁹³ Thus, although this information may be

¹⁸⁶ *Id.* at 287 (noting that difference in burdens of proof is one of most significant differences between the PTO and court proceedings in determining patent validity).

¹⁸⁷ *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (citing *In re Caveney*, 761 F.2d 671, 674 (Fed. Cir. 1985)) (applying preponderance standard to both PTO examinations and re-examinations).

¹⁸⁸ *Gugliuzza*, *supra* note 7, at 287 (citing *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 102 (2011)).

¹⁸⁹ *In re Caveney*, 761 F.2d at 674 (“[P]atents are entitled to a presumption of validity under 35 U.S.C. § 282, and the party asserting patent invalidity under 35 U.S.C. § 102(b) must support the assertion by facts constituting clear and convincing evidence”); *Gugliuzza*, *supra* note 7, at 287 (explaining that presumption that issued patents are valid “means that a litigant challenging patent validity in court must prove invalidity by clear and convincing evidence[, however, i]n post-issuance review at the PTO . . . the presumption of validity does not apply, so the standard of proof is a preponderance of the evidence” (footnotes omitted)).

¹⁹⁰ *Gugliuzza*, *supra* note 7, at 288 (stating that lower burden of proof at the PTO, like broader claim construction standard, makes “patents more vulnerable to invalidation at the PTO than in court”).

¹⁹¹ *Cf. Wis. Alumni Research Found. v. Apple, Inc.*, 135 F. Supp. 3d 865, 874-75 (W.D. Wis. 2015) (emphasizing that it would be “difficult for a jury to understand, much less apply, the nuanced differences between the various proceedings”).

¹⁹² Recall from the discussion above in notes 53-58 about issues with juries in patent cases that “[t]ypical complaints about the use of juries in patent cases [include] that juries are pro-patentee because they have high regard for the [PTO].” *See Leibold*, *supra* note 53, at 624.

¹⁹³ *But see Apple*, 135 F. Supp. 3d at 875 (explaining that in case of refusal to institute IPR, there is risk that jury could incorrectly conclude that the PTO has twice held that patent is nonobvious over prior art).

prejudicial, the weight the jury would presumably give to the PTAB decision is likely warranted and the probative value outweighs the risk of confusion.

Further, in an IPR, a patent can only be challenged on issues of novelty and nonobviousness, but in court a patent can be challenged on any ground.¹⁹⁴ If a particular challenge in court is concerned only with issues of nonobviousness and usefulness, then this limitation on IPRs should be irrelevant to the probative value of the PTAB decision. However, to the extent that additional invalidity challenges are brought in court that could not have been brought up in an IPR, there is a risk of confusing the jury. It could be difficult for the jury to keep straight where the IPR evidence is relevant and where it is not. It may therefore be appropriate to exclude evidence of a finding of validity from an IPR when there are issues in court that could not have been addressed by the PTAB, particularly if the litigation is centered around those issues. If this type of situation arises, the court should use its discretion in deciding whether to admit or exclude this type of evidence based on whether it believes the time spent to explain the issue and the risk of jury confusion will substantially outweigh the probative value of the evidence. If the judge believes separating issues of novelty or nonobviousness from other issues will confuse the jury, she may refuse to admit evidence from an IPR. This may be particularly appropriate if the judge believes that issues outside the scope of IPR will be more heavily relied on in court than issues decided in the IPR. This same reasoning applies to the limitation that the only prior art that will be considered in an IPR is patents and printed publications, whereas in court any form of prior art can be admitted.¹⁹⁵

It is also potentially problematic that the discovery process in an IPR is more limited than the discovery process in court.¹⁹⁶ Discovery in an IPR is staged in three parts, and “presumptively limited to production of documents identified in the petitions, briefs, and depositions of persons who submitted declarations.”¹⁹⁷ Although discovery in IPRs is more limited than in court, it is still fairly substantial, especially compared to PTO proceedings in the past.¹⁹⁸ Further,

¹⁹⁴ See 35 U.S.C. § 311(b) (2012). In court, for example, a patent could be challenged under 35 U.S.C. § 112, which describes the “written description” requirements of a patent.

