

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

In the Matter of

**CERTAIN AUTOMATED STORAGE
AND RETRIEVAL SYSTEMS, ROBOTS,
AND COMPONENTS THEREOF**

Inv. No. 337-TA-1228

ORDER NO. 6: DENYING RESPONDENTS' MOTION FOR A STAY

(March 9, 2021)

Everyone is entitled to a day in court.¹

I. BACKGROUND

A. Procedural background

This investigation was initiated on November 2, 2020. Comm'n Notice (Nov. 2, 2020); *see* 85 Fed. Reg. 71096-97 (Nov. 6, 2020). Between November 30, 2020 and January 18, 2021, Respondents Ocado Group plc ("Ocado"), Ocado Central Services Ltd., Ocado Innovation Ltd., Ocado Operating Ltd., Ocado Solutions, Ltd., Ocado Solutions USA Inc., Tharsus Group Ltd., and Printed Motor Works Ltd. (collectively, "Respondents"), filed four *inter partes* review ("IPR") petitions and one post grant review ("PGR") petition with the Patent Trial and Appeal Board ("PTAB") to obtain a decision from the PTAB cancelling all the asserted patents and claims on the ground of invalidity. Motion at 1.

¹ "Where does the search for justice and ultimate truth end and injustice begin? It is easy to generalize[] and say that 'everyone is entitled to his day in court' . . . but [w]hen that 'day' becomes 'many days,' . . . requiring the retention of counsel, filing of briefs and all the other trappings which are a part of any court proceeding, [it] [may] become[] 'injustice' at some point. A little common sense is required." *EEOC v. New Enter. Stone & Lime Co.*, 74 F.R.D. 628, 633 (W.D. Pa. 1977).

On January 19, 2021, Respondents filed a motion seeking to stay the investigation pending resolution of *inter partes* review (“IPR”) and post-grant review (“PGR”) proceedings regarding all of the asserted patents and claims. Motion Docket No. 1128-001 (the “motion”). On January 29, 2021, Complainants AutoStore Technology AS, AutoStore AS and AutoStore System Inc. (collectively, “Complainants”) filed an opposition. On February 3, 2021, Respondents filed a reply brief.

B. AIA background

“The Leahy-Smith America Invents Act (AIA) of 2011 created the Patent Trial and Appeal Board, 35 U.S.C. § 6(c), and established three types of administrative review proceedings . . . that enable a “person” other than the patent owner to challenge the validity of a patent post-issuance: (1) “inter partes review,” § 311; (2) “post-grant review,” § 321; and (3) “covered-business-method review” (CBM review), note following § 321.” *Return Mail, Inc. v. United States Postal Serv.*, 139 S. Ct. 1853 (2019). “After an adjudicatory proceeding, the Board either confirms the patent claims or cancels some or all of them, §§ 318(b), 328(b).” *Id.* “Any ‘dissatisfied’ party may then seek judicial review in the Federal Circuit, §§ 319, 329. In addition to AIA review proceedings, a patent can be reexamined either in federal court during a defense to an infringement suit, § 282(b), or in an ex parte reexamination by the Patent Office, §§ 301(a), 302(a).” *Id.*

The AIA “separates the Director’s decision to ‘institute’ the review, § 314, on one hand, from the Board’s ‘conduct’ of the review ‘instituted’ by the Director, § 316(c), and the Board’s subsequent ‘written decision,’ § 318, on the other.” *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76 (Fed. Cir. 2014). The statute thus establishes a two-step procedure for *inter partes* review: “the Director's decision whether to institute a proceeding,

followed (if the proceeding is instituted) by the Board’s conduct of the proceeding and decision with respect to patentability.” *Id.* at 1376.² “Under the title, ‘No Appeal,’ Section 314(d) declares that ‘[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.’” *Id.*³

C. Recent PTAB trends

Respondents assert that in recent months the PTAB has denied institution of nineteen IPR petitions because a parallel ITC investigation was not stayed. *See Resps.’ Mem.* at. 3-4; *Mot.*

² Section § 314 states:

Institution of inter partes review

(a) Threshold.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) Timing.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed. *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1377 (2020).

