

8 Ways To Avoid Inter Partes Review Estoppel

By **Michael Guo** and **Matthew Kreeger**

Law360, New York (September 5, 2017, 12:43 PM EDT) -- Inter partes review has become an enormously popular method of challenging patents. One important downside of filing for IPR, however, is that, if the petitioner loses, it faces an estoppel that could prevent it from raising invalidity defenses in the future. The scope of that estoppel remains unclear. When the America Invents Act established IPR five years ago, most practitioners expected that broad estoppel would apply to preclude a losing petitioner from later asserting almost any prior art invalidity grounds based on patents or printed publications. But recent authority has raised the possibility that a losing petitioner could face much more limited estoppel. We present in this article some strategies that IPR petitioners can implement to try to minimize possible estoppel, preserving their ability to raise invalidity issues in the future.



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What Is an IPR?

IPR is a proceeding for challenging the validity of patent claims before the Patent Trial and Appeal Board at the U.S. Patent and Trademark Office. Although there is no standing requirement, IPR petitioners are typically defendants accused of patent infringement. An IPR petition includes grounds of anticipation or obviousness based on patents and printed publications. After the patent holder has an opportunity to file a “preliminary response,” the PTAB decides whether to institute the proceeding based on whether the petitioner has shown a reasonable likelihood that it would prevail. If instituted, the IPR then begins, entering the trial phase, during which the parties file briefing and motions and participate in oral argument. The PTAB then issues a final written decision determining the patentability of the instituted claims within one year after institution, about 18 months after the petition was first filed.



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Upon issuance of the final written decision, 35 U.S.C. § 315(e)(2) estops the petitioner from asserting in district court “that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”

Current Status of IPR Estoppel

IPR petitions frequently raise multiple grounds for invalidating a patent, yet the PTAB generally

institutes trial only as to one or two grounds, declining either on the merits or for procedural reasons to consider the remaining grounds. Courts have considered estoppel as to three types of invalidity arguments: (1) grounds that were actually instituted in the IPR; (2) grounds that were included in a petition but not instituted; and (3) grounds that not were included in a petition.

Instituted Grounds

There appears to be no question that estoppel applies to instituted grounds.[1] This means that if the PTAB reaches final written decision on a particular prior art theory, the petitioner will not be able to raise that theory in a future proceeding.

Noninstituted Grounds

Until the Federal Circuit's decision in *Shaw*,[2] it was unclear whether IPR estoppel would apply to noninstituted grounds.[3] In *Shaw*, the PTAB partially instituted IPR, denying institution on a ground relying on the "Payne" reference.[4] The Federal Circuit stated: "We agree with the PTO that § 315(e) would not estop [petitioner] from bringing its Payne-based arguments in either the PTO or the district courts." [5] Although this is arguably dicta since the case involved an appeal from the PTAB rather than district court, courts have consistently followed *Shaw's* holding.[6]

While most courts refer generically to noninstituted grounds, at least one court has distinguished between grounds that the PTAB decided not to institute on the merits (for failure to show a reasonable likelihood of success) and grounds that were not instituted due to procedural reasons (such as redundancy or efficiency). There, the court applied estoppel to the former but not to the latter.[7]

Nonpetitioned Grounds

Courts have split on the question of whether estoppel applies to nonpetitioned grounds. In *Shaw*, the Federal Circuit interpreted Section 315(e)(2) estoppel as applying only to grounds actually raised and reaching final written decision, reasoning that because "IPR does not begin until it is instituted," the petitioner "did not raise — nor could it have reasonably raised — the Payne-based ground during the IPR." [8]

Based on that reasoning, some district courts have taken a broad view of *Shaw* and declined to apply estoppel to nonpetitioned grounds. In *Intellectual Ventures*, former Judge Sue Robinson in the District of Delaware found no estoppel based on publicly available documents that could have been but were not raised in an IPR petition because "the Federal Circuit has construed the above language [of Section 315(e)(2)] quite literally" and "the court cannot divine a reasoned way around the Federal Circuit's interpretation in *Shaw*." [9] The Northern District of California has also adopted this approach.[10] Additionally, the Federal Circuit has declined mandamus to clarify the scope of estoppel, stating that parties should instead "raise their arguments regarding § 315(e)(2) with an appeal from the district court's final judgment." [11]

