

The Interface Between District Court Litigation and Contested Office Proceedings under the AIA: Petitioner Estoppels

An adverse decision in an IPR estops a Petitioner/accused infringer from raising certain invalidity defenses. What defenses are potentially affected?

The petitioner who loses an IPR will be estopped from raising any issues in district court (and the ITC) that it raised or reasonably could have raised in the IPR.

IPR is limited to patentability attacks under §§ 102/103 using patents and printed publications. Therefore, the estoppels are likewise limited to §§ 102/103 invalidity defenses based on patents and printed publications. By statute a petitioner cannot use evidence of a § 102(b) prior sale or public use in an IPR, and thus the petitioner will not be estopped from using that prior sale or public use in court.

Likewise, the petitioner can most likely use in court § 102(a) or (b) prior art that is not a patent or printed publication. For example, in *ACCO Brands v. PC Guardian Anti-Theft Prods.*, 592 F. Supp. 2d 1208 (N.D. Cal. 2008), an accused infringer lost its inter partes reexamination, but was not estopped from citing a physical computer as prior art. In that case, all parties agreed that no patents or printed publications showed a crucial detail -- the dimensions of security slot -- that was present on the actual computer. It seems likely, but is not certain, that the court would have estopped the accused infringer had the details been available in a printed publication such as a technical manual.

Other statutory defenses, such as §§ 101 and 112, also remain available in court. *Scriptpro LLC v. Innovation Assocs.*, 2012 U.S. Dist. LEXIS 87861 (D. Kan. Jun. 26, 2012) (not estopped from arguing written description and enablement as to unamended claim terms).

As a practical matter, however, an adverse decision in an IPR may "gold plate" a patent. That is, the fact finder in court may be influenced by the fact that the patent withstood IPR.

What does "reasonably could have raised" mean in IPR?

IPR's "raised or reasonably could have raised" estoppel is less strict than the "raised or could have raised" estoppel from *inter partes* reexamination. As Senator Kyl explained:

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." . . . 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)).

It is likely that courts will adopt the same or a similar view of the statute. However, it is unclear how courts will apply Senator Kyl's formulation. It seems likely that the estoppel will not apply, for example, to prior art found only in a remote foreign library -- such as the Telenor documents found in the Norwegian library in *In re NTP*, 654 F.3d 1279 (Fed. Cir. 2011), or the doctoral thesis found in the German library in *In re Hall*, 781 F.2d 897 (Fed. Cir. 1986).

But for other prior art, courts likely will weigh the parties' arguments to determine whether the art reasonably would have been discovered in a diligent search by a skilled searcher. The accused infringer will probably argue the bar is low because of time and money constraints, while the patentee will argue that the amount of time available to prepare before filing an IPR raises the bar significantly.

Even if not estopped, however, a judge or jury might be influenced by the fact that the patent already withstood a §§ 102/103 challenge before the Office, and could discount a second attack.

What defenses are potentially affected by an adverse decision in a PGR?

Unlike IPR, PGR is not limited to §§ 102 or 103. The petitioner may attack the patent under any ground that could be raised under § 282(b)(2) or (3), including §§ 101, 102, 103, and 112. Also, the petitioner's prior art is not limited to patents and printed publications.

As a result, it seems likely that a losing petitioner in a PGR will be estopped from making any §§ 101 or 112 challenges in court, as they reasonably could have been raised during the proceeding. The petitioner will retain, however, any §§ 102/103 challenges based on prior art that a skilled searcher conducting a diligent search reasonably could not have been expected to discover.

Of note, a petition for PGR must be filed within 9 months after the patent issues. Accused infringers facing an estoppel might argue that the time frame for a search before filing a PGR limits what one could reasonably expect the diligent, skilled searcher to find.

For prior art other than patents and printed publications, the accused infringer will likely argue that the Office's limits on discovery precluded finding evidence of § 102(b) prior sales and so forth. The patentee will likely counter that alleged prior sales were discoverable or public knowledge (e.g., for sale on a web site).

How does a Petitioner balance the page limits with the estoppels?

An accused infringer might argue that the tight page limits in petitions for IPR and PGR effectively limited the issues that it reasonably could have raised. The courts, however, rarely have had much sympathy for such arguments. It is a lawyer's job to present the tribunal with the best arguments. See, e.g., *Watts v. Thompson*, 116 F.3d 220, 224 (7th Cir. 1997) (In rejecting a party's due process argument based on page limits, the court noted that it "has a page limit which is rather strictly, and cheerfully, enforced.").