³ The procedures regarding *inter partes* review are complex: “Under inter partes review, anyone may file a petition challenging the patentability of an issued patent claim at almost any time. §§ 311(a), (c). The grounds for challenge are limited to the patentability of the claim under § 102 (which requires patent claims to be novel) and § 103 (which requires patent claims to be nonobvious). § 311(b). The statute imposes other restrictions as well. A petition for inter partes review ‘may be considered only if’ the petition satisfies certain requirements, including (as relevant here) that the petition ‘identif[y], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.’ § 312(a)(3). Additionally, ‘inter partes review may not be instituted’ if the party challenging the patent previously filed a civil action challenging the patent’s validity or was sued for infringing the patent more than a year before seeking inter partes review. §§ 315(a)(1), (b).” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2149, 195 L. Ed. 2d 423 (2016).

App. A. Respondents assert that in many of those denials, the PTAB stated that it was denying institution because the petitioner had not sought a stay from the ITC. *See id.*

D. Respondents' Arguments

Using the traditional criteria for determining whether a stay of proceedings under section 337 should be granted, *see infra*, Respondents assert that staying this investigation pending resolution of their IPR and PGR petitions will preserve resources, simplify the issues presented in the investigation, and possibly eliminate the need for an investigation entirely.⁴ Respondents contend that under the Commission's traditional stay analysis the facts will never be "better" from the standpoint of granting a stay.

Respondents urge that a stay be granted because of the recent trend at the PTAB to deny institution of post-review challenges unless the ITC stays any parallel investigation under section 337. Respondents claim that, unless a stay is granted, patentees in general will take advantage of the situation to force respondents to defend themselves in an ITC investigation involving patents that may ultimately be proven invalid.

⁴ "Reflecting Congress' unified intention to streamline both processes, *inter partes* review and post-grant are nearly identical in their purposes and procedural requirements, differing only in minute areas, such as the time restraints of each respective procedure. *See generally id.* §§ 312–19, 321–29. Both review proceedings are conducted entirely by the PTAB alone, §§ 316(c) and 326(c); both proceedings require a petition seeking to institute review proceedings which identifies all RPIs, § 312(a)(2) and 37 C.F.R. § 42.8(b)(1); 35 U.S.C. § 322(a)(2); both procedures specifically state that the PTAB's decision of whether to institute the requested review proceedings is final and nonappealable, §§ 314(d) and 324(e); and finally, both procedures provide for appellate review, at the Federal Circuit, only after the PTAB has issued a 'final written decision' 'with respect to the *patentability*' of the reviewed patents, at the conclusion of the review process, §§ 314(d), 318(a), regarding *inter partes* review; *see also id.* §§ 328(a), 329, regarding post-grant review; *id.* § 141(c) (describing the appellate posture for both *inter partes* and post-grant review)." *Medtronic, Inc. v. Lee*, 151 F. Supp. 3d 665, 670–71 (E.D. Va. 2016).

II. DISCUSSION

A. Complainants' Opposition is rejected for failure to follow the ground rules.

In violation of Ground Rule 3.9, the opposition contains no page numbers and, after the first page, does not include a footer bearing the investigation number and the title of the document. Ground Rule 3.9 states:

3.9 Cover Page and Footer

Pursuant to Commission Rule 210.4(a), the front page of every filing and submission shall include the name of the investigation and the investigation number. Every subsequent page shall bear a footer with the investigation number, a summary of the title of the document, and consecutive numbering at the bottom of the page.

Order No. 2 at 9. In this investigation, as in every investigation to which I am assigned, I conducted an initial telephonic pre-hearing conference to discuss the investigation and explain my expectations of the parties. Because parties sometimes fail to follow my ground rules, which are designed to benefit the parties and the court by facilitating the resolution of these complex and highly disputed cases, I lay emphasis in the conference on compliance with the ground rules. In the initial telephonic conference in this investigation, compliance with the ground rules was discussed at some length:

10 These days I generally note the extraordinary
11 conditions in which we are operating, and I'll have a
12 little more to say about that in a few minutes, and we can
13 address some of the issues related to the pandemic as we
14 come to them.