In contrast, other district courts have interpreted *Shaw* more narrowly. In *Douglas Dynamics*, Judge James Peterson in the Western District of Wisconsin declined to adopt a broad reading of *Shaw*, criticizing it as allowing defendants "to hold a second-string invalidity case in reserve in case the IPR does not go defendant's way" and as inconsistent with "the statutory language and ... the legislative history, which clearly suggests that Congress intended IPR to serve as a complete substitute for litigating validity in the district court." [12] He limited *Shaw's* holding to grounds raised in the petition but not

considered by the PTAB because a “petitioner is entitled to meaningful judicial review of every invalidity ground presented, if not in the IPR, then in the district court.”[13] The Northern District of Illinois, Eastern District of Texas, Northern District of Texas, Eastern District of Virginia, Middle District of North Carolina, and even the District of Delaware (by a judge sitting by designation who did not address Intellectual Ventures) also have followed this approach.[14]

The scope of estoppel for nonpetitioned grounds might be affected by the U.S. Supreme Court’s decision in SAS Institute.[15] In that case, Judge Pauline Newman included a lengthy dissent detailing the view that broad estoppel should exist with IPR acting as a substitute for district court litigation.[16]

Practice Pointers

Despite the uncertain landscape for IPR estoppel, there are strategies that every petitioner can implement to best preserve invalidity arguments for district court litigation.

1. Include all strong invalidity arguments in IPR petitions.

Because most courts are unlikely to apply estoppel to noninstituted grounds under Shaw, if budget permits, consider including all strong grounds in an IPR petition so that if they are denied, they are still available in litigation.

However, the grounds must be fully spelled out. If a court detects gamesmanship, then estoppel may result anyway. As the court warned in Douglas Dynamics, “a defendant could assert numerous bare-bones grounds in an IPR petition, knowing that those grounds would be rejected by the PTAB, but thus preserved for later use in the district court[, but i]nvalidity grounds asserted in bad faith would be subject to estoppel.”[17]

Further, because a court might disallow argument outside the scope of the noninstituted ground, the petition should contain all argument and citations that are potentially necessary. As the Douglas Dynamics court further explained: “[I]f the new theory relies on different, uncited portions of the prior art, attacks different claim limitations, or relies on substantially different claim constructions, then the new theory is tantamount to a new invalidity ground, and the court will treat it like a non-petitioned ground subject to estoppel.”[18]

2. Develop nonpatent and printed publication art prior to filing for IPR.

Since estoppel only applies to patents and printed publications, it is useful to have backup invalidity arguments unavailable in IPR, such as subject matter eligibility under 35 U.S.C. § 101, indefiniteness under 35 U.S.C. § 112, and prior art based on systems or products in public use (for instance, use, sale or knowledge of a commercial product or system prior to the claimed invention). A potential workaround to estoppel on patents and printed publications is to combine them with product art, since such combinations would not have been possible in IPR.

3. Avoid tainting product art.

Defendants often prove invalidity based on product art by referring to user guides or manuals, but a court might deem such documents to be printed publications that could have been brought in IPR and thus subject to estoppel. For example, in Biscotti, the court limited the defendant’s use of such documents “solely for the purpose of establishing the date on which the [products] were in public use or

on sale.”[19] Thus, it is important to ensure that features of product art can be proved using evidence other than public documentation. For example, in *Star Envirotech*, the court found no estoppel of product art because disassembling the products showed aspects that were not described in their manuals.[20]

Relatedly, to help ensure that estoppel does not apply to product art, avoid using manuals or other documents, such as datasheets, as printed publications in an IPR, as a court may find that the corresponding product art is simply “printed subject matter in disguise” and thus estopped.[21]

4. Structure stays of litigation to avoid broad estoppel.

One of the benefits of IPR is that district courts are often willing to stay litigation pending IPR, including for nonpetitioning parties. If the opposing party is amenable to a stipulation to stay, try inserting favorable language acceding only to narrow estoppel. For example, a nonpetitioning party could concede to estoppel limited to the grounds actually raised in a petition for IPR and upon which a final written decision is issued, which is far narrower than the statute’s estoppel “on any ground that the petitioner raised or reasonably could have raised.” If the court is disinclined to grant a stay without agreement to a broad estoppel,[22] at least track the statutory language in any agreement to ensure that estoppel is no broader than required, in case the Federal Circuit continues to interpret the statute narrowly.

