

IPR Estoppels: A Power Imbalance for Plaintiffs and Defendants

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Introduction

Inter partes review (IPR) proceedings raise complex estoppel issues that courts are grappling with and patent litigants must consider. Because patent challengers can assert invalidity in three different tribunals (the district courts, the United States International Trade Commission (ITC), and the Patent Trial and Appeals Board (PTAB)), estoppels and their impact have taken on an increasingly important role in patent litigation. Congress created IPR-specific estoppel under 35 U.S.C. § 315(e) to protect *patent holders* from re-litigating the same issues in multiple forums. Congress, however, did not grant *patent challengers* the same statutory protections, forcing patent challengers to rely on common-law doctrines, such as collateral estoppel, to prevent re-litigation of the same issues in subsequent proceedings. But 315(e) estoppel and collateral estoppel provide different protections at different times leading to somewhat counterintuitive results that parties must factor into their litigation strategies.

Background on Collateral Estoppel and 315(e) Estoppel

Despite similar names and features, collateral estoppel and 315(e) estoppel are not the same. Collateral estoppel stems from common law and the constitution.¹ Collateral estoppel is said to be “demanded by the very object for which civil courts have been established” because “the aid of judicial tribunals would not be invoked for the vindication of rights of person and property if, as between parties and their privies, conclusiveness did not attend the judgements of such tribunals in respect of all matters properly put in issue, and actually determined by them.”² In other words, collateral estoppel was created to promote finality in litigation by barring a party from bringing the same claims again and again.

Under Federal Circuit law, collateral estoppel applies in patent cases when the following factors are met: (1) the party against whom collateral estoppel is asserted had a full and fair opportunity to litigate the issues in the prior proceeding; (2) the issue was actually litigated; (3) the controlling facts and applicable legal rules were the same in both actions; (4) the issue in the prior litigation was a critical and necessary part of the prior determination; and (5) the issue in the prior proceeding was actually decided.³ And, while mutuality of parties was initially required, courts have moved away from that constraint.⁴ Collateral estoppel can arise from various proceedings, such as district-court litigations or *inter partes* proceedings in front of the PTAB. This article,

however, is limited to collateral estoppel that arises from an IPR decision.

While collateral estoppel stems from the common law, 315(e) estoppel is purely statutory and gets its name from the section of the US code in which it is codified.⁵ Estoppel under § 315(e) applies on a claim-by-claim basis and bars (1) an IPR petitioner from (2) asserting invalidity of a patent claim on (3) “any ground that the petitioner raised or reasonably could have raised during that *inter partes* review.”⁶ 315(e) estoppel applies to subsequent proceedings in front of the PTAB, the ITC, or district courts.⁷ This statutory estoppel serves many of the same functions as collateral estoppel, such as saving judicial resources and establishing finality, but it also serves a patent-specific function: to prevent harassment of patent owners. With the creation of the PTAB and the ITC, patent challengers now have three different arenas in which they can argue invalidity. 315(e) estoppel ensures that patent challengers have only one bite at the apple and cannot use the different forums to lodge multiple invalidity attacks against a single patent owner. And, importantly, 315(e) estoppel applies win or lose. Even after a victory, the IPR petitioner is unable to make the same arguments in a later proceeding.

Comparing the Estoppels

While the two estoppel provisions serve similar functions, there are several differences between them. These differences can create a disparity of power between plaintiffs and defendants in patent litigation. And, as discussed below, these differences can lead to an air of uncertainty to both parties after an IPR proceeding.

