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The Current State of IPR Estoppel



BY KATHLEEN B. CARR, BRAD M. SCHELLER, AND
INNA DAHLIN

The inter partes review (IPR) “estoppel” rule, 35 U.S.C. § 315(e), bars a petitioner in an IPR from challenging a patent claim in a proceeding before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office, a civil action under 28 U.S.C. § 1338, or an International Trade Commission (ITC) proceeding based on “any ground that the petitioner raised or reasonably could have raised during” that IPR. The rationale underlying this bar is that IPRs are intended to “completely substitute for at least the patents-and-printed publications portion of the civil litigation.” 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. C. Grassley).

Ordinarily, the elements and applicability of common law estoppel/issue preclusion vary somewhat by jurisdiction, and it is an equitable doctrine, discretionary with the court on a case-by-case basis. Section 315(e)

“estoppel,” however, is not discretionary; it is a mandatory statutory bar.

An IPR petition typically includes multiple grounds for challenging the patent at issue. The PTAB decides whether to institute inter partes review on a claim-by-claim basis, and may decline to institute, institute on all grounds, or allow inter partes review to proceed based on some grounds, while declining to institute with regard to other grounds for procedural reasons or on the merits. After the discovery and hearing stages, the PTAB issues a final written decision. Section 315(e) estoppel applies, in both PTAB (§ 315(e)(1)) and district court (§ 315(e)(2)) proceedings, to grounds that were raised or reasonably could have been “raised during that inter partes review.”

Grounds that potentially give rise to § 315(e) estoppel include both: (1) grounds that were included in the petition; and (2) grounds that were not included in the petition. Grounds that were included in the petition include both: (a) grounds as to which IPR was instituted, and (b) grounds as to which the PTAB declined to institute IPR. To date, the courts and the PTAB have diverged in their interpretations of the scope and applicability of § 315(e) IPR estoppel in these various circumstances.

I. Grounds Included in the Petition

a. Instituted Grounds

Whether IPR estoppel applies to instituted invalidity grounds for which the PTAB instituted review in an IPR proceeding and that are addressed in a final written decision has been considered by the courts, and consistently determined to apply in such circumstances. See, e.g., *Biscotti Inc. v. Microsoft Corp.* (“Section 315(e) estops Microsoft from asserting at trial: (1) grounds for

Kathleen Carr is a member in the Boston office of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo P.C. She has led trial teams in multibillion- and multimillion-dollar Hatch Waxman pharmaceutical patent litigation.

Brad Scheller is a Mintz Levin member in New York. Brad focuses his practice on patent disputes in federal district courts and at the US Court of Appeals for the Federal Circuit.

Inna Dahlin, Ph.D., is an associate in the firm's Boston office. Inna applies her broad spectrum of knowledge to representing clients on a range of intellectual property issues.

which the PTAB instituted IPR and determined those grounds to be insufficient to establish unpatentability after a trial on the merits . . .”); *see also iLife Techs., Inc. v. Nintendo of Am., Inc.* (“It is clear that estoppel applies to the . . . instituted grounds.”).

b. Non-Instituted Grounds

Courts disagree, however, regarding the scope of IPR estoppel that arises in connection with non-instituted grounds. In a recent (Dec. 11, 2017) case, *Princeton Digital Image Corp. v. Konami Digital Entm’t*, the U.S. District Court for the District of Delaware observed that “[t]he [U.S. Court of Appeals for the] Federal Circuit has indicated on several occasions that no estoppel attaches to claims on which the PTAB declines to institute an IPR” (citing *Synopsys, Inc. v. Mentor Graphics Corp.* and *Credit Acceptance Corp. v. Westlake Servs.*, along with *Depomed, Inc. v. Purdue Pharma L.P.* (D. Del.)). In *Princeton Digital*, the court further noted that the patent holder failed to identify any cases in which estoppel applied in such circumstances. As has been recognized by the U.S. District Court for the Eastern District of Texas in *Biscotti*, however, courts have differed in their interpretations of § 315(e) with regard to non-instituted grounds.

The Federal Circuit addressed this issue in *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.* In *Shaw*, in a one-paragraph analysis (in the context of a petition for writ of mandamus), the court concluded that estoppel did not apply, in circumstances wherein the PTAB denied institution with regard to certain grounds based on “redundancy.” The Federal Circuit reasoned that “[t]he IPR does not begin until it is instituted,” and accordingly, the non-instituted grounds were not “raised” and could not reasonably have been raised “during the IPR.”

