

# Locke Lord QuickStudy: Federal Circuit Restricts Invalidity Arguments That Accused Infringers May Raise Before District Court After Losing an *Inter Partes* Review

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The Court of Appeals for the Federal Circuit has recently clarified the scope of estoppel that applies to a defendant accused of patent infringement in a district court case as a result of a failed attempt to invalidate the asserted claims in an *inter partes* review proceeding. The estoppel arises under 35 U.S.C. §315(e), which, prior to this recent decision, had an unclear scope. In *California Inst. of Tech v. Broadcom Ltd.*, Appeal Nos. 2020-2222, 2021-1527, 2022 WL 333669 (Fed. Cir. Feb. 4, 2022), the Court clarified that a defendant, who leaves patent invalidity arguments out of a petition for *inter partes* review, is then later estopped from raising those omitted invalidity arguments in the district court case, whereas prior decisions indicated that the scope of the estoppel may not be so broad.

The *inter partes* review (“IPR”) procedural option became available in 2012, which allows an accused patent infringer to file with the Patent Office an IPR petition raising one or more invalidity arguments (known as “grounds”) against an issued patent’s claims under 35 U.S.C. § 102 or § 103 based on prior art patents and/or printed publications. The Patent Trial and Appeal Board (“PTAB”) then decides whether to institute a review on some or all of the grounds raised in the IPR petition, or on none at all thereby denying institution. If a review is instituted, the PTAB will conclude its review by issuing a Final Written Decision addressing the patentability of each challenged patent claim under the instituted grounds.

When the IPR proceeding results in a Final Written Decision upholding the patentability of a patent claim, the unsuccessful petitioner is estopped from raising invalidity grounds in a district court patent infringement suit that it “raised or reasonably could have raised *during* that *inter partes* review” against that patent claim. 35 U.S.C. § 315(e)(2) (emphasis added). Federal Circuit decisions prior to *Caltech* failed to clarify the full scope of estoppel under §315(e). In *Shaw Indus. Group, Inc. v. Automated Creel Sys. Inc.*, 817 F.3d 1293 (Fed. Cir 2016), the Federal Circuit held that an “IPR does not begin until it is instituted.” *Id.* at 1300. The Federal Circuit continued to explain that a petitioner did not raise – nor could it have raised – *during* the IPR any ground expressly raised in the IPR petition for which the PTAB denied institution. *Id.* The Federal Circuit concluded that the plain language of the statute prohibits the application of estoppel to such non-instituted grounds in the district court. *Id.* Another panel of the Federal Court endorsed *Shaw’s* interpretation of §315(e) just two weeks later. *HP Inc. v. MPHJ Tech.*

*Inv. LLC*, 817 F.3d 1339, 1347 (Fed. Cir. 2016) (citing *Shaw*, 817 F.3d at 1299-1300). Neither *Shaw* nor *HP* addressed how estoppel under §315(e) may apply to an invalidity ground that was not presented in the IPR petition (*i.e.*, “non-petitioned ground”).

Following a narrow reading of *Shaw*, some district courts held that a non-instituted ground is not subject to estoppel, whatever the PTAB’s reason for not instituting that ground, but that non-petitioned grounds were subject to estoppel if the petitioner reasonably could have raised the ground in its IPR petition. *See, e.g., Oil-Dri Corp. of Am. v. Nestle Purina Petcare Co.*, 2017 WL 3278915 at \*8 (N.D. Ill. Aug. 2, 2017); *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 271 F. Supp. 3d 990, 1028 (E.D. Wisc. 2017); *Biscotti Inc. v. Microsoft Corp.*, 2017 WL 2526231 at \*3 (E.D. Tex. May 11, 2017). Other district courts, however, more broadly found there to be no difference between non-instituted grounds and non-petitioned grounds under the reasoning of *Shaw*, and held that non-petitioned grounds were likewise not subject to estoppel under §315(e). *See, e.g., Koninklijke Philips N.V. v. Wang Alliance Corp.*, 2018 WL 283893, at \*\*3-4 (D. Mass. Jan. 2, 2018); *Finjan Inc. v. Blue Coat Sys., LLC*, 238 F. Supp. 3d 839, 856 (N.D. Cal. 2017) (holding that “estoppel applies only to grounds that were both raised in the IPR petition and instituted in the IPR proceeding”); *Intellectual Ventures I LLC v. Toshiba Corp.*, 221 F. Supp. 3d 534, 553-54 (D. Del. 2016).

Two years after *Shaw*, the Supreme Court ushered in a sea change to the way the PTAB institutes IPRs. On April 24, 2018, the Supreme Court, interpreting 35 U.S.C. §318(a), held that the PTAB did not have the authority to institute a review as to only certain claims, but “must address every claim the petitioner has challenged.” *SAS Inst. Inc. v. Iancu*, 138 S.Ct. 1348, 1354 (2018). In the wake of *SAS*, the Patent Office issued a “guidance” announcing that any IPR petition that was instituted would address all of the claims and all of the grounds raised in the IPR petition, as opposed to only select arguments and claims. Patent Trial and Appeal Board, *Guidance on the Impact of SAS in AIA Trial Proceedings*, UNITED STATES PATENT AND TRADEMARK OFFICE (April 26, 2018). The Federal Circuit has also endorsed the view that *SAS* “interpret[ed] the statute to require a simple yes-or-no institution choice respecting a petition, embracing all challenges included in the petition.” *PGS Geophysical AS v. Iancu*, 891 F.3d 1354, 1359-60 (Fed. Cir. 2018). Thus, going forward, for instituted IPRs resulting in an issued Final Written Decision upholding the validity of the challenged claims, there is no longer any non-instituted grounds for which estoppel does not attach.

In *Caltech*, before the district court, accused infringers Broadcom and Apple argued that the asserted patent claims are invalid under §103 over new combinations of prior art references that were not asserted in the IPR proceedings (*i.e.*, non-petitioned grounds). The district court granted summary judgment of no invalidity, interpreting §315(e) as precluding parties from raising invalidity arguments at trial that they reasonably could have raised in their IPR petitions but did not. Slip Op. at p. 7, 2022 WL 333669 at \*3. The Federal Circuit noted that it “need not decide the scope of preclusion in cases in which the Board declined to institute on all grounds and issued its final written decision pre-*SAS*.” Slip Op. at pp. 23-24 n. 5, 2022 WL 333669 at \*14 n. 5. Even though a non-petitioned ground was not at issue or even mentioned in *Shaw*, the Federal Circuit “[took] 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 grounds not stated in the petition but which reasonably could have been asserted against the claims included.” Slip Op. at p. 23 (as corrected by Errata issued Feb. 22, 2022), 2022 WL 333669 at \*10. In effect, the Federal Circuit overruled those district court cases that had improperly held that no estoppel under §315(e) applied against non-petitioned grounds.

In view of this new case law guidance, patent challengers who file IPR petitions should err on the side of including arguments of invalidity and should be mindful of the now-clarified scope of estoppel that will prevent the assertion of any omitted arguments in any current or future district court litigation. We have a great deal of experience in IPR proceedings and district court patent litigation and would welcome any questions.

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