

IPR Estoppel Increasingly Applies

By **Brett Cooper and Kevin Schubert** (February 22, 2019, 2:59 PM EST)

Since the Leahy-Smith America Invents Act took effect in 2012, courts have taken varying approaches in their application of “so-called” inter partes review estoppel — that is preclusion of a validity challenge in federal district court of a validity challenge presented to the U.S. Patent and Trademark Office during an IPR. District court decisions in recent months show a trend of applying IPR estoppel in a broadening manner, due in part to the U.S. Supreme Court’s 2018 decision in *SAS Institute Inc. v. Iancu*.^[1]

Some practitioners believe these developments in IPR estoppel are proper since IPRs were created as an alternative to contesting validity during district court litigation. For others, these developments unduly restrict an accused infringer’s ability to present challenges to the validity of a patent. Regardless of your view on IPR estoppel, practitioners are wise to keep abreast of recent decisions from the district courts so they can properly advise their clients as to IPR filing strategy.

Nonpetitioned Prior Art

Until recently, district courts were split on whether a broad or narrow view of IPR estoppel applies. Courts with a broad view apply estoppel to any prior art that reasonably could have been raised in any petition that results in a final written decision. These courts point out that the statute states that estoppel applies “on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”^[2]

Courts with a broad view also look to the judicial history of the AIA, in which senators stated that IPRs were meant to be an alternative to challenging validity in the district court. For example, two weeks ago an Eastern District of New York court, before choosing the broad view of IPR estoppel over the narrow view, stated, “[t]he legislative history of §315(e) indicates that Congress intended IPR to serve as a complete substitute for litigating the validity of patent claims in the district court.”^[3]

Under the narrow view, in contrast, estoppel generally only applies to prior art upon which the IPR was instituted. Therefore, prior art that a petitioner is aware of at the time of the petition but chose not to include in the petition can still be raised in district court litigation. Narrow view courts anchor their opinions in the Federal Circuit’s 2016 decision in *Shaw Industries Group Inc. v. Automated Creel Systems*



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Inc., which took a limited view of estoppel.

Specifically, Shaw held that when an IPR is only partially instituted, estoppel does not apply to prior art that was included in the petition but not instituted on.[4] Narrow view courts therefore view the language “reasonably could have raised during” IPR as applying only to art that is part of grounds the Patent Trial and Appeal Board instituted on. District courts in Massachusetts, Delaware and California have found the broad view of estoppel inconsistent with Shaw.[5]

It appears that courts with the broad view are supported by the Supreme Court’s SAS decision in April 2018. While SAS did not directly address IPR estoppel, its holding — that partial IPR institutions are improper — has indirectly broadened IPR estoppel.

In August 2018, for example, the District of Massachusetts in *SiOnyx LLC v. Hamamatsu Photonics K.K.* found a pre-SAS narrow view decision in its own district “cannot be correct” after SAS and applied the broad view.[6] Because partial institutions are improper after SAS, the court reasoned, “for the words ‘reasonably could have raised’ to have any meaning at all,” they must include non-petitioned art.[7]

Recent decisions out of the Eastern District of New York in *American Technical Ceramics Corp. v. Presidio Components Inc.* and Central District of California in *California Institute of Technology v. Broadcom Limited* have also found the broad view consistent with SAS.[8] By contrast, no reported post-SAS decisions have applied the narrow view.

These recent decisions raise questions on the extent to which the narrow view of estoppel will continue to be applied, if it all, post-SAS.

The Scope of “Reasonably Could Have Raised”

Recent developments in the scope of what “reasonably could have raised” means also suggest the pendulum is swinging toward broader IPR estoppel. District courts have traditionally found an exception to estoppel for certain types of challenges (such as physical devices or written description challenges) because they are not “patents or printed publications” and thus not eligible for IPR review under the literal words of the statute.[9]

But in recent months, district courts have placed limits on this exception. In December 2018 a Central District of California court held in *Caltech* that patents or printed publications asserted in an IPR that went to final written decision could not be asserted in the district court under the “known or used by others” prong of pre-AIA, §102(a).[10]

The court left open the possibility of a different result if the defendant had asserted that “some evidence beyond the documents supplies missing disclosure related to a particular claim limitation” or if defendants were “willing to concede that this prior art was not publicly available at the time of the invention.”[11] The court, however, was skeptical of “dressing up” an invalidity challenge in the district court in another form to circumvent IPR estoppel when the challenge could have been presented during the IPR.[12]

