

Outside Counsel

Federal Circuit Clarifies Scope of Estoppel Applicable to Petitions for IPR

Since 2012 members of the public have been able to petition the U.S. Patent and Trademark Office (USPTO) to re-review the validity of issued U.S. patents through inter partes review (IPR), a streamlined, trial-like proceeding before three administrative patent judges of the Patent Trial and Appeal Board (PTAB). Congress intended that IPRs provide a faster, less expensive, and more efficient procedure for challenging patents than litigation, and the vast majority of petitioners are also accused of infringement in parallel proceedings, typically in federal district court.

Last month, the U.S. Court of Appeals for the Federal Circuit issued two decisions that significantly impact the risk/reward calculus faced by would-be petitioners due to potential estoppel. Congress included two estoppel

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provisions (35 U.S.C. §315(e)(1) and (2)) to constrain petitioners from getting multiple bites at the invalidity apple, both of which apply if the PTAB reaches a final written decision on a petition, providing that a petitioner (or its privies and real parties in interest) cannot:

- (1) ... request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.
- (2) ... assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337

of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

Until last month, there was uncertainty as to whether estoppel is limited to the grounds for which IPR was actually instituted. The Federal Circuit first addressed this issue in *Shaw Indus. Grp. v. Automated Creel Sys.*, 817 F.3d 1293 (Fed. Cir. 2016). In *Shaw*, the USPTO, relying on its then-perceived authority to partially institute an IPR, granted institution on petitioner's IPR for two of the three petitioned grounds, finding that the third ground was "redundant" to the others. 817 F.3d at 1299. *Shaw* petitioned the Federal Circuit for a writ of mandamus instructing the PTO to reevaluate its redundancy decision and institute IPR based on the non-instituted ground. *Id.*

The Federal Circuit, in agreeing with the PTO's textual interpretation of the statute, found

that “[t]he IPR does not begin until it is instituted,” and therefore, “Shaw did not raise—nor could it have reasonably raised—the [non-instituted] ground during the IPR.” *Id.* at 1300. Although this decision made clear that non-instituted grounds were not subject to the estoppel provision of §315(e), it left open the question whether grounds that were never raised in the petition in the first place were similarly shielded.

Following the ruling in *Shaw*, district courts were split about whether the language of the statute allowed a petitioner to avoid estoppel as to additional arguments that could have been raised in the petition. Some district courts held that petitioners were estopped from making arguments that could have been raised in their IPR petition, while others concluded that estoppel applied only to arguments raised after the institution of an IPR. This split caused confusion and uncertainty as to whether estoppel applied to grounds known to a petitioner but omitted from its petition.

In 2018 the Supreme Court weighed in. Although it did not address §315(e) in its decision in *SAS Inst. v. Iancu*, 138 S. Ct. 1348, 200 L. Ed. 2d 695 (2018), the court made two important rulings that changed the landscape for IPR estoppel. First, the court held “that

the petitioner’s contentions, not the Director’s discretion, define the scope of the litigation all the way from institution through to conclusion.” *Id.* at 1367.

Second, the court held that “[t]here is no room in this scheme for a wholly unmentioned ‘partial institution’ power that lets the Director select only some challenged claims for decision.” *Id.* at 1358.

As a result, following *SAS*, the PTAB must decide institution with an all-or-nothing approach: either the PTAB grants institution on all

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grounds raised in the petition, or denies institution on all grounds raised. No longer may the PTAB institute IPRs on only some of the grounds raised by the petitioner.

On Feb. 4, 2022, the U.S. Court of Appeals for the Federal Circuit revisited its holding in *Shaw* in view of the Supreme Court’s decision in *SAS. California Inst. of Tech. v. Broadcom Ltd.*, 25 F.4th 976, Nos. 2020-2222, 2021-1527 (Fed. Cir. Feb. 4, 2022) (modified, Feb. 22, 2022). In *Caltech*, Apple and Broadcom challenged Caltech’s patents in district court on grounds the PTAB did not address in its earlier insti-

tuted IPR decisions. Slip op. at *20.

The district court held that these challenges were barred by estoppel because Apple and Broadcom were aware of the prior art references at the time they filed their IPR petitions, and reasonably could have raised them in those petitions, even if they could not have been raised in the proceedings post-institution. *Id.*

The case thus presented the issue of whether grounds omitted from an IPR petition are subject to the estoppel provision of §315(e) (2). In affirming the district court’s estoppel ruling, the Federal Circuit held that: “[E]stoppel applies not just to claims and grounds asserted in the petition and instituted for consideration by the Board, but to all grounds not stated in the petition but which reasonably could have been asserted against the claims included in the petition.” *Id.* at *23.

The court relied on *SAS*’s ruling “that there is no partial institution authority conferred on the Board by the America Invents Act and that it is the petition, not the institution decision, that defines the scope of the IPR.” *Id.* at *22. The court thus took the unusual step of overruling *Shaw* in a three-judge panel decision: “Given the statutory interpretation in *SAS*, any ground that could have been raised in a petition is a ground

that could have been reasonably raised ‘during inter partes review.’ Thus, the Supreme Court’s later decision in SAS makes clear that *Shaw*, while perhaps correct at the time in light of our pre-SAS interpretation of the statute cannot be sustained under the Supreme Court’s interpretation of related statutory provisions in SAS.” Id. at 22-23.

However, an open question remains as to the scope of estoppel where the PTAB granted partial institution of the petitioned grounds and issued its final written decision pre-SAS. The *Caltech* court acknowledged the issue, but explicitly declined to address it. Id. at *23 n.5.

The next week, the Federal Circuit issued its decision in *Intuitive Surgical v. Ethicon LLC*, __ F.4th ___, Nos. 2020-1480, 2020-1482 (Fed. Cir. Feb. 11, 2022), which addressed estoppel under §315(e)(1). Intuitive had filed three petitions for IPR challenging an overlapping set of claims of Ethicon’s patent, all of which were filed on the same day and instituted. Id. at 3-4. Two of the three petitions were decided (on the same day) favorably to the patent owner, while the third was still pending.

Upon issuance of the PTAB’s decision in the first two, the patent owner moved to terminate the third IPR, and the motion

was granted. The Federal Circuit affirmed, relying on the language precluding a petitioner from “maintain[ing]” another proceeding once a final decision is reached on a petition. Id. at 8-9.

The *Ethicon* decision includes some helpful guidance to petitioners and patent owners as to the scope of estoppel going forward. First, the court rejected the argument that a petitioner could not reasonably have raised additional grounds in an instituted petition because of the word limit that applies to petitions, holding that “as the master of its own petition, Intuitive could have made its challenges more pointed and specific so as to fit all of its grounds in two petitions satisfying the word limits.” Id. at 9.

The court also noted two other options for petitioners to avail themselves of multiple petitions. First, petitioners who file multiple petitions that are instituted can move to consolidate separate petitions challenging the same patent under 35 U.S.C. §315(d), and thus avoid the risk of one petition getting decided before the others. This approach of course carries risks, as there is no assurance the petitions will be consolidated.

Second, because estoppel is assessed on a patent claim by patent claim basis, petitioners challenging multiple claims in a

patent may split up the claims in separate petitions to avoid estoppel. Id. However, as a practical matter the viability of this approach may be limited to scenarios where multiple independent claims from a patent are challenged, as opposed to splitting up dependent claims from the independent claim from which they depend, where both petitions would still need to address the independent claim.

In sum, although the contours of estoppel are likely to be further developed in future decisions, the *Caltech* decision increases the risk that petitioners will be left without the ability to assert an invalidity defense in infringement litigation.