¹⁹⁵ See Cohen, *supra* note 75, at 3 (stating that claimants may challenge patentability of claims in IPR only based on patents or printed publications).

¹⁹⁶ See *id.* at 14 (stating that AIA provides for “limited discovery in [IPR] proceedings”).

¹⁹⁷ *Id.* (“In the first phase [of discovery], the patent owner may depose any person who files a declaration in support of the petition for [IPR] before the patent owner’s response to the petition is due. In the second phase, the petitioner can depose any person who files declarations in support of the petitioner’s response or motion to amend the claims before the petitioner’s reply is due. In the last phase, the patent owner is permitted to depose any person who files a declaration in support of the petitioner’s reply.”).

¹⁹⁸ Compare *id.* (describing discovery in IPRs), with Jarvis, *supra* note 178, at 483 (noting that there was “no formal process for discovery” in inter partes reexamination, the predecessor to IPR). Note that, in IPRs, “[a]t a minimum, each party will have an opportunity to depose

apart from prior art, which is not limited in IPR discovery, showing that a patent is invalid is not particularly dependent on outside information. The determination of validity is based primarily on the content of the patent and the relevant prior art, which is, of course, considered in the IPR proceeding. Therefore, a drawn-out discovery process may not be as important in validity proceedings as it is in other litigation contexts.¹⁹⁹ Further, the PTAB can allow for additional discovery “where it can be shown that the proposed additional discovery is in the ‘interests of justice’” or where the parties have agreed to it.²⁰⁰ Although “the PTAB has been reluctant to grant additional discovery when the request is contested by the parties,”²⁰¹ the ability to order additional discovery where the PTAB believes that there is a compelling reason makes the limited discovery in IPRs less problematic. Plus, the PTAB has been willing to grant requests for additional discovery where the parties agree.²⁰² Overall, the limited discovery in IPRs is not significant enough of an issue to prevent a court from admitting evidence of a finding of validity.

Finally, PTAB judges have a different level of expertise than judges in federal court.²⁰³ Federal judges are generalists, whereas PTAB judges are scientific experts that often have technical experience relevant to the patent they are judging.²⁰⁴ In general, an expert panel of judges weighs in favor of admitting evidence of a validity finding in an IPR, and should make skeptics more comfortable with the tendency of the jury to afford a high level of deference to PTAB decisions. Although differences in expertise could affect each adjudicator’s interpretation of “one skilled in the art,” which is relevant to claim

the opposing party’s expert.” Yasser El-Gamal, Ehab M. Samuel & Peter D. Siddoway, *The New Battlefield: One Year of Inter Partes Review Under the America Invents Act*, 42 AIPLA Q.J. 39, 47 (2014).

¹⁹⁹ Although there are “secondary considerations” that are taken into account in nonobviousness analysis that may require additional discovery to demonstrate, most novelty and nonobviousness determinations primarily involve comparing the patent at issue to the prior art. *See, e.g.*, MERGES & DUFFY, *supra* note 51, at 567 (stating that basic framework for nonobviousness analysis depends on “(1) the scope and content of the prior art, (2) the differences between the prior art and the claimed invention, and (3) the level of ordinary skill in the art”); *see also* *Arkie Lures, Inc. v. Gene Larew Tackle, Inc.*, 119 F.3d 953, 957 (Fed. Cir. 1997) (explaining that fourth factor of nonobviousness analysis involves secondary considerations such as “public and commercial response to an invention”).

²⁰⁰ Cohen, *supra* note 75, at 14.

²⁰¹ *Id.*

²⁰² *See supra* note 82 and accompanying text.

²⁰³ *See* Vishnubhakat, Rai & Kesan, *supra* note 100, at 53 (pointing out that judges in federal court are generalists and may not be equipped to deal with complex questions involving highly technical subject matter); *id.* at 65 (noting that IPRs were established in part to provide more expert adjudication than litigation).