Estoppels in PGR, CBM and IPR are triggered by a final decision of the PTAB. Should the court lift the stay at that point?

With IPReX, the estoppels were not triggered until all appeals were exhausted. In the new proceedings, the estoppels are triggered when the Office issues its first and final decision. An accused infringer that wants the stay to remain in place is likely to argue that even though the estoppels are triggered, they may evaporate should the Federal Circuit vacate or reverse the PTAB decision. It is not fair to move forward, preventing discovery into invalidity while at the same time permitting extensive, costly discovery into confidential technical and sales information regarding the accused products. Moreover, the on-again/off-again nature of the estoppel could result in a final judgment of infringement while the accused infringer was estopped from defending itself -- even though the patent is later found unpatentable.

A patentee, on the other hand, is likely to point to past experience with IPReX. To date, the Federal Circuit has decided 13 *inter partes* reexamination cases. 12 of the 13 were affirmed and 10 of those 12 were Rule 36 summary affirmances. Only one time in thirteen did the Federal Circuit reverse. The patentee might argue that there is no reason to delay justice.

What if the Office institutes the review only on some proposed grounds – is the Petitioner still estopped?

There are strong arguments on either side of this issue. The estoppels are triggered by the Board's final decision and apply to issues that were raised or could have been raised in the proceeding.¹

The petitioner cannot raise grounds for rejection during the proceeding that did not make it into the proceeding. “[D]enial of a ground is a Board decision not to institute inter partes [post grant] review on that ground.” Final Rules 42.108, 42.208. Therefore, it seems reasonable that the estoppel would not attach.

However, a court might take the view that the grounds on which the Office granted reviews were the strongest challenges to invalidity. The petitioner “reasonably could have raised” those other grounds, but they were found wanting. A losing petitioner is estopped from arguing grounds of rejection that it reasonably could have included on his petition, but did not. Why should the estoppel not also apply to grounds that were included in the petition, but were found not to be worthy of consideration?

This issue is likely to be litigated and how it comes out will probably depend on the particular facts of the case. In any event, a judge or jury is likely to take a dim view of any grounds of rejection that were brought to the Office's attention but not adopted.

Who gets estopped – who are real parties in interest and privies?

By statute, the petitioner, the real party or parties in interest, and privies of the petitioner are estopped. The Petitioner is, of course, the party that is petitioning the Office. While arguably this could be a lawyer, generally it will be the client and the lawyer is acting on the client's behalf.

The Real Party in Interest is the “party that desires review of the patent,” which may be the Petitioner or the parties “at whose behest” the petition was filed.

Privy and privity is more expansive, but there is no bright line test. As a guide, the Office has cited to the Supreme Court's decision in *Taylor v. Sturgell*, 128 S.Ct. 2161, 2172 n.8 (2008); see also 77 Fed Reg 48759 (“relationship . . . sufficiently close such that . . . should be bound by the trial outcome and related estoppels” and “emphasis is not on the concept of identity of parties, but on the practical situation.”)

Who is estopped is likely to depend on facts and on factors such as control of the Review, funding of the Review, relationship to petitioner, and nature and degree of involvement in the petition.

Does membership in a Joint Defense Group (JDG) make a party a real party in interest or privy?

The Office addressed this very scenario in the Final Rules, and the answer is . . . “it depends.” Membership in JDG or a trade group is a factor, but it is not dispositive. The court or Office will evaluate all of the facts such as control of the Review, funding for the Review, relationship to petitioner, and nature and relationship to petition (nature/degree of involvement).

An interesting question is if or how much discovery the patentee will have to ferret out the relationships between the members of a JDG. Such discovery will run headlong into privilege and perhaps work product protection. A patentee might have this discovery before the Office as well as the court. The Office is more likely to authorize discovery before the Patent Owner's preliminary response to the petition (i.e., in the first three months), but Office will still entertain requests after that if the Review is instituted.

¹For CBM, the estoppels apply only to issues actually raised.

When a company acquires another company, does it also acquire any existing estoppels?

Again, it depends. The courts will look at all the facts to determine if precluding or estopping the acquiring corporation is justified. Some facts that might matter to a court: previous relationship between the acquiring and acquired company, corporate structures before and after the acquisition, what products are being accused, and the relative amount of money at risk in the litigations.

For more information, please contact:

Donald R. Banowit, Director
dbanowit@skgf.com

Jonathan M. Strang, Associate
jstrang@skgf.com