PROGRAM MATERIALS
Program #29126
August 1, 2019

More Courts Are Applying IPR Estoppel Expansively

Celesq® AttorneysEd Center
www.celesq.com

5301 North Federal Highway, Suite 180, Boca Raton, FL 33487
Phone 561-241-1919 Fax 561-241-1969

McKool Smith

Recent Trends in IPR Estoppel

Kevin Schubert & Brett Cooper

August 2019

*The views in this presentation represent our own personal views and not necessarily those of our firm or its clients.

Outline

- What Is IPR Estoppel?
- When Does IPR Estoppel Apply?
- IPR Estoppel Is Trending Towards Broader Application
- New Developments on IPR Estoppel's Application Post-Trial
- Takeaways

What is IPR Estoppel?

- IPR estoppel bars a petitioner after a final written decision on "any ground that the petitioner **raised or reasonably could have raised during that inter partes review**."

35 U.S.C. §315(e)

- "The legislative history of §315(e) indicates that Congress intended IPR to serve as a **complete substitute** for litigating the validity of patent claims in district court."

Am. Tech. v. Presidio, 2019 U.S. Dist. LEXIS 14873 (E.D.N.Y. Jan. 30, 2019)

What is IPR Estoppel?

- Example:
  - Cogswell's Cogs sues Spacely Sprockets on the ’000 patent in district court.
  - Spacely then files an IPR that the Pryor patent anticipates Cogswell’s ’000patent.
  - The IPR is instituted and the ’000 patent is found valid over Pryor.
  - Thereafter, Spacely cannot assert the Pryor patent against Cogswell’s patent in district court.

Outline

- What Is IPR Estoppel?
- When Does IPR Estoppel Apply?
- IPR Estoppel Is Trending Towards Broader Application
- New Developments on IPR Estoppel's Application Post-Trial
- Takeaways

When Does IPR Estoppel Apply?

- IPR estoppel generally does **NOT** apply to non-instituted IPR grounds because of Federal Circuit precedent in *Shaw* that a non-instituted ground is not a ground that was "raised or reasonably could have been raised during" IPR under Section 315(e).

> Both parts of § 315(e) create estoppel for arguments "on any ground that the petitioner raised or reasonably could have raised *during* that inter partes review." Shaw raised its Payne-based ground in its petition for IPR. But the PTO denied the petition as to that ground, thus no IPR was instituted on that ground. The IPR does not begin until it is instituted.

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

When Does IPR Estoppel Apply?

- District courts have taken differing views on whether prior art that a patentee did not petition on ("non-petitioned prior art") is subject to estoppel.
  - Narrow view – historic view of D. Del., N.D. Cal., and D. Mass. Estoppel does not apply to non-petitioned prior art.
  - Broad view – current view in recent decisions and historic view of E.D. Tex. Estoppel applies to non-petitioned prior art.

When Does IPR Estoppel Apply?

- Narrow view – IPR estoppel applies only to prior art that is the subject of the instituted IPR.

> That having been said, the broader reading of the estoppel provision is foreclosed by Shaw. The Federal Circuit in Shaw held that the phrase "during inter partes review" applies only to the period of time after the PTAB has instituted review, and notwithstanding Philips' claims to the contrary, D. 183 at 13, that holding was not limited to Section 315(e)(1) nor was it mere dicta.

Koninklijke Philips. N.V. et al. v. Wang Alliance Corp., No. 14-12298 (D. Mass. Jan. 2, 2018)

- D. Del. And N.D. Cal. courts have also adopted the narrow view.
  - See, e.g., *Intellectual Ventures I LLC v. Toshiba Corp.,* 221 F. Supp. 3d 534, 553-54 (D. Del. 2016) (applying *Shaw* to find no estoppel to non-petitioned art but noting that such a result "confounds the very purpose of this parallel administrative proceeding.");
  - *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.,* No. 12-CV-5501, 2017 U.S. Dist. LEXIS 7728 (N.D. Cal. Jan. 19, 2017) (holding estoppel did not apply to non-petitioned art).

When Does IPR Estoppel Apply?

- Broad view – IPR estoppel applies to prior art that reasonably could have been raised when the IPR was filed.
- Rationale: Narrow view renders IPR estoppel language "reasonably could have raised" meaningless and is inconsistent with legislative history.

When Does IPR Estoppel Apply?

