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Product of IPR Estoppel: A District Court Split

Inter partes review (IPR) is an administrative trial proceeding developed under the American Invents Act (AIA) and is conducted at the Patent Trials and Appeals Board (PTAB) to review the patentability of one or more claims in a patent only on a ground that could be raised under §§ 102 or 103, and only on the basis of prior art consisting of patents or printed publications. 35 U.S.C. § 311. Yet filing an IPR comes with a trade-off, an IPR proceeding has the benefit of efficiency and success, but the underlying statute restricts the ability for a patent challenger to raise challenges to patents in district courts that have been or reasonably could have been raised in the IPR proceeding. As such, a defendant in patent litigation needs to carefully consider whether to challenge patent validity in the district court or in an IPR proceeding. This article analyzes how district courts have restricted (or not) invalidity proceedings in view of a co-pending or previously litigated IPR proceeding.

The estoppel provision of the *inter partes* review (IPR) statute ensures that a party is estopped from being able to relitigate grounds that have been or could have been reasonably raised during a district court

proceeding. The estoppel is triggered upon issuance of a final written decision from the Patent Trials and Appeals Board (“PTAB”). Yet, in some circumstances, parties have willingly stipulated to the estoppel provision in order to incentivize the board to institute a petition with what has become known as a *Sotera* stipulation. There have been numerous issues that the courts have dealt with when applying the IPR estoppel statute and related *Sotera* stipulation.

One issue that has emerged is one of strategic importance—what happens when the patent challenger relies on printed prior art (patents or publications) in the IPR proceeding, and therefore is estopped from relying on that printed publication prior art in a parallel district court dispute, but wants to rely on a system or device as prior art in that parallel district court proceeding? Many district courts have approached this issue differently, resulting in a split even within some districts, which has left litigants struggling to formulate their patent defense strategies in situations in which the printed prior art fully covers or describes a prior art system.

Background

The estoppel statute states:

The petitioner in an *inter partes* review of a claim in a patent under this chapter that results in a

final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that *inter partes* review.

35 U.S.C. 312(e)(2). Moreover, a patent challenger may stipulate that they will not raise in district court litigation any grounds that it raised in the IPR petition or reasonably could have raised in the IPR petition, which has become commonly known as a “*Sotera* stipulation” after such a stipulation was made in *Sotera Wireless, Inc. v. Masimo Corp.* IPR2020-01019. Director Vidal has released guidance that clarifies that when a PTAB petitioner stipulates that it will not pursue invalidity in a parallel district court proceeding on the same grounds or any grounds that could have reasonably been raised in the PTAB petition, “the PTAB will not discretionarily deny institution of an IPR or PGR in view of parallel district court litigation,” which provides parties with incentives to stipulate to estoppel. <https://www.uspto.gov/about-us/news-updates/director-vidal-provides-clarity-patent-trial-and-appeal-board-practice>. With this incentive for petitioners, the question remains, what exactly does a stipulation of any “grounds” that could have reasonably been raised mean? The district courts have struggled with this very question.

On one side of the spectrum, a court in Delaware has found that a “ground” is distinct from the evidence that supports the ground. *See Wasica Fin. GmbH v. Schrader Int’l, Inc.*, 432 F. Supp. 3d 448, 454–55 (D. Del. 2020). Under this

interpretation, the court estopped a patent challenger from presenting arguments that included a physical system that was described in a cumulative manner by printed publications and patents. On the other side of the spectrum, a different court in Delaware criticized this interpretation as being improper and thus allowed a patent challenger to present system art that was described in a cumulative manner by printed publications. *Chemours Co. FC, LLC v. Daikin Indus., Ltd.*, No. 1:17-cv-01612-MN-CJB, 2022 WL 2643517, at *2 (D. Del. July 8, 2022) (finding such interpretation “adhered more closely to the statutory language”).

The reason behind the split appears to be rooted in a struggle between strict statutory construction and equity. Courts have pointed out that it is simply inequitable if a party is allowed to rely on printed publications and patents that cumulatively describe a system or product in an IPR proceeding and then allege that they are relying on the system or product itself during a district court proceeding. In essence, the courts have noted that this allows a party two bites at the apple—contrary to the thrust and stated purpose of the America Invents Act. Thus, the courts in this camp have taken a broad view of the meaning of “grounds” and differentiate the term from the “evidence” relied on to support a ground. On the other side, courts have pointed out that it would be unfair to *not* allow patent challengers to rely on the prior art system itself, because they could not have raised it during the IPR proceeding, which is statutorily limited to printed publications and patents. The courts in this camp have strictly interpreted “grounds” to mean the particular combination of references that underly the ground and thus do not estop the patent challenger.