²⁰⁴ *Id.* at 73.

construction both before the PTAB and in federal court,²⁰⁵ this is likely not a significant difference and does not change the fact that claims are construed more broadly before the PTAB.²⁰⁶ Therefore, the different levels of expertise among the PTAB and federal judges should not weigh against a judge admitting evidence of an IPR where a patent's claims are upheld.

Although the procedural differences between IPRs and infringement litigation present some hurdles to allowing evidence of a decision to uphold the validity of a patent in an IPR, allowing evidence of these decisions is important for maintaining consistency in the patent system and gives the PTAB an appropriate level of deference in light of the high standards for showing validity and the expertise of judges. Put differently, many of the different standards between IPRs and litigation end up being relatively unproblematic due to the fact that it is generally much harder to show validity before the PTAB than before a court. This makes a PTAB decision a reliable opinion on the validity of a patent, despite the fact that the rules for arriving at this conclusion are different than those used in court. Further, allowing juries to rely on the interpretation of the PTAB promotes consistency between the two forums, which minimizes overall uncertainty in the patent system.

Admitting evidence of IPR decisions makes it more likely that the federal courts will come to the same conclusions as the PTAB, which helps to increase the certainty and confidence in patent rights. In addition to reducing uncertainty and promoting consistency, allowing juries to rely on PTAB determinations of validity allows for an efficient use of resources by avoiding re-litigating issues that have already been decided in an IPR and may deter frivolous invalidity claims.²⁰⁷ In most cases,²⁰⁸ the probative value of a decision to uphold the validity of a patent before the PTAB greatly outweighs the potential for jury confusion or bias. Therefore, district courts should consistently hold that substantive decisions to uphold the validity of a patent in IPRs are admissible.

B. *Treatment of Decisions Not to Institute an IPR*

There are strong arguments on both sides of the issue of whether to admit evidence of a decision not to institute an IPR. On the one hand, it may be better to present the jury with all of the information available and trust them to weigh

²⁰⁵ Claims are given their “‘broadest reasonable construction in light of the specification’ as it would be interpreted by one skilled in the art” at the PTAB. Cohen, *supra* note 75, at 16 (quoting 37 C.F.R. § 42.100(b) (2013)). In contrast, courts construe claims according to their “ordinary and customary meaning” to one skilled in the art. See Gugliuzza, *supra* note 7, at 288.

²⁰⁶ See *supra* notes 183-85 and accompanying text.

²⁰⁷ See *supra* notes 65-66 and accompanying text (explaining how uncertainty in patent system interferes with incentives to innovate by increasing likelihood of disputes, which increases cost of innovating, thereby decreasing incentives to do so).

²⁰⁸ This is with the exception of cases in which issues of invalidity go beyond novelty or nonobviousness. See *supra* notes 194-95 and accompanying text.

this evidence appropriately in light of the differences between IPR and formal litigation. On the other hand, it is reasonable to be skeptical of a jury's ability to understand and apply the different rules and worried about increasing the time and cost of patent infringement suits. If we believe that allowing evidence of decisions not to institute IPRs will cut down on unnecessary litigation and will provide the jury with helpful information without being overly confusing, it makes sense to conclude that allowing this type of evidence will provide increased certainty in the patent system. However, if we believe that allowing evidence of decisions not to institute IPRs will deter potential challengers from bringing IPRs, increase litigation costs, and confuse juries, it makes sense to conclude that allowing evidence would increase the uncertainty in the patent system. This Section will first touch on the merits of the arguments that have been presented by courts as discussed in Section II.B. Then, it will lay out the policy considerations that impact the determination of when to admit evidence of decisions to institute IPRs. Ultimately, this Section will conclude that a decision not to institute an IPR should not be admitted as evidence in a subsequent patent infringement trial.

