

Recent Trends In Inter Partes Review Estoppel

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Our March Law360 article, “District Courts And PTAB Are Divided On IPR Estoppel,” explained that many district courts were limiting inter partes review estoppel to only the instituted grounds resulting in a final written decision from the Patent Trial and Appeal Board. We explained that such an application appears to be contrary to the plain language of 35 U.S.C. § 315, the legislative history of the statute, and the application of estoppel in the PTAB. Further, such an interpretation could allow alleged infringers to have multiple opportunities to invalidate patents using identical legal arguments. Since March, however, the district courts have reached a new consensus toward a broader application of estoppel that addresses many of these concerns.



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Giving Meaning to “Reasonably Could Have Raised”

In *Shaw Industries Group Inc. v. Automated Creel Systems Inc.*, the Federal Circuit held that estoppel does not apply to grounds rejected as redundant in an IPR because the “IPR does not begin until it is instituted.”[1] Some district courts initially applied Shaw to limit IPR estoppel only to instituted grounds.[2]



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However, nearly all recent district courts decisions addressing the scope of IPR estoppel have held that an alleged infringer will be estopped from asserting invalidity based on grounds that it “raised or reasonably could have raised during” an IPR as set forth in the statute.[3] While the district courts have employed somewhat different rationales for adopting a broader application of IPR estoppel, almost all of the decisions rely upon (1) the necessity of giving plain and ordinary meaning to the statutory language; (2) the legislative history endorsing broad estoppel; and (3) policy concerns about patentees being subject to multiple invalidity attacks.

For example, in *Douglas Dynamics LLC v. Meyer Products LLC*, the court held that the defendant was estopped from asserting any invalidity defenses that it reasonably could have included in its IPR petition.[4] The district court acknowledged the “assumption underlying Shaw and its application by district courts [] that the petitioner is entitled to ‘proper judicial attention’ of every invalidity ground presented to [the] PTAB.”[4] However, the court rejected an interpretation of Shaw that would undermine “the purported efficiency of IPR, especially if it were applied to allow post-IPR assertion of

non-petitioned grounds.”[4] The court observed, “[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. If the defendant pursues the IPR option, it cannot expect to hold a second-string invalidity case in reserve in case the IPR does not go defendant’s way ... This interpretation respects the statutory language and [] is consistent with the legislative history which clearly suggests that Congress intended IPR to serve as a complete substitute for litigating validity in the district court.”[4]

Subsequent district court decisions also have applied IPR estoppel to nonpetitioned grounds. For example, in iLife Technologies Inc. v. Nintendo of America Inc., the court explained that applying estoppel “on any ground that the petitioner raised or reasonably could have raised” should result in applying estoppel to grounds that could have been raised in the petition.[5] Likewise, in Cobalt Boats LLC v. Sea Ray Boats Inc., the court noted, “the broad reading of Shaw renders the IPR estoppel provisions essentially meaningless because parties may pursue two rounds of invalidity arguments as long as they carefully craft their IPR petition.”[6]

The district court in Oil-Dri Corp. of America v. Nestle Purina Petcare Co. distinguished cases like Shaw concerning noninstituted grounds from cases concerning nonpetitioned grounds.[7] The court observed that, “while 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.”[7]

Since April, at least seven district courts across four districts have applied IPR estoppel to nonpetitioned grounds. However, the Federal Circuit has yet to provide further clarity with regard to IPR estoppel for nonpetitioned grounds.[8] Recently, a court applied IPR estoppel to nonpetitioned grounds but noted “the absence of greater clarity” from the Federal Circuit on application of IPR estoppel.[9] Likewise, another court applied IPR estoppel to nonpetitioned grounds after acknowledging the district court split of authority and observing that the “Federal Circuit has not yet addressed whether estoppel under § 315(e) applies to non-petitioned grounds.”[10]

In Princeton Digital Image Corp. v. Konami Digital Entertainment Inc., the court took a new approach to IPR estoppel not previously considered by district courts, perhaps creating further confusion on the scope of IPR estoppel.[11] There, the alleged infringers successfully petitioned for IPRs, but the PTAB refused to institute review of certain claims.[11] After the final written decision, the patentee sought to estop the alleged infringers from asserting the instituted grounds against the noninstituted claims. The court refused to apply estoppel to claims that were not the subject of a final written decision because “the validity of claims for which the [PTAB] did not institute inter partes review can still be litigated in district court.”[11],[12] According to the court, estoppel should be applied on a claim-by-claim basis rather than on a prior art reference-by-reference basis.[11] It is not clear whether other district courts will adopt this approach to IPR estoppel.