15 But just so everyone is aware, that we're not in
16 the building. We are -- we have some restraints in terms
17 of what we can and can't do. And so we all need to be
18 flexible and, above all, to cooperate.

19 So one way to facilitate the whole process is to
20 consult the ground rules and be sure to take care to follow
21 them.

22 I have been warning the parties in all my cases
23 that even minor deviations may result in a negative result

24 for your pleading. So it's really in your interest to
25 follow the ground rules to the last letter.

1 If you have any questions about the rules,
2 please feel free to contact my Chambers. We would be happy
3 to try and help you. And it's better to do that than to
4 guess about what the ground rules are.

10 I don't – it's not an excuse when people blame
11 paralegals or other administrative personnel for failing to
12 follow the ground rules. It is counsels' responsibility to
13 make sure that the pleadings conform. So that's something
14 that you or someone on your team needs to be on top of at
15 all times.

Pre-Hearing Conference Tr. (Dec. 3, 2020) at 5:10-6:15

Complainants' non-compliance results in rejection of their opposition and non-consideration of the arguments raised therein.⁵ Under the conditions of the ITC's COVID-19 Action plan, employees must work from home. Employees in the Office of Administrative Law Judges must view pleadings and exhibits entirely online, and decisions (including page references) similarly must be drafted without the benefit of hard copy.⁶ It is difficult enough to engage in these tasks without the benefit of a paper version of a legal brief and supporting documents. For a party to submit a brief under these circumstances without numbering the pages is an abuse. *See* Pre-hearing conference Tr. at 8:17-18 ("you need to be aware of the limitations that we have"), 21-22 ("I would urge you to do what you do with the awareness of the limitations

⁵ In addition to the publication of the ground rules themselves and the specific warning provided to counsel at the pre-hear conference, it is public information that in some previous investigations, non-compliance has resulted in pleadings being rejected and the arguments therein not being considered. *See Certain Vehicle Security and Remote Convenience Systems and Components Thereof*, Inv. No. 337-TA-1152, Order No. 11 (Nov. 25, 2019) at 1 ("Because DEI's reply does not comply with the requirements of the ground rules, the reply will not be considered."); *Certain Vehicle Security and Remote Convenience Systems and Components Thereof*, Inv. No. 337-TA-1152, Order No. 12 (Dec. 3, 2019) at 1 ("Because DEI's opposition and Respondents' reply do not comply with the ground rules, they will not be considered.").

⁶ Printing at home is not allowed because of agency security concerns.

that are imposed on us.”). The ground rules are promulgated not just for the sake of making rules. The rules exist to facilitate getting the work done faster and better. A degree of cooperation is expected, as stated in the initial telephone conference. That cooperation was lacking in this instance.⁷

B. Traditional factors regarding stays under section 337

In determining whether a stay is appropriate, the Commission traditionally weighs five factors: “(1) the state of discovery and the hearing date; (2) whether a stay will simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; and (5) the efficient use of Commission resources.”

Certain Microelectromechanical Systems and Products Containing Same, Inv. No. 337-TA-876, Order No. 6 at 3 (May 21, 2003) (citing *Certain Semiconductor Chips with Minimized Chip Package Size & Prods. Containing Same*, Inv. No. 337-TA-605, Comm’n Op. at 3-4 (May 27, 2008)). Motion Memo. at 6.

1. State of discovery and hearing date

A hearing date was set in this investigation by order dated November 16, 2020. Order No. 3. At present, according to the procedural schedule, the parties are engaged in discovery, have exchanged claim constructions, and have filed initial *Markman* briefs. Order No. 4 (Dec. 4, 2020). Given the amount of effort that has been expended already in this litigation, it cannot be said that this factor favors a stay.