Broad Interpretation of “Grounds”

In *Waisca*, Judge Stark held that “patents or printed publications” that “reasonably could have been raised in the IPR” that were “materially identical (i.e., discloses the same claim elements)” to the grounds asserted in the IPR were estopped. 432 F. Supp. 3d at 454–55. Judge Stark rejected a narrow construction of the term “grounds” as limited “only to a precise invalidity combination based on patents and printed publications,” which would have allowed challenges to patents based on “physical products” that were cumulative of the “grounds” raised on IPR. *Id.* Judge Stark further highlighted the policy concern of an alternative ruling by stating, “[i]n future litigation, defendants will simply swap out publications that were available through a diligent search with the same prior art, only in a slightly different format.” *Id.* Accordingly, in that case, the court reached the conclusion that the term “ground” in the statute is different from the evidence relied upon to support a ground. In essence, Judge Stark created a “materially identical” standard when applying estoppel to grounds proceeding in district court and estopped the patent challenger from merely changing the form of the underlying evidence in order to present the same argument both to the PTAB and the jury.

Recently, Judge Albright has adopted a similar interpretation, holding “[a]lthough [Defendant] uses two system references—[Plaintiff’s] Retriever product and Apple’s Find My iPhone—for its invalidity argument that it could not raise before the PTAB, estoppel still applies when the allegedly new references have ‘materially identical’ disclosures as the IPR art.” *Hafeman*

v. LG Electronics, Inc. et al, 6-21-cv-00696 (W.D. TX Apr. 14, 2023); *See also, e.g., Bos. Sci. Corp. v. Cook Grp. Inc.*, 2023 WL 1452172, at *34 (S.D. Ind. Jan. 31, 2023) (applying IPR estoppel to references that could not be raised in IPR because there was “no substantive difference” between the references). *Cal Inst. of Tech. v. Broadcom Ltd.*, 2019 WL 8192255, at *12-15 (C.D. Cal. Aug. 9, 2019) (granting summary judgement of IPR estoppel for obviousness grounds that substituted a slide presentation that was no different from published papers by the same author); *Star Envirotech, Inc. v. Redline Detection, LLC*, 2015 WL 4744394, at *4 (C.D. Cal. Jan. 29, 2015) (determining that IPR estoppel could extend to systems if the system was not a “superior and separate reference” that disclosed features not included in the printed publication); *Oil-Dri Corp. of Am. v. Nestle Purina Petcare Co.*, 2019 WL 861394, at *10 (N.D. Ill. February 22, 2019) (an IPR petitioner “cannot avoid estoppel simply by pointing to its finished product (rather than the printed materials) during litigation.”); *Vaporstream, Inc. v. Snap, Inc.*, 2020 WL 136591 (C.D. Cal. Jan. 13, 2020) (“[I]f a patent challenger is simply swapping labels for what is otherwise a patent or printed publication invalidity ground in order to “cloak” its prior art ground and “skirt” estoppel,” then § 315(e)(2) estoppel still applies”).

Strict Interpretation of “Grounds”

In *Chemours Company*, Delaware District Judge Noreika acknowledged this split, stating that “[t]he Court is aware that district courts addressing this issue have come to differing conclusions” and held

that “[a]s a matter of statutory interpretation, estoppel does not apply to the prior-art products that [defendant] relies on -- regardless of whether those products are ‘cumulative.’” 2022 WL 2643517, at *2. In particular, Judge Noreika opined that “Congress could have dictated that estoppel applies to products covered by the paper art underlying the IPR where the paper art discloses the same claim limitations as the product. But Congress did not do so. Adhering to well-accepted canons of construction, it is not for this Court to ignore Congress’s omission and create additional bases for estoppel.” *Id.* Accordingly, even within the same district there is a split over how the language of the estoppel statute should be applied.

Moreover, other courts have similarly taken the view the estoppel does not extend to prior art that does not qualify as a printed publication, even if substantively identical to a printed publication, because that type of evidence could not be relied upon for the IPR. *See,*

e.g., Milwaukee Elec. Tool Corp. v. Snap-On Inc., 271 F. Supp. 3d 990, 1032 (E.D. Wis. 2017) (“IPR estoppel bars nothing except prior art consisting of patents and printed publications.”); *Zitovault, LLC v. Int’l Bus. Machs. Corp.*, 2018 WL 2971178, at *4 (N.D. Tex. Apr. 4, 2018); *Intellectual Ventures II LLC v. Kemper Corp.*, 2016 WL 7634422, at *3 (E.D. Tex. Nov. 7, 2016) (“This ability to raise such prior art systems in a subsequent district court litigation is always present.”); *Medline Indus., Inc. v. C.R. Bard, Inc.*, 2020 WL 5512132, at *4 (N.D. Ill. Sept. 14, 2020) (collecting cases and reaching the conclusion based on statutory interpretation).

Conclusion

The issue of the availability of system or product prior art to a patent challenger in defense of a parallel district court case is critical to patent defense strategy in many cases. Until the Federal Circuit weighs in,

there may not be a clear answer to the question of whether a patent challenger is able to avoid the IPR estoppel (or *Sotera* stipulation) by merely relying on a prior art system (or product) in the district court, in circumstances in which that system or product was cumulatively described in printed publications or patents that were the subject of an IPR. For the time being, patent challengers would be wise to research the leanings of the assigned district court judge—and even then, may have to be comfortable moving forward with some uncertainty.

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