Sen John Kyl's (R-Arz) comments when IPR legislation was passed support the broad view:

IPR statute intended to capture non-petitioned art

> The present bill also softens the could-have-raised estoppel that is applied by inter partes review against subsequent civil litigation by adding the modifier "reasonably." It is possible that courts would have read this limitation into current law's estoppel. Current law, however, is also amenable to the interpretation that litigants are estopped from raising any issue that it would have been physically possible to raise in the inter partes reexamination, even if only a scorched-earth search around the world would have uncovered the prior art in question. Adding the modifier "reasonably" ensures that could-have-raised estoppel extends only to that prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.

157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011)

When Does IPR Estoppel Apply?

- Many courts have broadly applied estoppel to non-petitioned prior art

> In addition to being contrary to the plain language of the statute, Purina's view of § 315(e)(2) conflicts with the purpose behind IPR proceedings. It invites parties to take "a second bite at the apple and allow [them] to reap the benefits of [an] IPR without the downside of meaningful estoppel." *Parallel Networks*, 2017 WL 1045912, at *12; *see also Douglas*, 2017

Oil-Dri Corp. of Am. v. Nestle Purina Petcare Co, No. 15-CV-1067, 2017 U.S. Dist. LEXIS 121102, at *17-27 (N.D. Ill. Aug. 2, 2017)

Presenter to read NY Code

This code is required for all attorneys wishing to receive CLE credit in the state of NY

Please notate it carefully

The presenter will only be able to read the code twice and will not be able to repeat it or email it to you.

Thank you!

When Does IPR Estoppel Apply?

- Courts in at least six other districts have also adopted the broad view and applied estoppel to non-petitioned prior art.
  - *Milwaukee Electric Tool, Corp. v. Snap-on Inc.,* 271 F. Supp. 3d 990 (**E.D. Wis.** 2017) (estoppel applies to non-petitioned art but not to non-instituted grounds which are denied "to no fault of [patentee's] own.")
  - *iLife Techs., Inc. v. Nintendo of Am. Inc.,* No. 13-CV-4987, 2017 U.S. Dist. LEXIS 87769 (**N.D. Tex.** May 30, 2017)(estoppel applies to non-petitioned art).
  - *Biscotti Inc. v. Microsoft Corp.,* No. 13-CV-1015, 2017 U.S. Dist. LEXIS 144164, at *22-23 (**E.D. Tex.** May 11, 2017) (same).
  - *Trs. of Columbia Univ. v. Symantec Corp.,* 2019 U.S. Dist. LEXIS 111354, at *13 (**E.D. Va.** July 2, 2019) (same).
  - *Palomar Techs., Inc. v. MRSI Sys., LLC,* 2019 U.S. Dist. LEXIS 51230, at *17-18 (**D. Mass.** March 27, 2019) (same).
  - *Am. Tech. v. Presidio*, 2019 U.S. Dist. LEXIS 14873 (**E.D.N.Y.** Jan. 30, 2019) (same).

When Does IPR Estoppel Apply?

- One way to show a search would have reasonably uncovered the non-petitioned art (and thus estoppel should apply to it).

> This means that Clearlamp must present evidence that a skilled searcher's diligent search would have found the UVHC3000 datasheet. One way to show what a skilled search would have found would be (1) to identify the 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.

Clearlamp, LLC v. LKQ Corp., 2016 U.S. Dist. LEXIS 186028 (N.D. Ill. March 18, 2016)

When Does IPR Estoppel Apply?

IPR estoppel has applied to:

- Prior art patents and publications the petitioner subsequently included in invalidity contentions

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

- Prior art patents shown by declaration to have been locatable using a diligent search.

  Oil-Dri Corp. of Am. v. Nestle Purina Petcare Co, No. 15-CV-1067, 2017 U.S. Dist. LEXIS 121102, at *17-27 (N.D. Ill. Aug. 2, 2017)).

When Does IPR Estoppel Apply?

IPR estoppel has NOT applied to:

- Prior art systems (such as products and software).

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

- Prior art patent sworn to have been discovered after IPR was filed with no evidence a skilled searcher would have found it.

  SiOnyx v. Hamatsu, 330 F. Supp. 3d 574 (D. Mass. Aug. 30, 2018)

Outline

- What Is IPR Estoppel?
- When Does IPR Estoppel Apply?
- IPR Estoppel Is Trending Towards Broader Application
- New Developments on IPR Estoppel's Application Post-Trial
- Takeaways

IPR Estoppel Is Trending Towards Broader Application

- *SAS Institute v. Iancu* (U.S. 2018) rejected partial IPR institutions.
- After *SAS*, all known district court decisions have applied the broad view.