While the target date for completion of this investigation is March 7, 2022, there is no evidence that the PTAB’s review will be completed any time before that date, and the

⁷ Everyone in the business of litigation makes mistakes and a degree of forbearance regarding such errors is necessary, particularly under the present circumstances. But ten lawyers in four cities signed on to Complainants’ opposition. With the exercise of due care, one of them should have noticed that the document was not paginated.

expectation is that it will be completed later. *See* Mot. Mem. at 7 (“The Target Date currently is set for March 7, 2022, which would be only two months before the latest date on which PTAB would start to issue final written decisions, which could moot the outcome of this Investigation.”). It is impossible to predict whether either the ITC or the PTAB would extend those dates.

2. Simplification of the issues

Since Respondents challenge all the patents and claims asserted in this investigation, there is of course the potential for the issues in this investigation to be simplified by PTAB rulings. There also is a possibility, however, that at least some if not all the patents and claims will survive PTAB review, in which case the investigation will be simpler but significantly delayed. We have no way of knowing, based on current information, whether there will be a significant simplification of the issues. This factor also does not weigh in favor of a stay.

3. Undue prejudice or clear tactical advantage

To be sure, it is disturbing to contemplate the very real prospect of a complainant rushing to the ITC to head off PTAB review, knowing that the PTAB will not institute proceedings if there is an ongoing ITC investigation. On the other hand, the very real prospect of a respondent running to the PTAB to delay a newly filed investigation at the ITC also is disturbing. This factor does not seem to weigh heavily in one direction or the other.⁸

⁸ Respondents argue: “Under the PTAB’s recent practice of discretionarily denying institution of IPR because of parallel ITC proceedings, Respondents are compelled to note the potential for gamesmanship. Alleged infringement that dates back many years will be pursued in both the District Court and ITC because the latter will effectively enable the patent owner to escape meritorious IPR and undermine Congress’s intent when it created IPR in the America Invents Act—*i.e.*, ‘to . . . establish a more efficient and streamlined patent system that will . . . limit unnecessary and counterproductive litigation costs.’ *3Shape A/S and 3Shape Inc. v. Align Technology, Inc.*, 2020 WL 2738516, at *14 (P.T.A.B. May 26, 2020).” Mot. Memo. at 8 n.5. I am unconvinced that the possibilities for gamesmanship rest more with one side than the other.

4. Stage of the PTAB proceedings

Respondents argue that, before substantial resources have been invested in this investigation the parties will have invested far greater resources in the PTAB proceedings and, accordingly, the fourth factor weighs in favor of a stay. Mot. Memo. at 10. Respondents argue that they have submitted detailed disclosures to the PTAB in connection with the IPR and PGR proceedings, including evidence related to alleged prior art and expert analysis. Respondents state that Complainants will have the opportunity to begin submitting preliminary responses no later than February, and then the PTAB will make its institution decisions beginning in May.

But this argument ignores not only the effort that has gone into discovery and other matters in this investigation since the motion was filed, but the fact that complainants in general, before filing at the ITC, must spend considerable resources pulling together a detailed complaint conforming to the Commission's rules. *See* 19 C.F.R. § 210.12 (requirements for filing a complaint). The process of preparing for a *Markman* hearing also requires consulting with experts. The fact is that all parties are investing abundant resources in these various patent disputes.

Respondents say the proper criterion should be the relative "diligence" of the parties in pressing their interest through litigation, but I find no merit in this argument. Respondents assert that they filed petitions at the PTAB promptly after being sued at the ITC, while noting that Complainants had notice of the potential infringement for two years before the complaint in this investigation was filed. These facts simply do not compel the conclusion that the investigation should be stayed.

5. Efficient use of Commission resources

Respondents point out that Commission resources would be spent unnecessarily if the PTAB were to cancel the asserted claims soon after the target date, and they note that this has occurred in some cases. To mitigate the potential for such a scenario, the agencies could perhaps seek a memorandum of understanding regarding how they will proceed when the PTAB decides to institute review of patents that are the subject of section 337 investigations. But a unilateral decision staying an investigation whenever a party files for PTAB review would in many cases result in long delays of proceedings under section 337, in contravention of the statutory requirement to proceed “at the earliest practicable time.” 19 U.S.C. § 1337(b)(1); 19 C.F.R. § 210.2. *see also Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same (“Semiconductor Chips”)*, Inv. No. 337-TA-605, Comm'n Op., 2008 WL 2223426, at *4 (U.S.I.T.C. May 27, 2008) (“As the effect of such actions could be to override the statutory mandate to presume the patents are valid, we caution the presiding ALJ to carefully weigh the possibility of such manipulation in order to avoid undue prejudice to patent holders seeking to enforce their rights. Such consideration may also prevent unjustified limitations on the Commission's ability to complete section 337 investigations as soon as practicable according to its mandate.”).