A. When Does Estoppel Attach?

A significant distinction between collateral estoppel and 315(e) estoppel is at what point the estoppel attaches. Collateral estoppel applies when the parties have “been afforded the opportunity to exhaust [their] ‘day in court.’”⁸ Under Federal Circuit case law, collateral estoppel will not apply to PTAB decisions until the PTAB’s final written decision is affirmed on direct appeal by the Federal Circuit.⁹ In contrast, 315(e) estoppel attaches once there is a final written decision by the PTAB¹⁰—months or sometimes years before collateral estoppel might apply. Indeed, 315(e) applies even as the PTAB decision is being appealed.¹¹

Because collateral estoppel and 315(e) estoppel attach at different times, it can lead to a situation where a *plaintiff* is permitted to assert infringement of a claim previously found unpatentable by the PTAB, but *the*

defendant is not permitted to assert invalidity of that very same claim. This happened in *TRUSTID v. Next Caller*.¹² There, the PTAB issued a final written decision holding certain patent claims unpatentable. In a parallel district-court action, the court held that the PTAB's final written decision triggered 315(e) estoppel to preclude the defendant from asserting that those patent claims were invalid at the upcoming trial.¹³ The district court reasoned, however, that collateral estoppel did not preclude the plaintiff from asserting infringement of those "unpatentable" claims at the trial because the PTAB's final written decision was still pending appeal and, under Federal Circuit precedent, collateral estoppel would not attach until all appeal rights had been exhausted.¹⁴ While seemingly counterintuitive, this result is what the law demands.¹⁵ In short, collateral estoppel will preclude a patent owner from asserting infringement **only after** a final written decision has been affirmed on appeal; whereas 315(e) estoppel will preclude a defendant from asserting invalidity **as soon as** the final written decision issues.

Despite 315(e) estoppel arising sooner, it comes with some uncertainty. When the Federal Circuit vacates or remands a PTAB decision, the final written decision no longer stands—and neither does 315(e) estoppel.¹⁶ In about 20% of PTAB appeals, the Federal Circuit vacates and remands some portion of the PTAB's decision.¹⁷ Thus, depending on the claims at issue, 315(e) may disappear 20% of the time (although, it will almost inevitably return).

Because there is a nearly 1-in-5 chance that a PTAB final written decision will be vacated or remanded, parties are apt to be wary when the PTAB's decision goes up for review by the Federal Circuit. And district courts have struggled with what to do with 315(e) estoppel when the Federal Circuit vacates a final written decision. For instance, the Eastern District of Texas took on this issue when the Federal Circuit reversed and remanded two patent claims the PTAB found valid in an earlier IPR proceeding while the same parties were litigating in the district court.¹⁸ There, the court determined that the plaintiff was no longer estopped with respect to the two claims because the final written decision was vacated by the Federal Circuit.¹⁹ The court grappled with the idea that a final written decision was "inevitable and imminent," but noted that "it is not for the Court to direct the parties how to allocate their resources in this action."²⁰ The case emphasizes the point that, while 315(e) estoppel arises quickly, parties relying on it might later find themselves on a rollercoaster of estoppel: one moment it applies, and the next it's gone only to return once more.

B. What Issues Are Estopped?

At first blush, the scope of 315(e) estoppel may seem broader than collateral estoppel: collateral estoppel requires the "issue being litigated" to be exactly the same as the issue in the prior litigation; whereas 315(e)

estoppel applies to invalidity arguments that were raised or reasonably could have been raised in an IPR proceeding. Interestingly, however, a number of district courts contemplating collateral estoppel have defined "issue" to mean invalidity as a whole. In other words, the question asked is whether the defendants previously asserted any type of *invalidity* argument rather than if the defendants have asserted a specific ground of invalidity, such as an invalidity argument based on a specific set of prior-art references.²¹ But other courts, like Delaware, understand "issue" to apply to each ground of invalidity rather than invalidity itself.²² This split in ideology means that the breadth of collateral estoppel rests entirely on the jurisdiction in which the subsequent proceeding resides.