5. Be wary of joining IPR petitions.

It is possible to join a previously filed IPR by filing a petition for IPR and a motion for joinder. Upon granting such a motion and instituting IPR, the PTAB consolidates it with the original proceeding. Although PTAB rules allow joining parties to bring additional arguments, in practice, the PTAB limits grounds to those in the original petition. Despite this limitation, courts have found that joining parties are subject to the same scope of estoppel as the original petitioner.[23] As a result, joinder can be risky.

Nonetheless, joinder can be an important budget-friendly option, such as where there is concern that the petitioner may settle and terminate the IPR after the one-year bar date to file a new IPR petition has passed. Additionally, if a court requires agreeing to full estoppel for a stay, then it becomes worthwhile to participate in the IPR since estoppel will apply anyway, and participation ensures development of and attention to arguments that the original petitioner may have otherwise dismissed.

6. Replicate invalidity grounds in district court until the PTAB issues a final written decision.

Since estoppel does not apply until a final written decision issues, repeat all grounds from the IPR petition in any required disclosures, such as invalidity contentions and expert reports, to preserve the right to argue them should the final written decision not issue prior to the district court’s determination of invalidity.[24]

7. Reuse patents and printed publications in new ways.

In courts applying a narrow scope of estoppel, it should be safe to reuse IPR references as long as the proffered invalidity theories differ from those in IPR. For example, if the PTAB issues a final written decision that a claim is not invalid over the combination of A, B and C, then it should still be possible to argue in district court that a claim is invalid over other combinations relying on the same references, such as the combination of A and D.

The notable exception to this rule is that estoppel will likely apply to subsets of IPR grounds. For example, if the PTAB issues a final written decision that a claim is not invalid over the combination of A and B, then estoppel likely applies to the use of A alone and the use of B alone.[25] Although one court declined to apply estoppel to such subsets because “the obviousness inquiry based on the combination of two references is not necessarily the same as the obviousness inquiry based on [the] single reference[s],” the overriding reason for allowing those subsets appears to be that the PTAB expressly declined to institute the single-reference obviousness grounds, such that they qualified as noninstituted grounds under Shaw.[26]

8. In courts with broad estoppel, be prepared to explain why art could not have been raised in IPR.

To determine if a patent or printed publication reasonably could have been raised in IPR, courts apply the standard of whether a skilled searcher conducting a diligent search reasonably could have been expected to discover it.[27] An expert declaration could provide proof to support the assertion that a reference could have been reasonably discovered, but expect an uphill battle and a competing declaration in opposition. For example, in *Oil-Dri*, the court barred assertion of references based on a declaration from a patent agent opining that a reasonably skilled patent searcher would have located them.[28]

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[1] See, e.g., *Douglas Dynamics, LLC v. Meyer Products LLC*, No. 14-cv-886-jdp, 2017 WL 1382556, at *2 (W.D. Wis. Apr. 18, 2017) (“*Douglas Dynamics I*”), *aff’d on reh’g*, 2017 WL 2116714 (W.D. Wis. May 15, 2017) (“*Douglas Dynamics II*”) (noting that parties agreed that defendant was barred from asserting instituted grounds decided in final written decision).

[2] *Shaw Indus. Grp. v. Automated Creel Sys.*, 817 F.3d 1293 (Fed. Cir. 2016).

[3] See, e.g., <https://www.law360.com/articles/640027/redundant-grounds-a-growing-hazard-in-post-grant-practice>.

[4] *Shaw*, 817 F.3d at 1296-97.

[5] *Id.* at 1300.

[6] See, e.g., *Douglas Dynamics I*, 2017 WL 1382556, at *5.

[7] See *Biscotti Inc. v. Microsoft Corp.*, No. 2:13-CV-01015-JRG-RSP, 2017 WL 2526231, at *6-7 (E.D. Tex. May 11, 2017).

