

More Courts Are Applying IPR Estoppel Expansively

By **Brett Cooper and Kevin Schubert** (May 16, 2019, 5:47 PM EDT)

In February 2019, we wrote about a broadening trend of district courts applying inter partes review estoppel of a validity challenge in federal district court because this type of challenge was (or could have been) presented to the U.S. Patent and Trademark Office. In this article, we examine the impact of several recent decisions on IPR estoppel. These decisions indicate a continued broadening trend in applying IPR estoppel. The law in this area is evolving quickly and significantly, and practitioners need to be aware of recent developments and the swinging pendulum.



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IPR Estoppel Applies to Nonpetitioned Prior Art

As noted in our previous article, until recently, district courts were split on whether a broad or narrow view of IPR estoppel applies.[1] Courts with a broad view apply estoppel to any prior art that reasonably could have been raised in any IPR petition resulting in a final written decision. Under the narrow view, in contrast, estoppel generally only applies to prior art upon which the IPR was instituted. Thus, a petitioner could choose not to include prior art in an IPR petition and still be free to raise it in district court litigation. In the wake of the U.S. Supreme Court's 2018 decision in *SAS Institute Inc. v. Iancu*, district courts have applied the broad view.[2]



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For example, in *Palomar Technologies, Inc. v. MRSI Systems LLC*, the U.S. District Court for the District of Massachusetts recently applied the broad view, finding that:

After *SAS*, [the narrow view] cannot be correct. Because the PTAB must now institute review (if at all) on all grounds there will be no such thing as a ground raised in the petition as to which review was not instituted. Accordingly, for the words 'reasonably could have raised' to have any meaning at all, they must refer to grounds that were not actually in the IPR petition, but reasonably could have been included.[3]

The District of Delaware, Eastern District of New York, and Northern District of Illinois have recently reached a similar result.[4] While we are not aware of any reported decision post-*SAS* applying the narrow view, a number of judges, particularly in the Northern District of California, that applied the narrow view of estoppel prior to *SAS* have not issued opinions on this issue post-*SAS*. Thus, there is an open question as to whether these courts will continue to apply the narrow view of estoppel.

IPR Estoppel "May" Apply Post-Trial

Last month, the U.S. District Court for the District Delaware district court in *Novartis Pharmaceuticals Corp. v. Par Pharmaceutical Inc.* stated that it was determining “a matter of first impression” as to whether IPR estoppel applies post-trial.[5] Specifically, Judge Richard Andrews held a bench trial in September 2016 on obviousness based on 27 prior art references and, separately, obvious-type double-patenting. The court invalidated the claims on obvious-type double-patenting and declined to consider the 27 references. While the case was on appeal to the U.S. Court of Appeals for the Federal Circuit, the USPTO issued a final written opinion finding the claims valid.

The Federal Circuit ultimately reversed the obvious-type double-patenting invalidation and sent the case back to the district court. On April 11, 2019, the district court found that IPR estoppel applied to the obviousness challenge based on the 27 references, despite the fact that a trial had already been held more than a year before the preclusive IPR estoppel opinion was issued.

The court made two important findings. First, it found that IPR estoppel may apply post-trial, holding “I do not think the application of IPR estoppel is dependent on the order in which certain events occur ... [T]he plain language of the statute, along with the previously discussed policy objectives of judicial economy, indicates that IPR estoppel will still apply post-trial where the Court has not entered a final judgment on the relevant ground.”[6]

Second, the court held that IPR estoppel applied to all 27 references, even though they were not the subject of the USPTO’s opinion, because they were used at trial before the IPR reply due date and thus reasonably could have been raised in the IPR.[7]

Weeks before this opinion, Judge Rodney Gilstrap in the U.S. District Court for the Eastern District of Texas decided a related issue in *Intellectual Ventures II LLC v. FedEx Corp.* with the opposite outcome.[8] Following trial in May 2018, the jury found some claims invalid. Days after the verdict, the court entered a final judgment of invalidity of those claims.