In contrast, courts almost uniformly agree that 315(e)'s estoppel "reasonably could have raised" standard applies to any reference that the IPR petitioner actually knew of or that "a skilled searcher conducting a diligent search reasonably could have been expected to discover."²³ Thus, some district court jurisdictions might entirely bar a party from asserting invalidity arguments under collateral estoppel even though it is permissible through 315(e).²⁴

So if a patent owner has the option to assert either collateral estoppel or 315(e) estoppel, which estoppel is the best choice? The answer may depend on the jurisdiction. In the "broad collateral estoppel" jurisdictions where courts apply collateral estoppel broadly to bar a defendant from arguing *any type of invalidity*, a patent owner could argue that collateral estoppel precludes all invalidity arguments, rather than 315(e) estoppel, which would preclude only those patents and printed publications that "reasonably could have been raised" in the PTAB.²⁵ In contrast, in the "narrow collateral estoppel" jurisdictions (like Delaware), a patent owner would prefer 315(e)'s "reasonably could have raised" standard, which is likely to preclude more prior-art references than collateral estoppel. Thus, jurisdiction may dictate which estoppel is best for patent holders after a final written decision is affirmed.

C. Who Can Assert the Estoppel?

Collateral estoppel and 315(e) estoppel apply to different parties.

Collateral estoppel can be asserted by any party involved in a prior proceeding to invalidate a patent (e.g., IPR, reexamination, ITC validity determination). And collateral estoppel can be used by a defendant who was not a party to the previous attempt to invalidate the patent. For instance, in cases where the patent was previously invalidated during an IPR, a new defendant can estop the patent holder from asserting that same patent against it using collateral estoppel.²⁶

In contrast, the preclusive effects of 315(e) estoppel apply only to an IPR petitioner who was a real party-in-interest to an IPR petition receiving a final written

decision against the patent in question.²⁷ Thus, only a patent holder—or their subsequent assignees—can assert 315(e) estoppel to preclude a previous real party-in-interest to an IPR petition from seeking to invalidate a patent in a later proceeding.

Looking Towards the Future

The dynamic between collateral estoppel and 315(e) estoppel leads to a lot of questions and future developments may have some answers. First, it will be interesting to see whether courts continue to allow plaintiffs to assert patent claims the PTAB previously found invalid while precluding defendants from asserting invalidity defenses that could have been raised in a prior IPR. This concept seems illogical—but is entirely supported by case law. Likewise, litigation strategies may change if certain jurisdictions continue

to view invalidity as a whole to be the “identical issue” for purposes of collateral estoppel. Even if those jurisdictions narrow the scope to only preclude patents or printed publications asserted under §§ 102 and 103, the jurisdictions could still completely bar the arguments under collateral estoppel even if they would be allowed under § 315(e). Finally, how courts handle the issue of judicial resources when it comes to final written decisions that have been vacated will likewise affect the parties. Allowing litigation to go forth on issues in which a final written decision and estoppel is imminent seems to disregard the purpose of estoppel in the first place. But the statute is clear on what triggers 315(e) estoppel: the PTAB’s final written decision. These issues and more will be telling as courts continue to determine estoppel issues and how to apply them.