Unlike the case of substantive decisions to uphold the validity of patent claims in an IPR, numerous courts have weighed in on the issue of whether to admit evidence of a decision not to institute an IPR. As discussed above, some courts have decided that a decision by a PTAB panel on whether a "challenger has shown 'a reasonable likelihood' that it will prevail on its challenges" is inadmissible in patent infringement litigation,²⁰⁹ while other courts have decided that, with appropriate jury instructions, the probative value of this type of decision is not "substantially outweighed by a danger of . . . unfair prejudice"²¹⁰ and should be admitted into evidence.²¹¹

Courts that have decided that evidence of decisions not to institute IPRs is admissible have reasoned that the jury can be instructed on the differing standards between IPR and court proceedings and can decide how to weigh the decision of the PTAB panel not to institute an IPR on the patent at issue.²¹² However, as discussed above, many courts and commentators have questioned

²⁰⁹ See, e.g., *Wis. Alumni Research Found. v. Apple, Inc.*, 135 F. Supp. 3d 865, 873-75 (W.D. Wis. 2015) (citing *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013)) (concluding that evidence of refusal by PTAB to institute IPR was inadmissible in infringement trial because there was no decision of whether patent is valid, and it was likely to cause jury confusion).

²¹⁰ FED. R. EVID. 403.

²¹¹ See, e.g., *Order, StoneEagle Servs., Inc. v. Pay-Plus Sols., Inc.*, No. 8:13-cv-02240, 2015 WL 3824208, at *8-9 (M.D. Fla. June 19, 2015) (allowing evidence of decision not to institute IPR because jury could be instructed on appropriate law to apply).

²¹² *Id.*

the ability of jurors to appropriately weigh evidence in patent cases.²¹³ Many commentators have suggested that admissibility issues are particularly concerning in patent cases because juries are easily confused due to the “complicated technology, complicated law, and confusing procedural issues.”²¹⁴

Courts that have concluded that decisions not to institute an IPR are inadmissible have pointed out that such a decision is not a decision on the merits, and that the panel does not have a full record or a full adversarial proceeding on which to evaluate the case.²¹⁵ That is, a decision not to institute an IPR is not deciding whether the patent is valid or invalid, it is merely a finding based on a limited record by a three-judge panel that “the challenger has [not] shown ‘a reasonable likelihood’ that it will prevail on its challenges.”²¹⁶ Therefore, it is argued that this evidence is not particularly relevant to determining the validity of a patent in federal court, especially given the different standards in IPR and court proceedings.²¹⁷ Courts have reasoned that the amount of time it would take to explain the different standards and procedures of an IPR to a jury and the risk of jury confusion substantially outweighs the probative value of the evidence of a non-dispositive IPR decision.²¹⁸

The initial logic of admitting evidence of a decision not to institute an IPR is appealing: if a challenger cannot show a reasonable likelihood of prevailing on their challenge to validity before the PTO,²¹⁹ it would make sense for a jury to infer that the claims are likely valid, especially considering that the lower burden of proof makes it easier to show invalidity before the PTAB.²²⁰ Further, it may be desirable for a jury to rely heavily on a decision not to institute an IPR,

²¹³ See, e.g., Leibold, *supra* note 53; see also *Apple*, 135 F. Supp. 3d at 874-75 (speculating that it would be difficult for jury to differentiate and apply different legal standards concerning IPRs and litigation).

²¹⁴ Jarvis, *supra* note 178, at 468-69.

²¹⁵ See *Apple*, 135 F. Supp. 3d at 873.

²¹⁶ *Id.*

²¹⁷ *Id.* (“PTAB did *not* conclude that the patent was either ‘valid’ or ‘invalid.’ In other words, there was no explicit, or even implicit, decision on the validity of the patent as there is during the initial prosecution of the patent.”).

²¹⁸ See, e.g., *id.* at 875 (“Although the court could attempt to provide instructions to the jury . . . it would be difficult for a jury to understand, much less apply, the nuanced differences between the various proceedings and to determine how much weight should be given to PTAB’s decision . . . [T]here is a great risk that the jury would conclude, incorrectly, that the Patent Office has twice held the ‘752 patent is nonobvious over prior art. Such a conclusion would likely unfairly prejudice the jury against Apple . . .”).