While the post-trial briefing was pending, the USPTO issued final written opinions finding the claims valid. The plaintiff asked the court to set aside the jury’s invalidity finding based on IPR estoppel. On March 29, 2019, the court declined, finding that IPR estoppel does not apply post-trial after a final judgment: “[D]efendants may not assert claims that may have been raised before the PTAB. However, this Court entered final judgment as to all validity claims on May 21, 2018. At that point, Defendants cease to ‘assert’ their invalidity-based defenses and counterclaims; instead, the jury’s verdict of invalidity became that of the Court.”[9]

In sum, Novartis applied IPR estoppel post-trial in a way that could have far-reaching implications for the broadening of IPR estoppel. But the facts of Novartis were unique, and *Intellectual Ventures* involves another court’s finding that the scope of IPR estoppel post-trial is narrow.

Multiple Grounds in an IPR Petition

The SAS decision expands IPR estoppel by banning partial institution. This is because there can no longer be instances in which the USPTO institutes an IPR on some petitioned claims but declines to do so on others, which then do not become subject to IPR estoppel. SAS held that all petitioned claims must be considered if an IPR is instituted but left open the issue of whether all grounds must also be instituted.

Recently, the Federal Circuit answered this question with a resounding "yes" in *AC Technologies SA v. Amazon.com Inc.*[10] There, the USPTO had instituted an IPR on two grounds but declined to institute on a third. Only in a post-final written opinion decision did the USPTO consider the third ground and find it to also be an invalidating ground.

The patentee argued that the USPTO's review of the third ground was procedurally improper and constituted a violation of its due process rights. The Federal Circuit found that not only was there no violation of due process rights but that the USPTO had no choice but to review ground 3 because of its "statutory obligation to rule on all claims and grounds presented in the petition." [11] This confirmation that the USPTO must rule on all claims and all grounds broadens the scope of the USPTO's review and, in turn, broadens IPR estoppel.

Final Thoughts

The pendulum continues to shift toward expansion of IPR estoppel. Recent district court decisions confirm that the broad view of IPR estoppel is the prevailing, and perhaps the only, view after *SAS*. Time will tell whether the pendulum will continue to swing toward further broadening estoppel or perhaps swing back toward a more limited view of estoppel. In the near future we likely will see decisions from the Northern District of California, other district courts, and perhaps the Federal Circuit, that will further inform strategy regarding IPR estoppel.

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[1] See Brett Cooper and Kevin Schubert, "IPR Estoppel Increasingly Applies," *Law360*, February 22, 2019.

[2] *SAS Inst., Inc. v. Iancu*, 584 U.S. ____ (2018).

[3] *Palomar Techs., Inc. v. MRSI Sys., LLC*, 2019 U.S. Dist. LEXIS 51230, at **17-18 (D. Mass. March 27, 2019).

[4] *F'real Foods, LLC v. Hamilton Beach Brands, Inc.*, 2019 U.S. Dist. LEXIS 62547, at **3-4 (D. Del. April 10, 2019); *Am. Tech. Ceramics Corp. v. Presidio Components, Inc.*, 2019 U.S. Dist. LEXIS 14873, at *7-15 (E.D.N.Y. Jan. 30, 2019); *Oil-Dri Corp. of Am. v. Nestle Purina Petcare Co.*, 2019 U.S. Dist. LEXIS 28279, at *30 (N.D. Ill. Feb. 22, 2019).

[5] *Novartis Pharms. Corp. v. Par Pharm. Inc.*, 2019 U.S. Dist. LEXIS 62489 (D. Del. April 11, 2019).

[6] *Id.* at **6-9.

[7] *Id.*

[8] *Intellectual Ventures II LLC v. FedEx Corp.*, 2019 U.S. Dist. LEXIS 53433 (E.D. Tex. March 29, 2019).

[9] Id. at *39.

[10] AC Techs., S.A. v. Amazon.com, Inc., 912 F.3d 1358 (Fed. Cir. Jan. 9, 2019).

[11] Id. at 1365.