> After *SAS*, that cannot be correct. Because the PTAB must now institute **[*18]** 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.[11] 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.

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

IPR Estoppel Is Trending Towards Broader Application

- Other district courts have also applied the broad view in light of SAS.

> Specifically, the Supreme Court has stated that an *inter partes review* begins **[*23]** when the petitioner files a petition requesting the PTAB to institute such a review. *SAS Inst., 138 S. Ct. at 1355* ("Start where the statute
>
> * * *
>
> For these reasons, the plain language of **[*24]** § 315(e)(2) estops Symantec from relying on those grounds of invalidity that it previously identified in its 2014 invalidity contentions, but that it chose not to assert in its *inter partes review* petitions. The Federal Circuit's interpretation of § 315(e) estoppel in *Shaw* does not preclude this result.

Trs. of Columbia Univ. v. Symantec Corp., 2019 U.S. Dist. LEXIS 111354, at *13 (E.D.V.A. July 2, 2019)

IPR Estoppel Is Trending Towards Broader Application

- So where are we post the *SAS decision*:
  - At least five district courts (C.D. Cal., E.D.N.Y., N.D. Ill., D. Del., E.D.V.A.) have applied the broad view.
  - No reported decisions apply the narrow view.
  - BUT, N.D. Cal. courts and the Federal Circuit have yet to weigh in.

Outline

- What Is IPR Estoppel?
- When Does IPR Estoppel Apply?
- IPR Estoppel Is Trending Towards Broader Application
- New Developments on IPR Estoppel's Application Post-Trial
- Takeaways

IPR Estoppel "May" Apply Post-Trial

- A Delaware court recently applied IPR estoppel post-trial in a matter of first impression finding no time limit in the IPR estoppel statute.

> Defendant Breckenridge also raised an objection to the application of IPR estoppel after the district court has held trial. (D.I. 191 at 3-4). I do not think the application of IPR estoppel is dependent on the order in which certain events occur. This is a matter of first impression. While previously raised in *Senju Pharmaceutical Co. v. Lupin Ltd.*, C.A. No. 14-667 (D.N.J.), the parties settled before the Court could determine the issue. *Senju Pharm.*, C.A. No. 14-667, **[*8]** D.I. 301 (D.N.J. Aug. 1, 2016), D.I. 302 (D.N.J. Aug. 2, 2016), D.I. 314 (D.N.J. Aug. 29, 2016).
>
> The plain language of the statute does not indicate that Congress intended for there to be a time limitation upon the estoppel effect of a final written decision of an IPR.

Novartis Pharms. Corp. v. Par Pharm. Inc.,
2019 U.S. Dist. LEXIS 62489, at *8 (April 11, 2019)

IPR Estoppel "May Not" Apply Post-Trial

- In contrast to the Delaware decision, a Texas court recently found IPR estoppel did NOT apply post-trial where there was a final judgment.

> The Court finds that *Section 315(e)(2)* no longer applies to this case. The plain language of the statutes states that defendants 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. Further, the Court finds that the correct application of IV's analogy is that the Court's judgment invalidating the '581 and '586 Patents should be the governing law of the land, despite the PTAB's faster post-verdict certification. Accordingly, the Court **DENIES** IV's post-briefing motion to estop Defendants from asserting any invalidity bases that they raised or could have raised before the PTAB.

Intellectual Ventures II LLC v. FedEx Corp.,
2019 U.S. Dist. LEXIS 53433, at *38 (March 29, 2019)

Outline

- What Is IPR Estoppel?
- When Does IPR Estoppel Apply?
- IPR Estoppel Is Trending Towards Broader Application
- New Developments on IPR Estoppel's Application Post-Trial
- Takeaways

Takeaways

- IPR estoppel will not apply to art which the PTO denied to institute a petition on.
- After *SAS*, district courts have uniformly applied a "broad view" of IPR estoppel to prior art that reasonably could have been included in an IPR.
- There are some open questions:
  - 1. Is the "narrow view" of IPR estoppel dead?
  - 2. Does IPR estoppel apply post-trial?

Thank You

For more information, please contact

Kevin Schubert
McKool Smith
212.402.9423
kschubert@mckoolsmith.com

Brett E. Cooper
McKool Smith
212.402.9415
bcooper@mckoolsmith.com

www.mckoolsmith.com