The Federal Circuit followed *Shaw’s* reasoning in *HP Inc. v. MPHJ Tech. Investments, LLC*, stating that “the noninstituted grounds do not become a part of the IPR. Accordingly, the noninstituted grounds were not raised and, as review was denied, could not be raised in the IPR. Therefore, the estoppel provisions of § 315(e)(1) do not apply.” In a recent district court case, *Oil-Dri Corp. of Am. v. Nestlé Purina Petcare Co.*, the U.S. District Court for the Northern District of Illinois noted that the “denial of a petition for IPR is not a final decision rejecting an invalidity contention,” and reasoned that “‘due process and fairness’ concerns support the conclusion that noninstituted grounds do not give rise to estoppel,” because the petitioner would otherwise be deprived “of a full opportunity to be heard on the estopped ground to no fault of the petitioner, who properly raised the invalidity contention with the PTAB.” Another recent decision, *Milwaukee Electric Tool Corp. v. Snap-On Inc.*, followed *Oil-Dri*, concluding that a petitioned ground for which IPR was not instituted for any reason does not give rise to IPR estoppel.

The *Douglas Dynamics, LLC v. Meyer Prods. LLC* court criticized the *Shaw* court’s analysis regarding the term “during” in § 315(e), and determined that “[t]he more reasonable interpretation is that ‘during the inter partes review’ includes not only the instituted review itself but also the petition process.” As the *Douglas Dynamics* court considered that “*Shaw* makes the Federal Circuit’s view of whether § 315(e) estoppel applies to non-instituted grounds crystal clear,” however, the court concluded that “until *Shaw* is limited or reconsid-

ered, this court will not apply § 315(e)(2) estoppel to non-instituted grounds . . .”

In contrast, the *Biscotti* court considered *Shaw* and *HP*, and explained that they can, and in fact have been, interpreted in different ways. *Biscotti* recognized that some courts have strictly required that a ground be considered and resolved on the merits by the PTAB in order to support estoppel, but others have reasoned that this approach defeats the purpose of IPR and instead recognized application of estoppel where the grounds included those based on which the PTAB denied institution (other than procedural grounds such as redundancy). After analyzing the rationales for the divergent approaches, the *Biscotti* court interpreted “*Shaw* and *HP* to exempt an IPR petitioner from § 315(e)’s estoppel provision only if the PTAB precludes the petitioner from raising a ground during the IPR proceeding for purely procedural reasons, such as redundancy.”

Courts also have considered whether subsets of instituted grounds are subject to estoppel. Such subsets can be non-instituted grounds (e.g., a non-instituted subset that was included in the petition along with its superset that was instituted), non-petitioned grounds (e.g., a subset of instituted grounds that was not in the petition), or a combination of the above. For example, in *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, the U.S. District Court for the Northern District of California found that the defendant was estopped from asserting in a civil action a non-instituted (as redundant) ground based on a combination of two references, because this combination was “simply a subset” of a three-reference combination comprising those two references plus a third reference, based on which the PTAB previously had instituted IPR. Thus, even though the PTAB declined to institute with regard to the two-reference combination, on the basis that it was redundant in light of the three-reference combination, the court found that this subset was “raised or reasonably could have been raised” during the IPR proceedings.

In *Oil-Dri*, however, the court declined to estop the defendant from relying on a single, stand-alone reference for an obviousness-based challenge, which reference previously was a subset of a two-reference obviousness-based challenge before the PTAB, where the PTAB denied petitioner’s invalidity challenge on the merits. The *Oil-Dri* court distinguished the PTAB challenge as involving a “motivation to combine” issue, different from the single-reference district court obviousness challenge. Conversely, the *Biscotti* court determined that subsets, including a single, stand-alone reference, which was a subset of a three-reference ground based on which the PTAB previously had instituted IPR, provided a basis for estoppel.

II. Grounds Not Included in the Petition

As *Oil-Dri* pointed out, “The Federal Circuit has not yet considered the precise issue of whether nonpetitioned grounds can give rise to estoppel.” *Oil-Dri* also noted, however, that in *Shaw*, the Federal Circuit explained that “[b]ecause IPR ‘does not begin until it is instituted,’ the IPR petitioner did not and could not raise a noninstituted ground ‘during the IPR.’”

Some district courts have held that estoppel does not apply to non-petitioned grounds. For example, in *Intel-*

lectual Ventures v. Toshiba Corp., the District of Delaware explained that while extending *Shaw*'s "logic to prior art references that were never presented to the PTAB at all (despite their public nature) confounds the very purpose" of the IPR proceeding, the court could not "divine a reasoned way around the Federal Circuit's interpretation in *Shaw*," and accordingly determined that *Shaw* requires that § 315(e) estoppel does not apply to non-petitioned grounds.