[8] See *Shaw*, 817 F.3d at 1300.

[9] See *Intellectual Ventures I LLC v. Toshiba Corp.*, No. 13-453-SLR, 2016 U.S. Dist. LEXIS 174699, at *38-39 (D. Del. Dec. 19, 2016), *aff'd on reh'g*, 2017 U.S. Dist. LEXIS 3800 (D. Del. Jan. 11, 2017).

[10] See *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12-cv-05501-SI, 2017 U.S. Dist. LEXIS 7728 (N.D. Cal. Jan. 19, 2017), *mandamus denied*, *In re Verinata Health, Inc.*, No. 2017-109, 2017 U.S. App. LEXIS 6834 (Fed. Cir. Mar. 9, 2017); *Adv. Micro Devices, Inc. v. LG Elecs., Inc.*, No. 14-cv-01012-SI, 2017 U.S. Dist. LEXIS 98630 (N.D. Cal. June 26, 2017).

[11] *In re Verinata*, 2017 U.S. App. LEXIS 6834, at *4.

[12] See *Douglas Dynamics I*, 2017 WL 1382556, at *4.

[13] See *id.*

[14] See *Oil-Dri Corp. of Am. v. Nestlé Purina Petcare Co.*, No. 15-cv-1067, 2017 U.S. Dist. LEXIS 121102 (N.D. Ill. Aug. 2, 2017); *Biscotti*, 2017 WL 2526231; *iLife Techs., Inc. v. Nintendo of Am.*, No. 3:13-cv-4987-M (N.D. Tex. Mar. 1, 2017); *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 2:15cv21, 2017 U.S. Dist. LEXIS 96909 (E.D. Va. June 5, 2017); *Precision Fabrics Grp., Inc. v. TieTex Int'l, Ltd.*, No. 1:13-cv-645, 1:14-cv-650, 2016 U.S. Dist. LEXIS 161336 (M.D.N.C. Nov. 21, 2016); *Parallel Networks Licensing, LLC v. IBM Corp.*, No. 13-2072 (KAJ), 2017 WL 1045912 (D. Del. Feb. 22, 2017); *Clearlamp, LLC v. LKQ Corp.*, No. 12 C 2533, 2016 WL 4734389 (N.D. Ill. Mar. 18, 2016).

[15] See *SAS Inst. Inc. v. Matal*, No. 16-969; <http://www.ipwatchdog.com/2017/05/23/scotus-to-hear-sas-institute-v-lee-could-impact-estoppel-effect-of-ipr-proceedings/id=83557/>.

[16] See *SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1356-60 (Fed. Cir. 2016) (Newman, C.J., dissenting).

[17] *Douglas Dynamics II*, 2017 WL 2116714, at *1.

[18] *Id.* at *2.

[19] *Biscotti Inc. v. Microsoft Corp.*, No. 2:13-CV01015-JRG-RSP, 2017 U.S. Dist. LEXIS 94040, at *4 (E.D. Tex. May 30, 2017).

[20] *Star Envirotech, Inc. v. Redline Detection, LLC*, No. SACV 12-01861 JGB (DFMx), 2015 U.S. Dist. LEXIS 107149, at *10-11 (C.D. Cal. Jan. 29, 2015).

[21] See *Biscotti*, 2017 WL 2526231, at *8.

[22] See *Infernal Tech., LLC v. Elec. Arts Inc.*, No. 2:15-CV-01253-JRG-RSP, slip op. at 8-9 (E.D. Tex. Nov. 21, 2016) (declining to stay unless defendant stipulated that it would “not assert a defense under §§ 102 or 103 based on prior art that it raised or reasonably could have raised in its IPR petitions, including any applicable references cited it [its] invalidity contentions or relied upon by [its] expert witness in his opening expert report regarding invalidity”).

[23] See *Parallel Networks Licensing*, 2017 WL 1045912, at *12.

[24] See 35 U.S.C. § 315(e).

[25] See Verinata Health, 2017 U.S. Dist. LEXIS 7728, at *12-13.

[26] See Oil-Dri, 2017 U.S. Dist. LEXIS 121102, at *14-17.

[27] See id. at *28.

[28] See id. at *28-30.