²¹⁹ In order for the PTAB to institute an IPR, the challenger must show a reasonable likelihood of success. 35 U.S.C. § 314(a) (2012).

²²⁰ See *id.* § 316(e); *supra* notes 186-93 and accompanying text (describing different burdens of proof in federal courts and before the PTAB).

because this gives deference to a panel of expert judges.²²¹ If we really do not trust a jury's ability to comprehend the complex subject matter of a patent,²²² it may be beneficial to allow the jury to rely on a decision made by a panel of judges with expertise both in their technological and legal fields. Allowing evidence of decisions not to institute IPRs may also lead to quicker settlements when an IPR has been brought with respect to the patent at issue.

The counterarguments are that IPR decisions are not made on a full record, and additional information may make the case weigh in favor of the challenger. Plus, decisions not to institute IPRs are not decisions on the merits, and should not be treated as such. A jury may not be able to afford the appropriate substantive weight to this type of decision and may be inclined to rely too heavily on it.²²³ The jury may incorrectly conclude that the PTAB has already held that the patent is invalid, or it may think that a decision not to institute an IPR is more probative of the patent's validity than it actually is. We do not want juries to be overwhelmed and incorrectly conclude that a decision not to institute an IPR automatically means the patent is valid when, in reality, there was no substantive determination of validity.²²⁴ Further, if there really is evidence that could come to light in a fuller record that would sway the case, it would be unfavorable for a jury to rely too heavily on a decision made by a panel without a full record.²²⁵

Allowing this type of evidence could also increase the cost of litigation, and it may be that the time and cost of instructing the jury is not worth the additional information, especially given the risk of confusion. Allowing evidence of a decision not to institute an IPR into court may also deter parties from bringing IPRs in the first place. A potential defendant in an infringement suit may reason that it is too risky to bring an IPR on a patent she believes is invalid and likely to be litigated against her because, if the PTAB chooses not to institute the IPR, it may be harmful to subsequent litigation if that decision is allowed into evidence. Deterring challengers from bringing IPRs would thwart Congress's

²²¹ See *supra* notes 203-04 and accompanying text (stating that judges on the PTAB are patent law experts). It is interesting to note that the judges at the PTAB also have technical backgrounds. Vishnubhakat, Rai & Kesan, *supra* note 100, at 53 (“[A]dministrative patent judges have long been required to be ‘persons of competent legal knowledge and scientific ability.’” (quoting 35 U.S.C. § 6)).

²²² See *supra* notes 53-56 and accompanying text (explaining criticisms of juries in patent cases).

²²³ See Leibold, *supra* note 53, at 624 (theorizing that juries may have difficulty understanding patent cases, and thus rely too heavily on findings by the PTO).

²²⁴ See *Wis. Alumni Research Found. v. Apple, Inc.*, 135 F. Supp. 3d 865, 875 (W.D. Wis. 2015) (“[T]here is a great risk that the jury would conclude, incorrectly, that the Patent Office has twice held the . . . patent is nonobvious over prior art.”).

²²⁵ The counterargument to this statement is that validity determinations are not particularly dependent on outside information apart from the prior art.

goal of weeding out bad patents,²²⁶ and adding to jury confusion would make patent litigation more unpredictable,²²⁷ both of which would contribute to uncertainty in the patent system.

