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Fractus v Samsung – The Plot Thickens

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The twists and turns in the Fractus / Samsung wars recently took another interesting turn. As previously reported, in May 2011, Fractus won a $38,000,000 judgment against Samsung in the Eastern District of Texas. Meanwhile, in 2010, Samsung had filed petitions for *inter partes* reexamination against the patents-in-suit. Samsung subsequently filed *inter partes review* petitions against the Fractus patents, and five days later filed petitions for *ex parte* reexamination on the same patents. The *inter partes* reexaminations did not go well for Fractus, and an appeal in those reexaminations was scheduled for argument before the PTAB on November 20, 2013. Apparently concerned that the *inter partes* reexamination proceedings would conclude with an adverse result before the Federal Circuit could resolve the appeal from the Eastern District of Texas—with the potential that under *Fresenius* it would lose the benefit of its $38,000,000 judgment—Fractus moved to stay the *inter partes* and *ex parte* reexaminations in favor of the *inter partes* review proceedings. On November 12, 2013, seven days before the scheduled argument on the appeal of the *inter partes* reexamination proceedings, the PTAB granted the motion to stay, finding that the statutory

efficiencies built into the *inter partes* review process warranted a stay.

Fractus' strategy initially seemed to pay off. The parties argued the appeal of the judgment from the Eastern District of Texas on December 2, 2013. Precedential opinions of the Federal Circuit generally issue between two and six months from the date of oral argument. If the appeal proceeds consistent with the Federal Circuit's history, the Federal Circuit should issue an opinion sometime between February and June 2014. If that happens, and if the judgment is affirmed, the results in the *inter partes* reexamination will likely be moot, at least vis-à-vis Fractus and its $38,000,000 judgment.

The PTAB, however, may have thrown a wrench in Fractus' plan. On January 2, 2014, the PTAB denied Samsung's petitions for institution of *inter partes* review because the petitions were not timely filed. These are the same *inter partes* reviews which were the basis of the stay issued by the PTAB in November 2013. Immediately following the issuance of the order denying the petition for *inter partes* review, the PTAB *sua sponte* lifted the stay of the *inter partes* reexaminations "so that they can proceed with special dispatch." Specifically, the PTAB ordered that the hearing of the appeal be rescheduled.

The Fractus / Samsung litigation will continue to be a race to a final decision. Whatever the decision of the PTAB in the *inter partes* reexaminations, it appears likely that the loser will appeal to the Federal Circuit. It also seems likely that the Federal Circuit will decide the appeal in the underlying litigation first. The weight, if any, the Federal Circuit will grant the decision of the PTAB in the underlying *inter partes* reexamination in deciding the appeal of the judgment from the Eastern District of Texas is an issue that may have far-reaching consequences. The *inter partes*reexaminations were not discussed at all in the oral argument of the appeal of the underlying Texas litigation. There was, however, significant discussion by Judge Rader criticizing the award of damages by the district court, suggesting that the damages were excessive for a variety of reasons. If the Federal Circuit affirms liability and remands on damages, Fractus could find itself in the same position as the patent owner in *Fresenius,* on remand for a new trial on damages, while the reexaminations march forward. If that happens, the remand (and any resulting appeal) will likely take longer than the resolution of the appeals of the reexamination proceedings. If the PTAB finds the patents invalid, and the Federal Circuit affirms, Fractus may lose its judgment by virtue of the decision in*Fresenius*.

The current status of the *Fresenius* litigation suggests that the result in *Fresenius* will remain the law. The patent owner in *Fresenius* has until February 3, 2014 to file a petition for a writ of certiorari. Unless the Supreme Court overturns the result in *Fresenius* or Congress addresses the issue in legislation*,* defendants will be allowed multiple bites at the invalidity apple, even after a trial and Federal Circuit affirmance on the only issues the PTAB has jurisdiction to consider. Patent owners will argue that particularly where the parties and the art and arguments considered are substantially the same in the litigation and the PTAB, the *Fresenius* result is unfair and illogical. Defendants will argue that they ought not have to pay damages for infringement of an invalid patent. The propriety of Article I judges effectively overruling Article III judges is an issue that has raised the ire of some Article III judges. All of this remains to be sorted out.

At least one thing seems certain. The PTAB granted the stay of the Samsung *inter partes* reexamination before it decided whether to institute the *inter partes* review on which the stay was based. Given the subsequent decision not to institute the *inter partes* review, it seems that in the future the PTAB should be slow to issue stays of pending reexaminations before it decides whether the underlying *inter partes* review should be instituted.