Last year, in *ZitoVault LLC v. IBM*, the Northern District of Texas also interpreted the language “reasonably could have raised” broadly. There, the court found the defendants were estopped from asserting invalidity references included in their invalidity contentions but not in an IPR petition even though the IPR petition was filed by a separate third party and defendants joined the IPR only after it

had been instituted. Despite the defendants' argument that it would have been difficult to have included other prior art in the instituted IPR when they were joined, the court found defendants still should have raised its other art when it requested joinder and cannot "reap the benefits of the IPR without the downside of meaningful estoppel." [13]

Although the recent decisions discussed above have generally applied broader IPR estoppel, some aspects of these decisions have declined to apply estoppel. The ZitoVault court declined to apply estoppel to a prior art system where the teachings of that system were encompassed in patents or printed publications that could have been raised in an IPR petition. [14] Notably, this holding is in tension with Caltech, which rejected "dressing up" an invalidity challenge in another form to circumvent IPR estoppel.

Separately, the SiOnyx court, while adopting the broad view of estoppel, nonetheless declined to apply estoppel to a prior art patent because the patentee did not meet its burden of showing the art was known by or reasonably locatable at the time the IPR was filed. [15] The court noted that one way the patentee could have met its burden "would be (1) to identify the relevant 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." [16].

Final Thoughts

In recent months, district courts have issued opinions that, in general, broaden the scope of IPR estoppel. In the wake of the Supreme Court's SAS decision, three separate district courts have applied a broad view of IPR estoppel (one that encompasses both petitioned and nonpetitioned art). It remains to be seen if any courts will continue to apply a narrow view of IPR estoppel (one limited to only petitioned art).

The scope of IPR estoppel has also been broadened in other aspects by recent decisions in Caltech and ZitoVault. Practitioners are wise to keep informed on the developing case law regarding IPR estoppel in formulating strategies in concurrent district court litigation.

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[1] SAS Institute Inc. v. Iancu, 584 U.S. ____ (2018).

[2] 35 U.S.C. § 315(e)(2).

[3] Am. Tech. Ceramics Corp. v. Presidio Components, Inc., 2019 U.S. Dist. LEXIS 14873, at *7 (E.D.N.Y. Jan. 30, 2019).

[4] Shaw Industries Group, Inc. v. Automated Creel Sys., Inc., 817 F.3d 1293, 1321 (Fed. Cir. 2016).

[5] Koninklijke Philips N.V. et al. v. Wangs All. Corp., No. 14-CV-12298, 2018 U.S. Dist. LEXIS 607, at *13 (D. Mass. Jan. 2, 2018); Finjan, Inc. v. Blue Coat Sys., LLC, 283 F. Supp. 3d 839, 856-57 (N.D. Cal. 2017);

Intellectual Ventures I LLC v. Toshiba Corp., 221 F. Supp. 3d 534, 553-54 (D. Del. 2016).

[6] SiOnyx, LLC v. Hamamatsu Photonics K.K., 330 F. Supp. 3d 574, 601 (D. Mass. Aug. 30, 2018).

[7] Id.

[8] Am. Tech. Ceramics Corp. v. Presidio Components, Inc., 2019 U.S. Dist. LEXIS 14873, at *7-15 (E.D.N.Y. Jan. 30, 2019); The California Institute of Technology v. Broadcom Limited, et al., No. 2:16-cv-03714 GW-(AGRx), Dkt 830 at 12-13 (C.D. Cal. Dec. 28, 2018).

[9] 35 U.S.C. § 311(b).

[10] The California Institute of Technology v. Broadcom Limited, et al., No. 2:16-cv-03714 GW-(AGRx), Dkt 830 at 25-28 (C.D. Cal. Dec. 28, 2018).

[11] Id.

[12] Id. at 26.

[13] ZitoVault, LLC v. IBM, 2018 U.S. Dist. LEXIS 117339, at *8-11 (N.D. Tex. April 4, 2018).

[14] Id. at *11-12.

[15] SiOnyx, LLC v. Hamamatsu Photonics K.K., 330 F. Supp. 3d 574, 601-02 (D. Mass. 2018).

[16] Id. (quoting Clearlamp, LLC v. LKQ Corp., 2016 U.S. Dist. LEXIS 186028, at *25 (N.D. Ill. Mar. 18, 2016)).