1. *San Remo Hotel, L.P. v. City and County of San Francisco, Cal.*, 545 U.S. 323, 336 (2005).
2. *Southern Pacific R. Co. v. United States*, 168 U.S. 1, 49 (1897).
3. See *Comair Rotron, Inc. v. Nippon Densan Corp.*, 49 F.3d 1535, 1537 (Fed. Cir. 1995).
4. See *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 326 (1979).
5. See 35 U.S.C. § 315(e).
6. *Id.*
7. *Id.*
8. *U.S. Ethernet Innovations, LLC v. Texas Instruments Inc.*, 645 Fed. Appx. 1026, 1030 (Fed. Cir. 2016).
9. See *Canfield Scientific, Inc. v. Drugge, et. al.*, No. 16-cv-04636, 2018 WL 2973404 (D.N.J. June 13, 2018); see also *Pers. Audio, LLC v. CBS Corp.*, 946 F.3d 1348, 1354 (Fed. Cir. 2020) (“[W]e held that district court actions had to terminate when a [PTAB] unpatentability ruling as to the relevant patent claims was affirmed on appeal.”). Federal Circuit patent cases remain largely undisturbed by the Supreme Court. In fact, the Supreme Court typically only hears 1-2 patent cases a year. See Lisa Larrimore Ouellette, Michael Risch, and Camilla Hrdy, *Supreme Court Patent Cases*, WRITTEN DESCRIPTION BLOG, <https://writtendescription.blogspot.com/p/patents-scotus.html> (last visited Dec. 5, 2021) (listing patent cases decided by the Supreme Court). As a result, collateral estoppel will largely remain untouched.
10. 35 U.S.C. § 315(e).
11. See *SiOnyx, LLC v. Hamamatsu Photonics K.K.*, No. 15-13488-FDS, 2018 WL 4177941, at *18 (D. Mass. Aug. 30, 2018).
12. See *TRUSTID, Inc. v. Next Caller Inc.*, No. 18-cv-172, 2021 WL 3015280, at *3-*4 (D. Del. July 6, 2021).
13. See *id.*
14. See *id.*
15. See *id.*

16. See *General Access Sols., Ltd. v. Spring Spectrum, et. al.*, No. 20-cv-00007, 2020 WL 12572917, at *2-*3 (E.D. Tex. Dec. 1, 2020).
17. Kerry S. Taylor and Clayton R. Henson, *IPR Appeals: Outcomes in Fed. Circ. Remands to PTAB*, LAW360 (Feb. 7, 2017), <https://www.law360.com/articles/884927/ipr-appeals-outcomes-in-fed-circ-remands-to-ptab>.
18. *General Access*, 2020 WL 12572917, at *2-*3.
19. *Id.*
20. *Id.*
21. See *XpertUniverse, Inc. v. Cisco Sys., Inc.*, No. 17-cv-03848, 2018 WL 2585436, at *3-*4 (N.D. Cal. 2018); *Rudolph Techs., Inc. v. Camtek Ltd.*, No. 17-cv-1734, 2016 WL 8668504, at *4-*6 (D. Minn. Aug. 8, 2016); *Crossroads Sys. (Texas), Inc. v. Dot Hill Sys. Corp.*, No. 03-ca-754, 2006 WL 1544621, at *5 (W.D. Tex. 2006).
22. See *Sprint Commc’ns Co. L.P. v. Charter Commc’ns, Inc.*, No. 17-cv-1734, 2021 WL 982726, at *5-*6 (D. Del. March 16, 2021).
23. See *Palomar Techs, Inc. v. MRSI Sys., LLC*, 18-cv-10236, 2020 WL 2115625, at *3-*4 (D. Mass May 4, 2020); *Novartis Pharms. Corp. v. Par Pharma Inc.*, No. 14-cv-1494, 2019 WL 9343055, at *2-*3 (D. Del. Apr. 11, 2019).
24. For example, if the party seeking invalidity finds a new prior art reference after the initiation of an IPR despite previously conducting a diligent search. See *Freal Foods, LLC v. Hamilton Beach Brands, Inc.*, No. 16-41-CFC, 2019 WL 1558486, at *1-*2 (D. Del. Apr. 10, 2019) (finding that 315(e) estoppel did not apply to prior art that defendants found after the initiation of an IPR despite highly skilled patent searches conducting a diligent search).
25. It’s important to note that, given the narrow issues able to be litigated in an IPR, courts that prohibit litigating issues of validity as a whole based on collateral estoppel may not apply the same rules when the prior proceeding is an IPR. See *Zitovault, LLC v. Int’l Business Machines Corp.*, No. 16-cv-0962, 2018 WL 2971178, at * 2 (N.D. Tex. Apr. 4, 2018) (finding that issue preclusion did not apply because “[d]efendants could not have raised all of the invalidity defenses in the IPR”).
26. See *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 333-34 (1971).
27. See 35 U.S.C. § 315(e).