

## Arctic Cat Ruling Showcases Growing Split On Post-IPR Args

By **Matthew Bultman**

*Law360 (August 30, 2019, 6:51 PM EDT)* -- Courts have taken different views of a rule limiting arguments that patent challengers can make following inter partes review at the Patent Trial and Appeal Board, highlighted by a recent ruling allowing Arctic Cat to contend that features of a Pontiac sports car model, among other things, show that a claimed off-road vehicle invention is obvious.

Companies in an inter partes review can argue a patent is invalid as either anticipated or obvious based on prior patents and printed publications, such as textbooks. Once the PTAB makes a final decision, IPR estoppel prevents challengers from relitigating those arguments in district court.

Companies continue to explore the contours of this estoppel provision.

One lingering question is whether estoppel can extend to physical products. Can a company, for example, argue in district court that an invention is obvious based on a car when printed materials describing that same car could have been presented in an IPR?

A couple of schools of thought are beginning to emerge among courts.

Certain courts "seem to be doing more of a bright-line approach, saying estoppel doesn't apply to any physical product," Linda Wadler of Finnegan Henderson Farabow Garrett & Dunner LLP said. Others have "left the door open for litigants to argue that IPR estoppel could apply to a prior art physical product."

The issue isn't entirely new. Something similar had the potential to arise years ago in the context of inter partes reexamination, a patent review proceeding that predates IPRs. But those reexaminations moved slow, and courts weren't often forced to address the issue, attorneys said.

"Since IPRs are concluding a lot faster and the issue comes up more, courts are now faced with this more frequently — they're starting to think about it a bit more," Scott McKeown of Ropes & Gray LLP said. "And we do see some split among the districts."

### **Blanket Prohibition**

The District of Minnesota picked its side earlier this month. Ruling in a dispute between Arctic Cat and Polaris over a patent covering air handling and suspensions systems for off-road vehicles, the district's

chief judge took the view that products embodying patents or printed publications are not subject to estoppel.

Arctic Cat has argued in court that various claims in the Polaris patent are obvious based on vehicles like the Polaris Ranger and the Pontiac Fiero. Polaris protested, saying Arctic Cat could have used these vehicles' manuals during a previous IPR.

Allowing Arctic Cat to use the vehicles now would be an end-run around estoppel, Polaris argued.

Rejecting that argument, Judge John Tunheim said, "Only patents and printed publications can serve as grounds for invalidity in an IPR. Thus, Arctic Cat could not have reasonably raised [these arguments] during the [IPR] because they include physical vehicles."

With the ruling, Judge Tunheim aligned himself with Judge Barbara Lynn, the chief judge in the Northern District of Texas, who has found products to be free and clear of the reach of estoppel in at least two cases.

The most recent came in an infringement case ZitoVault brought against IBM over a data encryption patent. Judge Lynn rejected ZitoVault's contention that IBM shouldn't be allowed to make arguments based on software systems described in patents and publications that could have been raised in IPR.

In another case, the judge said that while Nintendo couldn't challenge an iLife Technologies motion detection patent by relying on an earlier patent that describes a sensor system, the Wii maker wasn't blocked from presenting the actual system in court.

"The court agrees with Nintendo that the [system] itself could not have been raised during the IPR as a basis for invalidation," Judge Lynn said.

### **Deeper Analysis**

The other line of cases can be traced to a 2015 ruling from the Central District of California.

Star Envirotech had accused Redline Detection of infringing a patent covering a leak detection system. U.S. District Judge Jesus Bernal considered whether Redline should be able to present a machine in court when Star argued the owner's manual could have been used in IPR.

Judge Bernal decided Redline was not estopped from using the machine, calling it a "superior" reference.

"The physical machine itself discloses features claimed in the [patent] that are not included in the instruction manual, and it is therefore a superior and separate reference," the judge said, implying estoppel could attach were the physical product not "superior" to the manual.

The Northern District of Illinois followed the "superior and separate" approach earlier this year in a case between SRAM and Race Face over a bicycle chainring patent.

"Although [an earlier chainring] was depicted in a printed publication, it was not depicted at an appropriate angle or in enough detail to show its relevant feature of offset tooth tips," U.S. District Judge Joan Lefkow said, deciding Race Face was not blocked from using the product in court.

Judge Matthew Kennelly, also in the Northern District of Illinois, had a chance to address the issue this year in a case between Oil-Dri and Nestle over cat litter.

In the ruling, Judge Kennelly said that when there is evidence an accused infringer had access to printed publications describing a product that could have been offered in an IPR, it "cannot avoid estoppel simply by pointing to its finished product, rather than the printed materials, during litigation."

"But, even so, the estoppel proponent must present some evidence that a printed publication sufficiently describing the relevant product existed and was available upon a reasonable search," the judge said.

Nestle was not estopped from arguing obviousness based on a cat litter product, the judge said, because there was no evidence the company had access to written documents describing the litter that it could have presented in IPR.

### **Litigant Considerations**

Litigants are still waiting for the first court ruling to actually apply estoppel to a product. In districts where that argument could be viable, Wadler said, companies will want to consider what information the physical product contains relative to the patent claims, as compared to the printed publication.

"If [the publication] disclosed exactly the same thing that the product disclosed, I think a litigant could make an argument that [the challenger] should be estopped because they're just cloaking their estopped arguments by using the physical product," she said.

Those types of situations, however, could be difficult to come by. Trey Powers of Sterne Kessler Goldstein & Fox PLLC said it is rare that products are "coterminous with the printed publication that describes them."

"A physical product, because it is physical and can be inspected, often may teach a lot more," he said. "If a picture is worth a thousand words, maybe a physical product is worth ten thousand."

For companies accused of infringement, the ability to rely on products following an IPR could be another "feature on the scale" in favor of challenging a patent in IPR as opposed to the PTAB's post-grant review, McKeown said.

PGR doesn't have the same restrictions on the types of evidence that challengers are allowed to present during review. Physical products, for example, would be fair game. But with that comes a more encompassing estoppel — one that would almost certainly bar products from being raised again in court.

"It's a reminder of the differences between PGR and IPR and why, as a challenger, even though you're limited in what you can bring in an IPR, there are strategic advantages to doing so," McKeown said.

--Editing by Philip Shea and Marygrace Murphy.