

Federal Circuit Clarifies Scope of IPR Estoppel

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Parties filing *inter partes* review (IPR) petitions should be aware of the estoppel implications on subsequent or parallel proceedings, including litigation pending in U.S. federal district courts. The U.S. Court of Appeals for the Federal Circuit (CAFC) clarified the scope of IPR estoppel under 35 U.S.C. § 315(e) in its decision in *California Institute of Technology v. Broadcom Ltd.*, Appeal Nos. 2020-2222, 2021-1527, Slip Op. (Fed. Cir. Feb. 4, 2022).

Since the signing of the America Invents Act (AIA), courts have had varying interpretations of IPR estoppel and have been split on the issue of whether arguments raised in IPR petitions may block petitioners from asserting similar arguments later on in district court litigation. On February 4, the CAFC in its *California Institute* decision overruled its decision in *Shaw*,^[1] which limited IPR estoppel to grounds actually at issue during the IPR.^[2] In overruling *Shaw*, the CAFC held that estoppel applies “to all claims and grounds not in the IPR but which reasonably could have been included in the petition.”^[3]

That holding, however, appeared to expand the scope of estoppel beyond what is set forth in 35 U.S.C. § 315(e), which estops petitioners from challenging a claim reaching a final written decision based on any ground raised or reasonably could have been raised in the IPR. On February 22, the CAFC clarified the language in its February 4 opinion, noting that estoppel did not extend to all claims that reasonably could have been included in the IPR, but merely to “all grounds not stated in the petition but which reasonably could have been asserted against the claims included.”^[4]

A History of Uncertainty

The America Invents Act (AIA), a federal statute signed into law by Congress in 2011, represents the most significant legislative change to the U.S. patent system since the Patent Act of 1952.^[5] The AIA contains a statutory requirement that prevents petitioners from raising certain invalidity grounds in subsequent district court challenges.^[6] Specifically, this estoppel provision states that after a final IPR decision by the Patent Trial and Appeal Board (PTAB), a petitioner may not subsequently present “any ground that the petitioner raised or reasonably could have raised during that *inter partes* review.”^[7]

Previously, under the CAFC’s 2016 ruling in *Shaw*,^[8] the CAFC interpreted this provision to mean that estoppel only applied to invalidity grounds specifically addressed by the PTAB in its final decision. In other words, petitioners could raise invalidity grounds in district court not considered by the PTAB during the IPR proceeding. At the time *Shaw* was decided, the PTAB often instituted review on less than all grounds raised in an IPR petition, which left some grounds unadjudicated on the merits.^[9]

In 2018, two years after *Shaw* was decided, the U.S. Supreme Court in *SAS* held that the PTAB must issue a final

decision on every issue raised in the IPR petition or deny review.^[10] By ending the PTAB's practice of handing down partial decisions in IPR proceedings, any ground raised in an IPR petition would give rise to estoppel under 35 U.S.C. § 315(e), putting into question the CAFC's ruling in *Shaw*.

CAFC Clarifies the Scope of Estoppel

Approximately four years after *SAS*, the CAFC now has overruled its 2016 decision in *Shaw*. On February 4, in *California Institute*, the CAFC held that petitioners may not raise invalidity grounds in district court that they reasonably could have made in the IPR petition but chose not to.

In *California Institute*, Apple and Broadcom contended that the U.S. District Court of the Central District of California “erred in granting summary judgment, barring them from presenting an invalidity case at trial on the ground of statutory estoppel.”^[11] In the District Court proceedings, the parties challenged the validity of the asserted patents based on grounds that were not addressed in earlier IPR decisions.^[12] The District Court nonetheless held that estoppel barred Apple and Broadcom’s challenges because the parties “were aware of the prior art references at the time they filed the IPR petitions and reasonably could have raised them in those petitions even if they could not have been raised in the proceedings post-institution.”^[13]

The CAFC affirmed the District Court’s decision, highlighting the history of *Shaw*, the circuit split, and the more recent Supreme Court decision in *SAS*. The CAFC explained that “[g]iven 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.’”^[14] In light of this, the CAFC overruled its decision in *Shaw*:

To be sure, [*SAS*] did not explicitly overrule *Shaw* or address the scope of statutory estoppel under § 315(e)(2). But the reasoning of *Shaw* rests on the assumption that the Board need not institute on all grounds, an assumption that *SAS* rejected. ... Accordingly, we take this opportunity to overrule *Shaw* and clarify that estoppel applies not just to claims and grounds asserted in the petition and instituted for consideration by the Board, but to all claims and grounds not in the IPR but which reasonably could have been included in the petition.^[15]

The CAFC decision in *California Institute*, however appeared to suggest that estoppel would apply not only to any grounds that reasonably could have been raised in the petition, but also any claims that reasonably could have been raised in the petition. In other words, the language used by the CAFC suggested that estoppel could be extended to claims that petitioners did not challenge but could have reasonably included.

The CAFC, however, clarified in its February 22 errata opinion that estoppel only extends to the specific claims asserted in an IPR petition.^[16] As such, petitioners do not need to fear that failure to challenge all patent claims in an IPR will give rise to a potential estoppel argument against claims not specifically addressed in the IPR.

Practical Considerations for Potential IPR Petitioners

The CAFC’s clarification about the scope of IPR estoppel in *California Institute* should make IPR petitioners think twice about the particular grounds to present in an IPR petition. For example, petitioners must now ensure they raise their strongest grounds in their IPR petitions or otherwise run the risk of being estopped from challenging the claims in district court.

Before *California Institute*, petitioners could present one set of grounds against claims in an IPR proceeding and raise other grounds during district court litigation. However, now that the CAFC has ruled that estoppel will limit them from attempting to re-challenge the same claims in district court on different grounds that reasonably could have been raised in an IPR petition, petitioners will find it difficult to hold back another set of grounds for district court litigation.

The *California Institute* decision, however, still leaves open the question of what constitutes a ground that could have been “reasonably could have been raised” in an IPR. Several district courts have adopted a “skilled searcher” test, holding that any ground known to the petitioner or that a skilled search reasonably would have been expected to discover would fall within the scope of estoppel.^[17] It remains to be seen whether the CAFC will adopt this test to determine whether a ground could have been reasonably presented in an IPR petition.

^[1] *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293 (Fed. Cir. 2106).

^[2] *California Institute of Technology v. Broadcom Ltd.*, Appeal Nos. 2020-2222, 2021-1527, Slip Op. (Fed. Cir. Feb. 4, 2022).

^[3] *Id.* at 23.

^[4] *California Institute of Technology v. Broadcom Ltd.*, Appeal Nos. 2020-2222, 2021-1527, Errata Op., Slip Op. (Fed. Cir. Feb. 22, 2022).

^[5] See 35 U.S.C. § 1 *et seq.*

^[6] See 35 U.S.C. § 315(e).

^[7] *Id.*

^[8] *Shaw*, 817 F.3d 1293.

^[9] *California Inst. of Tech*, Slip Op. at 21.

^[10] See generally *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018).

^[11] *California Inst. of Tech*, Slip Op. at 20.

^[12] *Id.*

^[13] *Id.*

[14] *Id.* at 22-23.

[15] *Id.* at 23 (emphasis added).

[16] *California Inst. of Tech*, Errata Op.

[17] See, e.g., *Wi-LAN Inc. v. LG Elecs., Inc.*, 421 F. Supp. 3d 911, 924 (S.D. Cal. 2019) (citing examples of courts applying a skilled researcher test).

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