

FRIDAY, APRIL 22, 2016

PERSPECTIVE

Federal Circuit limits estoppel's reach, but extent not yet known

By Matthew Kreeger, Matthew Chivvis and Rachel Dolphin

In a pair of decisions issued in March and April, the U.S. Court of Appeals for the Federal Circuit limited what was thought to be the extremely broad reach of the estoppel provisions of the America Invents Act. The recent decisions, *Shaw Industries Group Inc. v. Automated Creel Systems Inc.* and *HP Inc. v. MPHJ Technology Investments LLC*, will have important strategic implications for parties litigating inter partes review (IPR) petitions.

In deciding whether to bring an IPR petition and which grounds to bring, a significant part of the calculus is the potential estoppel effect arising from the Patent Trial and Appeal Board's decision. Under the IPR statute, a petitioner who loses an IPR is estopped from subsequently asserting a ground of invalidity that "the petitioner raised or reasonably could have raised during that inter partes review." 35 U.S.C. Section 315(e). Until *Shaw* and *MPHJ*, the Federal Circuit had not interpreted the estoppel provisions, and there have been very few decisions from other tribunals having done so.

Procedural Posture of *Shaw* and *MPHJ*

In the IPR petition at issue in *Shaw*, the petitioner requested review of 21 claims of a patent based on 15 invalidity grounds. The PTAB instituted review on all claims but not all of the proposed grounds. The board denied one of the proposed grounds as redundant because there was a reasonable likelihood that the challenged claims were unpatentable based on the others. In its final written decision, the board concluded that the petitioner failed to prove by a preponderance of the evidence that some of the claims were unpatentable.

The petitioner sought a writ of mandamus instructing the Patent and Trademark Office to institute on the redundant ground on which the board

had declined to institute. The Federal Circuit denied the mandamus, explaining that the grounds on which institution was denied did not become a part of the IPR, so these grounds would not be estopped because they do not satisfy the "raised or reasonably could have raised" requirement for estoppel to attach.

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Similarly, in *MPHJ*, the petitioner requested IPR on multiple grounds, and the PTAB instituted on only a subset of those grounds due to redundancy. The board's final written decision concluded that the petitioner failed to prove that one of the claims was unpatentable. The petitioner appealed on various grounds, including the denial of institution on the supposedly redundant ground. The Federal Circuit held that it lacked jurisdiction to consider the decision not to institute on a particular ground. It continued by stating, "however, 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 Section 315(e) (1) do not apply."

Implications for AIA Estoppel

The Federal Circuit's analysis in these cases leaves unclear the precise scope of the estoppel faced by a petitioner who loses an IPR. At a minimum, these cases establish that estoppel will not apply to grounds raised in a petition which the PTAB declines to institute for "redundancy." Indeed, in *Shaw*, the Federal Circuit focused on the fact that petitioner had raised a ground in its petition, but the board "denied the petition as to that

ground, thus no IPR was instituted on that ground." (Emphasis added). Similarly, in *MPHJ*, the court stated that "the noninstituted grounds were not raised and, as review was denied, could not be raised in the IPR." (Emphasis added).

While the noninstituted grounds in *Shaw* and *MPHJ* both were deemed redundant by the PTAB, the logic of these decisions might apply even where the board's decision not to institute was based on a substantive evaluation of a proposed invalidity ground. After all, the *Shaw* court made broad statements that "the IPR does not begin until it is instituted," and emphasized that the petitioner could only raise an invalidity ground "during the IPR." This timing aspect would apply equally to grounds which the board rejects on the merits. Arguably, the decisions could even be read to preclude estoppel even as to grounds that were not included in the petition at all.

In reviewing *Shaw*, however, the court pointed out that "[t]he Board did not consider the substance of the Payne reference or compare it to the art cited in the other two proposed grounds. It made no specific findings that the three grounds overlapped with one another or involved overlapping arguments. It did not order *Shaw* to either choose which ground to maintain or show that the grounds were not, in fact, redundant." In a footnote, the court made it clear that it read the board's denial of this ground "to amount to nothing more than a choice by the Board for efficiency purposes not to review three different grounds ... we did not read the Board's opinion as deciding any substantive issues ... the denial is not a determination that the IPR standard is not met" as to the ground at issue. Similarly, in *MPHJ*, the court discusses its "review of the Board's decision not to institute IPR on redundancy grounds" and states that "a redundancy determination does not impact the Board's authority to find a claim unpatentable." (Emphasis added). Clearly, the fact that

the PTAB rejected the grounds based on redundancy was important to the courts' analysis.

In view of these statements, perhaps the better reading of these decisions is that estoppel will not attach only where the PTAB declined to institute because the ground was redundant. This reading probably best comports with the purpose of the estoppel provisions. The standard for instituting review is a reasonable likelihood that at least one claim of the patent at issue is invalid. Thus, if the board denies review on a ground because it determines that the ground does not have merit, then the board has determined that there is not even a reasonable likelihood that the patent is invalid based on that ground. In contrast, for grounds that are not instituted for "efficiency" or "redundancy" reasons, there have been no such findings. In such cases, the petitioner has not had a fair opportunity to present the argument on the merits.

Future cases will be needed to clarify the precise scope of estoppel. Although some have argued that the Federal Circuit's commentary on estoppel in these decisions amounts to dicta, lower courts seeking guidance are likely to follow the Federal Circuit's interpretation, given the absence of other authority.

This new reality poses strategic implications for petitioners. Because the PTAB has generally been instituting trial on relatively few grounds, many practitioners have chosen to file petitions presenting very few proposed grounds of invalidity. Given these new decisions, however, petitioners may decide to include more grounds than they previously would have, in the hopes that redundant grounds will be preserved for parallel litigation proceedings. One thing is clear: IPR practice just got a little more complicated.

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