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How IPR Estoppel Ruling May Clash With PTAB Landscape

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On May 7, the U.S. Court of Appeals for the Federal Circuit held in *Ingenico Inc. v. Ioengine LLC* that inter partes review estoppel does not extend to arguments that the claimed invention is invalid because it was known or used by others, on sale, or in public use.

The court ruled that such arguments constitute grounds that cannot be raised in an IPR according to the statute that established IPR procedures.

This holding limits the scope of IPR estoppel, which may encourage more petitioners to utilize the IPR mechanism to challenge patents. Ironically, this decision comes at a time when the U.S. Patent and Trademark Office has altered its standards on discretionary denials of IPR petitions in order to manage current Patent Trial and Appeal Board workloads and avoid overburdening the office.

The PTAB has also clarified the petitioner's burden when relying on prior art cited on an information disclosure statement, but not utilized by the USPTO during prosecution to reject any claims, which may make it more difficult to rely on such art and increase instances of discretionary denial.

Case Background

The appeal in *Ingenico* included an argument that the district court improperly allowed introduction of certain prior art evidence that the appellant argued should have been precluded based on the statutory IPR estoppel provision.

Specifically, *Ingenico* filed an IPR challenging *Ioengine's* patents asserted in an underlying district court action, which reached a final written decision invalidating certain claims.

At trial, *Ingenico* relied on a prior art device, and written documentation describing that device, to show that the claimed invention was invalid as known or used by others, on sale, or in public use before the date of invention. The jury returned a general verdict finding the claimed invention invalid as anticipated and obvious in view of that prior art device.

Ioengine's appeal of the verdict argued that IPR estoppel should have precluded the introduction of documentation related to the prior art device because *Ingenico* reasonably could have raised that material as part

of the IPR. Accordingly, the Federal Circuit was called upon to review the scope of IPR estoppel.^[1]

IPR estoppel under Title 35 of the U.S. Code, Section 311(b), prevents IPR petitioners — as well as any other real parties in interest or privies of the petitioner — from asserting in district court that a claim is invalid on any ground that the petitioner raised or reasonably could have raised in an IPR that reaches a final written decision.

Federal Circuit Decision

The Federal Circuit, for this first time in *Ingenico*, interpreted the meaning of the term “ground,” which is not defined in the Patent Act, to resolve a split among district courts. The Federal Circuit found that a “ground,” in the context of an IPR, is a theory of invalidity available to challenge a claim for anticipation under Section 102, or obviousness, under Section 103, not the specific prior art asserted.

The Federal Circuit noted that IPR challenges are statutorily constrained to invalidity challenges under Sections 102 and 103, i.e. anticipation or obviousness, based on prior art consisting of patents and printed publications.

Thus, under the statutory framework, an IPR petitioner cannot raise invalidity theories that the claimed invention being known or used by others, on sale, or in public. Accordingly, since those theories that cannot be raised as part of an IPR, they would not be subject to the IPR estoppel provision.

Importantly, because the grounds are not coextensive with the prior art asserted, i.e., the prior art cited is evidence of the asserted ground, not the ground itself, the Federal Circuit stated that IPR estoppel does not preclude an IPR petitioner from relying on the same patents and printed publications used in an IPR proceeding if the invalidity theory is that the claimed invention was known or used by others, on sale, or in public use.

That is, IPR estoppel does not preclude a petitioner from asserting the same prior art relied upon in an IPR in district court, it merely constrains the particular invalidity theories for which that prior art may be utilized in district court.

Impact of Decision

The clarification provided by the Federal Circuit resolves a split among district courts and narrows IPR estoppel. This holding may encourage patent challengers to utilize the IPR procedure, particularly where there may be arguments available in district court that the challenged patent is invalid as being known or used by others, on sale, or in public use.

However, the *Ingenico* decision comes at a time when the PTAB is increasing the number of discretionary denials based on co-pending district court litigation, to manage PTAB workload. Thus, while *Ingenico* might narrow IPR estoppel and encourage more petitions, it will not necessarily increase IPR institutions.

As part of its discretionary denial analysis, the PTAB looks at a list of factors based on its precedential decision in *Apple Inc. v. Fintiv Inc.* in 2020, including whether there is overlap between the issues raised in the IPR petition and the parallel district court proceeding.

To try to avoid discretionary denial, petitioners have utilized stipulations, which have become known as Sotera stipulations, to indicate that they will not advance the same grounds asserted in the IPR petition in district court should the IPR be instituted.

Under prior PTAB guidance, the introduction of a Sotera stipulation at the preinstitution phase, was sufficient to avoid discretionary denial of an IPR petition. However, under the most recent PTAB guidance, issued March 24, the PTAB now analyzes the inclusion of a Sotera stipulation as merely one factor in the Fintiv analysis. We are already seeing discretionary denial rates increase based on this new PTAB guidance

For example, in *Solus Advanced Materials Co. Ltd. v. SK Nexilis Co. Ltd.* in April, the PTAB provided that while a Sotera stipulation weighs strongly against exercising discretion to deny institution, “a Sotera stipulation that does not moot all invalidity issues before the district court, such as invalidity assertions based on combinations of art with ‘unpublished systems prior art,’ is less effective and will not necessarily outweigh other Fintiv factors that favor discretionary denial.”

In *Solus*, the PTAB denied institution under the Fintiv factors, despite the Sotera stipulation provided by the petitioner. Thus, while Ingenico narrowed IPR estoppel, petitioners might nevertheless consider providing a stipulation that effectively forecloses any invalidity challenges in the co-pending district court that rely on the particular prior art references raised in the IPR petition, in order to reduce the risk of discretionary denial.

As a result, the ultimate impact of Ingenico is unclear. Narrower IPR estoppel might encourage more petitions, but the tougher standards for petitioners on discretionary denial, and the increasing institution denial rates, might compel petitioners to provide broader Sotera stipulations. Thus, there may be an emerging disconnect between the scope of IPR estoppel and the breadth of a Sotera stipulations necessary to try to avoid institution denial.

Further, petitioners may need to be more selective regarding prior art in light of the increased burden of using art that is cited on an information disclosure statement but not applied by the office to reject the claims during prosecution.

Last month in *Ecto World LLC v. RAI Strategic Holdings Inc.*, the PTAB issued a decision on director review clarifying the petitioner’s burden when using prior art cited on an information disclosure statement but not used in a rejection during prosecution.

Under Section 325(d), the director may deny institution when “the same or substantially the same prior art or arguments previously were presented to the Office.”

In *Ecto World*, which has been designated precedential with respect to its discussion of that section, the PTAB held that petitioners relying on art appearing on an information disclosure statement but not applied by the office must articulate how the office erred in a manner material to patentability of the challenged claims.

Importantly, the petitioner cannot simply rely on its unpatentability contentions to imply that an error occurred. This decision may also increase the instances of discretionary denial where the petitioner does not adequately demonstrate a material error when relying on art cited on an information disclosure statement.

[1] The Federal Circuit found that there was substantial evidence to support the jury's verdict of invalidity for anticipation or obviousness based at least on public use and therefore did not evaluate the known or used by others or the on-sale issues.

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