Although there are certainly arguments to the contrary, courts should not allow evidence of decisions not to institute IPRs to be presented to the jury. The risk of jury confusion and unfair prejudice is significant, probative value is low, patent litigation is already extremely costly and drawn-out, and allowing this type of evidence could deter would-be-challengers from bringing IPRs. Litigators and scholars alike have continuously complained about juries' ability to handle patent cases.²²⁸ The most pervasive criticisms are that juries have trouble keeping the confusing legal standards straight and are unable to understand the complex subject matter of patent cases.²²⁹ It is argued that this causes juries in patent cases to be too likely to rely on tangential or irrelevant factors, such as which party is more sympathetic.²³⁰ Many also speculate that juries have a tendency to rely too heavily on decisions by the PTO, and are thus unable to properly weigh the relevance of a PTAB finding.²³¹ This assertion is supported by evidence that juries tend to be pro-patentee, as the average overall win-rate of patent cases heard by juries is fifty-eight percent, but outcomes are closer to fifty-fifty when tried by a judge.²³²

Adding an explanation of an IPR decision to a patent trial and expecting juries to differentiate between the forums and keep the legal standards that apply to IPRs distinct from those that apply in court, will only exacerbate the problem of jury confusion and lead to inconsistent results. As the court in *Apple* pointed out, presenting evidence of a PTAB decision not to institute an IPR to a jury may lead the jury to incorrectly conclude that the PTO has twice held that a patent is valid, when in reality there has been no decision on validity.²³³ It is undesirable to have a jury rely too heavily on a decision that is not on the merits and with

²²⁶ See Dreyfuss, *supra* note 73, at 236.

²²⁷ See Miller, *supra* note 53, at ¶ 32 (commenting on unpredictability of jury verdicts in patent cases).

²²⁸ See Moore, *supra* note 53, at 779 (noting litigators' complaints about "juries lacking the competence to resolve technically sophisticated and legally complex patent cases").

²²⁹ See Leibold, *supra* note 53, at 624 (listing some common complaints about juries in patent cases, including that "they cannot understand the technology involved or the nuances of the legal standards for patent validity and infringement, and that they are swayed too easily by tangential issues").

²³⁰ *Id.*

²³¹ *Id.* (noting that a typical complaint is that "juries are pro-patentee because they have a high regard for the [PTO]").

²³² Bessen & Meurer, *supra* note 64, at 3.

²³³ See *Wis. Alumni Research Found. v. Apple, Inc.*, 135 F. Supp. 3d 865, 875 (W.D. Wis. 2015) ("[T]here is a great risk that the jury would conclude, incorrectly, that the Patent Office has twice held the '752 patent is nonobvious over prior art.").

less than a full record, even if it was made by an expert panel of judges. Furthermore, the low probative value of a PTAB decision not on the merits is substantially outweighed by the risk of jury confusion.²³⁴

The risk of deterring IPR challenges also weighs heavily against admitting evidence of decisions not to institute an IPR. If third party competitors of patent owners are on notice that a decision by the PTAB not to institute an IPR could come back to haunt them in a later case where the patent owner sues them for infringement, they may be much less likely to bring IPRs against patents they believe are invalid. If people know that a decision by the PTAB not to institute an IPR could be presented to a jury in an infringement case, they may not want to take the risk that this will prejudice the jury and ultimately lead to a finding of infringement. If people are wary of bringing IPRs, then the congressional goal of weeding out invalid patents becomes much less likely to be realized.²³⁵ This is not in the best interest of patent owners and the public because invalid patents increase the cost of innovation, thereby decreasing incentives to innovate, by increasing search costs and increasing the risk of potential litigation.²³⁶

The additional cost of presenting evidence of a decision not to institute an IPR to a jury should not be overlooked. One of the stated goals of creating the new post-grant review proceedings in the AIA was to decrease litigation costs.²³⁷ This suggests a congressional concern with the alarming cost of patent litigation. It would therefore be contrary to the goals of Congress, not to mention socially undesirable, to allow decisions not to institute an IPR to be presented to a jury. High litigation costs increase the cost of innovating, which decreases overall innovation incentives and harms society.²³⁸ The additional time spent explaining this evidence and its relevance to the jury will further add to the already astronomical cost of patent litigation.²³⁹ In light of the tangential relevance of this evidence, the additional time and cost of presenting the evidence to the jury substantially outweighs the probative value and the evidence should therefore not be admitted.²⁴⁰

²³⁴ *Id.* at 874 (concluding that probative value of non-dispositive IPR proceedings is “substantially outweighed by the risk of unfair prejudice, as well as the risk of jury confusion”).