The *Oil-Dri* court, on the other hand, differentiated between non-instituted and non-petitioned grounds: "[W]hile it makes sense that non-instituted grounds do not give rise to estoppel because a petitioner cannot—to no fault of its own—raise those grounds after the institution decision, when a petitioner simply does not raise invalidity grounds it reasonably could have raised in an IPR petition, the situation is different." Similarly, in *Douglas Dynamics*, the court reasoned that a reading of *Shaw* under which IPR estoppel would not apply to non-petitioned grounds is not fair to a patent owner. More specifically, the *Douglas Dynamics* court reasoned that the *Shaw* "view of § 315(e) estoppel undermines the purported efficiency of IPR, especially if it were applied to allow post-IPR assertion of non-petitioned grounds." The court further reasoned that "[a] patent infringement defendant does not have to take the IPR option; it can get a full hearing of its validity challenge in district court." The court interpreted § 315(e) to preclude a defense strategy of having a secondary set of invalidity challenges in reserve and ready to go, and thus construed § 315(e) estoppel "to include non-petitioned grounds that the defendant chose not to present in its petition to PTAB." The court concluded that "it will apply § 315(e)(2) estoppel to grounds not asserted in the IPR petition, so long as they are based on prior art that could have been found by a skilled searcher's diligent search."

Similarly, in other recent decisions, *Milwaukee and Network-1 Techs., Inc. v. Alcatel-Lucent USA, Inc.*, the courts determined that a petitioner is subject to IPR estoppel when it fails to raise grounds that it "reasonably could have raised" in its IPR petition. As the *Oil-Dri* court pointed out, estoppel in such circumstances is "fair—as the party could only blame itself—as well as common." See, e.g., *Oil-Dri* ("The far more sensible interpretation—in light of the text of the statute—is that estoppel applies to grounds that a party failed to raise in an IPR petition that the party reasonably could have raised.").

III. What Is "Reasonably Could Have Been Raised"

As former Sen. John Kyl observed during the debate on the AIA, "The present bill also softens the could-have-raised estoppel that is applied by [IPR] against subsequent civil litigation. . . . Adding the modifier 'reasonably' ensures that could-have-raised estoppel extends only to that prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover." 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011); see also *Clearlamp, LLC v. LKQ Corp.*

So far, courts have applied a fact-specific analysis in deciding what grounds reasonably could have been raised. As the Northern District of Illinois indicated in *Clearlamp*, one way to show that art could have been

uncovered is "(1) to identify the search string and search source that would identify the allegedly unavailable prior art and (2) present evidence, likely expert testimony, why such a criterion would be part of a skilled searcher's diligent search." The *Clearlamp* and *Oil-Dri* courts indicated that the burden of proof to show that a skilled searcher would uncover the reference(s) in question upon a diligent search is on the party claiming estoppel—i.e., on the patent owner. The petitioner can submit evidence, such as a declaration, to the contrary, and can try to indicate flaws in the plaintiff's evidence. For example, in *Oil-Dri*, defendant Purina provided a declaration by a patent agent to counter statements by *Oil-Dri*'s declarant.

In *Praxair Distribution Inc. v. INO Therapeutics LLC*, the PTAB determined that the petitioner's "scant evidence" (one exemplary list of search results without accompanying details) did not demonstrate that a skilled searcher would not have discovered, upon a diligent search, two prior art references before the filing of a first set of IPRs. In *Great West Casualty Co. v. Intellectual Ventures II LLC*, the PTAB accepted at face value the petitioner's assertion that it had conducted an extensive search, but discounted that assertion somewhat due to the petitioner's failure to present its search parameters, and concluded that other evidence strongly indicated that the prior art was "readily identifiable in a diligent search."

Expert declarations have been relied upon in showing what art a skilled searcher would (or would not) have found upon a diligent search. For example, in *Oil-Dri*, the plaintiff provided a declaration of an experienced registered patent agent stating that a "reasonably skilled patent searcher" would have located" seven prior art references that defendant Purina could have included (but did not) in its IPR petition. Although defendant Purina also relied on a declaration by another patent agent, Purina did not contradict *Oil-Dri* with respect to four of the seven references at issue, and the court concluded that Purina was estopped from relying on those four references.