Granting a stay whenever a respondent seeks PTAB review after being named in a complaint under section 337 would not conform with these statutory requirements. Accordingly, this factor does not favor a stay.⁹

⁹ Respondents contend that they filed for PTAB review at the earliest possible time. While I agree that as an ITC investigation proceeds the argument for staying it gets weaker, I am unconvinced that this investigation should be stayed, even so. As noted above, it might make sense to stay a 337 investigation if, when, and to the extent that the PTAB determines there is a sufficient likelihood of invalidity that the PTAB institutes review.

C. Other Considerations

Some additional factors weigh in the balance.

1. The public interest

First, section 337 is not only an avenue for resolving intellectual property disputes. Section 337 permits excluding of infringing products from importation into the United States. 19 U.S.C. §1337(d). Private parties have an interest in exclusion, to be sure, but the public interest in protecting significant domestic industries from unfair competition from abroad dominates. Delaying such protection to preserve the resources of respondents (or even the ITC itself), therefore cannot be approved routinely.

2. Statutory intent

There are indications that Congress did not intend that petitions at the PTAB should result in a stay at the ITC. When Congress recognizes the desirability of staying cases involving the same patent claims in different fora, Congress “knows how” to legislate to bring about this result. *See* 28 U.S.C. §1659(a) (regarding district court stay for proceedings under section 337).¹⁰ Moreover, when it enacted the AIA, Congress legislated with the ITC in mind, so the

¹⁰ Section 1659(a) provides:

(a) Stay.--In a civil action involving parties that are also parties to a proceeding before the United States International Trade Commission under section 337 of the Tariff Act of 1930, at the request of a party to the civil action that is also a respondent in the proceeding before the Commission, the district court shall stay, until the determination of the Commission becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission, but only if such request is made within--

(1) 30 days after the party is named as a respondent in the proceeding before the Commission, or

(2) 30 days after the district court action is filed, whichever is later.

28 U.S.C. § 1659. *See Return Mail, Inc. v. United States Postal Serv.*, 139 S. Ct. 1853, 1867 (2019).

absence of a stay provision cannot be considered a mere oversight. *See, e.g.*, 35 U.S.C. §315(e), 325(e) (precluding a party from relitigating issues in subsequent proceedings in district court, before the ITC, or (for *inter partes* review and post-grant review) before the Patent Office. The AIA also requires that a respondent file for PTAB review within a year of the filing of a district court or ITC complaint. 35 U.S.C. § 315(b).¹¹

It is true that the Congressional purpose in enacting the AIA was “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374, 206 L. Ed. 2d 554 (2020) (citing H.R. Rep. No. 112-98, pt. 1, p. 40 (2011)). The Congressional purpose under the AIA indeed may be thwarted by the PTAB’s refusal to institute review whenever an ITC investigation is ongoing, but that would argue for an adjustment in the PTAB’s current practices, not for a stay of proceedings under section 337.

¹¹ One could interpret this provision as embodying an assumption by the lawmakers that PTAB proceedings would have terminated before litigation was concluded in district court, under section 337, or before the Patent Office. On the other hand, Congress simply may have recognized in this provision that some PTAB proceedings will conclude during the pendency of patent litigation in other forums.

Accordingly, Motion Docket No. 1228-001 is hereby DENIED.

SO ORDERED.

A handwritten signature in black ink that reads "Dee Lord". The signature is written in a cursive, slightly slanted style.

Dee Lord
Administrative Law Judge

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served to the following parties as indicated, on **March 9, 2021**.



Lisa R. Barton, Secretary
U.S. International Trade Commission
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