²³⁵ *See* Dreyfuss, *supra* note 73, at 274 (describing Congress’s goal as “creating a quick and less expensive way to weed out invalid claims”).

²³⁶ *See supra* notes 59-66 and accompanying text.

²³⁷ H.R. REP. NO. 112-98, pt. 1, at 40 (2011) (“The [AIA] is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”).

²³⁸ *See supra* notes 64-66 and accompanying text.

²³⁹ *See* Chien, *supra* note 48, at 1584 (noting extreme costs of patent litigation).

²⁴⁰ *See* Order at *1, *Interdigital Commc’ns Inc. v. Nokia Corp.*, C.A. No. 13-10-RGA, 2014 WL 8104167, at *1 (D. Del. Sept. 19, 2014) (deciding that probative value of PTAB

There is, however, the argument that allowing this evidence will encourage settlement. While this may be true, it is first important to note that settlement is not “free,” and it is difficult to make a judgment as to whether the presumably increased tendency to settle by an infringer will be offset by patent owners being less inclined to settle where there is a decision not to institute an IPR. Admitting this evidence could put an extra card in the hands of those asserting patent rights, which may be undesirable. Given that most defendants in patent infringement suits are inadvertent infringers,²⁴¹ and there are many cases in which the plaintiff is a “patent troll,”²⁴² it may actually be harmful to the patent system to increase the bargaining position of plaintiffs in patent infringement suits. For the reasons stated above, courts should systematically decline to admit decisions not to institute IPRs by the PTAB under Rule 403 because the potential for prejudice substantially outweighs the probative value of the evidence.

CONCLUSION

Preserving uniformity and minimizing uncertainty are crucial to encouraging the operation of a functional patent system by maintaining innovation incentives. Going forward, it is essential that federal courts come to a unified conclusion on how to treat evidence of IPR proceedings in subsequent litigation under Rule 403. This Note has argued for separate treatment of two types of evidence from a PTAB ruling that could potentially be relevant in an infringement suit.

For cases where the PTAB has already upheld the validity of a patent in an IPR proceeding, courts should admit the IPR decision into evidence. This Note argued that the differing standards and procedures between the PTAB and courts should not prevent evidence of a substantive decision to uphold the validity of a patent from being presented to a jury in an infringement case. On the other hand, when the PTAB has not made a substantive decision on whether patent claims are valid, but merely decided not to institute an IPR, the decision should be excluded from evidence in an infringement suit under Rule 403. Jury confusion is already a significant problem in patent infringement cases, and the potential probative value of a decision not to institute an IPR is substantially outweighed by the dangers of jury confusion and unfair prejudice. The decision not to institute an IPR is not a decision on the merits, and should therefore receive limited weight in a determination of validity in an infringement suit. The risk of a jury believing that a decision not to institute an IPR is proof that the PTAB believes the patent is valid, and the cost of explaining the differing standards of the separate forums, results in a conclusion that this evidence is substantially more prejudicial than probative.

decision not to institute IPR is “greatly outweighed by the expenditure of time” necessary to explain issue to jury).

²⁴¹ See Orr, *supra* note 60, at 534 (describing problem as creation of “patent minefields” that even after diligent search may result in infringement litigation).

²⁴² *Id.* at 551-52 (describing problem of patent trolls).

The proposed treatment of both of these evidentiary issues aims to further the goals of the patent system by maintaining a level of certainty in the system and discouraging inconsistency among district courts. Certainty on this particular issue is important because if people are uncertain as to how a decision in an IPR will be treated in subsequent litigation, they may not utilize the system as Congress intended, and the goals of decreasing litigation costs and weeding out bad patents will remain theoretical. It is crucial to resolve this issue while the IPR proceedings are still in their infancy to create a reputation that IPRs are a worthwhile investment and encourage people to utilize the AIA post-grant proceedings.