Demonstrating a Diligent Search

In deciding which patents or printed publications “reasonably could have been raised” in an IPR petition, recent cases have placed the burden squarely on the patentee to show what a “skilled searcher conducting a diligent search reasonably could have been expected to discover,” a standard first announced in Clearlamp LLC v. LKQ Corp.[13]

Once a patentee offers what it claims is a reasonable search to support estoppel, district courts seem to

shift the burden of persuasion to the alleged infringer to demonstrate flaws in the search method. For example, in Cobalt Boats, in order to show that the defendant reasonably could have raised patent references in an IPR petition, the patentee conducted “a simple search in Google Patents” restricted by the filing date of the asserted patent and using terms from the patent.[6] The patentee’s Google search provided all of the nonpetitioned references.[6] The defendant argued that a Markman order was not a proper source of key terms and that it could not be expected to find all of the nonpetitioned references when filing its IPR.[6] The court estopped the defendant because all of the search terms were in the patent.[6] Similarly in Oil Dri, the patentee relied on a declaration of a registered patent agent who (1) had significant experience searching patents and (2) opined that a reasonably skilled patent searcher would have been able to locate the relevant prior art for the IPR petition.[7] The alleged infringer relied on a declaration of another patent agent, but that agent admitted that a “reasonably skilled patent searcher may have identified the [relevant] references.”[7] Thus, the court applied estoppel to the references at issue.[7]

The Milwaukee court distinguished between the availability of a physical device and printed publications disclosing that device. The court held that merely showing that a diligent searcher could find a physical device does not satisfy the patentee’s burden of showing a diligent search would uncover the printed publications.[9] To prove estoppel of other references, the patentee relied on a search conducted by Cardinal IP that contained many, but not all, of the nonpetitioned references.[9] The alleged infringer argued that the search was unfairly crafted with the benefit of hindsight.[9] Because the alleged infringer did not point out specific flaws in the search or evidence of how the search was skewed, the court held that the references located in the search were subject to estoppel.[9]

While district courts require the patentee to prove whether a reference reasonably could have been raised in an IPR, the courts are looking to the alleged infringer to demonstrate flaws in the patentee’s hypothetical search methodology in order to avoid estoppel.

Applying Estoppel to Subsets of Instituted Grounds

District courts have applied estoppel to a subset of instituted grounds that were not raised as grounds in the petition.[14] For example, in Biscotti Inc. v. Microsoft Corp., the court, citing Verinata, estopped the alleged infringer from asserting subsets of references relied on in the IPR.[15] In Advanced Micro Devices Inc. v. LG Electronics Inc., the patentee sought “to exclude the Kurihara reference in its entirety” in light of the PTAB’s final written decision on validity based on a combination of Rich and Kurihara and Linholm and Kurihara.[16] While the court estopped the alleged infringer from relying on subsets of these references, the court did not bar “all combinations including Kurihara,” but rather those that “reasonably could have been raised during IPR.”[16] Consistent with this decision, estoppel does not apply to a subset of references combined with a reference not subject to estoppel, such as a product.[14]

In Oil-Dri, the patentee sought to exclude two standalone references where an IPR instituted on a combination of the two references resulted in a final written decision.[7] The court refused to apply estoppel, however, observing that the PTAB explicitly stated in its final written decision that obviousness in view of a standalone reference was not properly before it, as the PTAB specifically denied institution on this ground.[7] The court also observed that there was “not necessarily overlap with the obviousness analysis for the two references taken individually. A patent can be obvious in light of a single reference.”[7] Thus, Oil-Dri clarifies that where a subset of references is explicitly rejected in a final written decision, those references may be exempt from estoppel.