In a fairly rare precedential decision, the PTAB also recently weighed in with regard to how to assess the reasonableness of an initial prior art search, in the context of the test for exercise of discretion to deny institution of inter partes review. The PTAB identified one of the seven non-exhaustive factors for this test as being whether petitioner knew or should have known of the prior art, and explained the analysis for that factor as follows: "whether they could have been found with reasonable diligence," citing an IPR decision describing the test for what a petitioner "could have raised." *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha* (quoting *Apotex v. Wyeth LLC* ("[w]hat a petitioner 'could have raised' " includes "prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.")).

IV. Where Do We Go From Here?

Until the scope of IPR estoppel is more clearly delineated, petitioners and patent owners are left to devising their respective strategies without clear guidance, in view of the current, sometimes contradictory, case law and PTAB precedent.

It also remains to be seen to what extent common law estoppel/issue preclusion may be raised in addition to

§ 315(e). Anomalies in the current divergent approaches also will need to be sorted out; for example, the impact of redundancy as grounds for petition denial (criticized in the *Shaw* concurrence), and the subsequent illogical ability to have a “second bite at the apple” based on a ground sufficiently close to an instituted ground to warrant denial of institution as redundant, after the instituted ground has been denied on the merits. A similar anomaly arises where patent owners have the benefit of § 315(e) estoppel with regard to grounds that were sufficiently substantial to be instituted and then were denied on the merits, but still face a potential onslaught of additional challenges that were not deemed sufficiently meritorious to warrant institution.

An IPR petitioner may wish to present its best grounds in the petition. Presenting multiple obviousness-based grounds may be a tempting strategy, but caution should be exercised because noninstituted grounds that are subsets of instituted grounds may be subject to estoppel.

The most basic consideration for a petitioner is to perform a good prior art search. The current trend in addressing what grounds “reasonably” could have been raised has included retention of a skilled searcher prepared to explain what art could reasonably have been expected to be discovered. Recent approaches to submission of such evidence have included detailed search strategy (e.g., key words, sources, etc.) in an effort to demonstrate the “diligent” efforts. The petitioner may be called upon to explain, e.g., if another prior art item surfaces later, why that prior art could not reasonably have been uncovered during the original search. The patent owner/plaintiff may also provide a declaration showing, contrary to the petitioner/defendant’s position, that the contested art could have been found. While this “battle-of-the-searchers” approach appears to be gaining popularity, it also appears to be fraught with potential danger of waiver of attorney-client privilege and possibly work product immunity.

A petitioner should remember that the scope of IPR is limited to patents and printed publications and that other art—videos, physical devices, offers for sale, etc.—can be used to seek to invalidate a patent in litigation.

In addition, a party seeking to join an instituted (by another party) IPR should be aware that, once a motion for joinder is filed, that party may not be able to avoid the same estoppel that would apply to the original petitioner. See, e.g., *Parallel Networks Licensing, LLC v. International Bus. Machs. Corp.*

Finally, recent developments at the U.S. Supreme Court relate to the estoppel analysis as well. On Nov. 27, 2017, the Court held oral argument in *SAS Institute Inc. v. Matal*. That case involved the issue of whether, in a final IPR decision on the merits, the PTAB is required to address all claims raised in the initial petition, including non-instituted claims.

The oral argument did not indicate that the above analyses are likely to change. On multiple occasions during the oral argument, the petitioner, SAS, relied on the estoppel effect of a PTAB decision in support of its argument that the PTAB must issue a decision on *all* patent claims in the petition (including non-instituted claims). That is, SAS argued that if it cannot appeal non-instituted claims, then a non-institution decision cannot have an estoppel effect, whereas if the PTAB addresses all claims in the final decision, that should estop re-litigation of those claims.

The “tea leaves” of the Justices’ inquiries at oral argument are hard to read, but they suggest that the Court is not inclined to require the PTAB to institute on all challenged claims, or address them on the merits. The more prevalent view of the Justices appeared to be that the PTAB has discretion on which claims are instituted, and accordingly, the final written decision potentially may not address all claims (with an alternate possibility that the non-instituted claims could be addressed summarily in the final written decision). Whichever way the SAS Court decides, the above considerations and divergent court opinions and rationales will still apply and require further development.

Overall, the approaches taken so far by the courts in applying § 315(e) have provided some guidance, but more light needs to be shed on what circumstances will result in § 315(e) estoppel. In illuminating the § 315(e) “estoppel” path, courts and the PTAB should keep in mind that § 315(e) is a statutory mandate, not discretionary.