Changing the Scope of IPR Estoppel: SAS Institute Inc. v. Matal

On May 22, 2017, in *SAS Institute Inc. v. Matal*, the U.S. Supreme Court granted certiorari on whether 35 U.S.C. § 318(a) requires the PTAB to issue a final written decision as to every claim challenged by the petitioner.^[17] The Federal Circuit held that the PTAB need only issue a final written decision with respect to the patentability of some of the patent claims challenged by the petitioner. Should the Supreme Court require the PTAB to issue a final written decision addressing each petitioned claim, each claim would receive substantive PTAB attention, which might alleviate some of the concern in applying estoppel to noninstituted grounds. Such a decision could pave the way for a broader application of IPR estoppel and further reduce the difficulties that the district courts have had applying Shaw. Even if the Supreme Court affirms, a decision may provide much needed insight into the proper scope of IPR estoppel.

Conclusion

District courts continue to struggle with the scope of IPR estoppel and are calling on the Federal Circuit to provide more guidance on this issue. For the time being, district courts are applying estoppel more broadly to address the concerns of patentees and therefore limiting the impact of Shaw. While a consensus seems to be emerging regarding the scope of IPR estoppel, the SAS case could change the analysis.

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[1] *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293, 1296 (Fed. Cir. 2016).

[2] *Intellectual Ventures I LLC v. Toshiba Corp.*, 2016 U.S. Dist. LEXIS 174699 at *38-39 (D. Del. Dec. 19, 2016).

[3] 35 U.S.C. § 315(e)(2)

[4] *Douglas Dynamics, LLC v. Meyer Products LLC*, 2017 WL 1382556, at *4-6 (E.D. Wis. Apr. 18, 2017).

[5] *Ilife Techs., Inc. v. Nintendo of Am., Inc.*, 2017 U.S. Dist. LEXIS 87769, at *8-9 (N.D. Tex. May 30, 2017).

[6] *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, 2017 WL 2605977, at *3 (E.D. Va. June 5, 2017).

[7] *Oil-Dri Corp. of America v. Nestle Purina Petcare Co.*, 2017 WL 3278915, at *5-6, *6-8, *9-10 (N.D. Ill. Aug. 2, 2017).

[8] In *Credit Acceptance Corp. v. Westlake Services*, the Federal Circuit held that IPR estoppel precedent applied in a Covered Business Method proceeding. 850 F.3d 1044, 1053 (Fed. Cir. 2017). Other than this decision, the Federal Circuit has not addressed the scope of IPR estoppel this year.

[9] Milwaukee Elec. Tool Corp. v. Snap-On Inc., 2017 US. Dist. LEXIS 155132, at *75-76, *85-88 (E.D. Wisc. Sept. 22, 2017).

[10] Network-1 Technologies, Inc. v. Alcatel-Lucent USA, Inc., 2017 WL 4478236 at *3-4 (E.D. Tex. Sept. 26, 2017).

[11] Princeton Digital Image Corp. v. Konami Digital Entm't Inc, 2017 U.S. Dist. LEXIS 7201, at *11-13 (D. Del. Jan. 19, 2017).

[12] Synopsys, Inc. v. Mentor Graphics Corp., 814 F.3d 1309, 1316 (Fed. Cir. 2016).

[13] Clearlamp, LLC v. LKQ Corp., 2016 WL 4734389, at *9 (N.D. Ill. Mar. 18, 2016); see 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Senator Jon Kyl); see also Apotex, Inc. v. Wyeth LLC, IPR2015-00873, Paper 8 (P.T.A.B. Sept. 16, 2015).

[14] Verinata Health Inc. v. Ariosa Diagnostics Inc, 2017 U.S. Dist. LEXIS 7728, at *14 (N.D. Cal. Jan. 19, 2017).

[15] Biscotti, Inc. v. Microsoft Corp., 2017 WL 2526231, at *7-8.

[16] Advanced Micro Devices, Inc. v. LG Elecs., Inc., 2017 U.S. Dist. LEXIS 98630, at *19 (N.D. Cal. June 26, 2017) (Illston, J.).

[17] Brief for Petitioner at i, SAS Institute Inc. v. Matal, No. 16-969 (Jul. 20, 2017).