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Federal Circuit Recognizes an Exception to *Inter Partes* Review Estoppel Provisions

On March 23, the US Court of Appeals for the Federal Circuit issued a decision endorsing an exception to the estoppel provisions for *inter partes* review (IPR) under 35 U.S.C. § 315(e). *Shaw Industry Group, Inc. v. Automated Creel Systems, Inc.*, No. 2015-1116, 2015 1119 (Fed. Cir. Mar. 23, 2016). The estoppel provisions of § 315(e) prevent a party from raising issues in subsequent proceedings that were “raised or reasonably could have [been] raised during [a prior] *inter partes* review.” 35 U.S.C. §§ 315(e)(1) and (2). In *Shaw*, the Federal Circuit was asked to review a final decision issued by the Patent Trial and Appeal Board (PTAB) in an IPR and a petition for a writ of mandamus instructing the PTAB to institute another IPR on grounds from the original petition that the PTAB had held were “redundant.” *Shaw*, slip op. at 6, 9 10. *Shaw* argued that the redundancy ruling and estoppel provisions of § 315(e) prevented it from raising those claims in any forum. *Id.* at 9 10. In denying the petition for writ of mandamus, the Federal Circuit focused on the “during” language of § 315(e), drawing a distinction between the petition for an IPR and the instituted IPR itself. *Shaw*, slip op. at 11. The court held “[t]he IPR does not begin until instituted[,]” and thus, grounds asserted in a prior petition for IPR, but not considered in an instituted IPR, are not raised and could not be reasonably raised “**during** the IPR.” *Id.* (emphasis in the original).

At first blush, the court’s broad language in *Shaw* could suggest that the Federal Circuit significantly narrowed estoppel under § 315(e), by limiting its reach to prohibit only those grounds instituted by the PTAB. However, the *Shaw* decision should not be read so broadly. Rather, *Shaw* sanctions an exception to the estoppel provisions, whereby estoppel does not apply to a ground for invalidity that was asserted in a previous IPR petition, but not substantively reviewed by the PTAB during the instituted IPR. By finding that the PTAB’s redundancy ruling prevented *Shaw* from raising those grounds during the IPR, the court held that these grounds could not have been reasonably raised by *Shaw* during the IPR, and thus § 315(e) was inapplicable. *Shaw*, slip op. at 11.

The scope of what a petitioner “reasonably could have raised” has been addressed by both district courts and the PTAB. For example, in *Clearlamp, LLC v. LKQ Corp.*, the district court held that the “reasonably could have raised” language applies to “prior art which a skilled searcher conducting a diligent search would reasonably could have been expected to discover.” 12-cv-2533, slip op. at 14, 18 (N.D. Ill. Mar. 18, 2016); *see also*, 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). The court further clarified that the party requesting estoppel bears the burden of proving a reasonable search would have uncovered the prior art reference in question. *Id.* While evidence such as search strings and expert testimony could be used, the court stressed that such evidence must demonstrate that the search would uncover the exact reference in question. *Id.* at 19 (“merely being cumulative of other prior art does not invoke §315(e)(2) estoppel.”).

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Similarly, the PTAB has applied § 315(e) to estop petitioners from raising grounds in a later petition where the evidence showed that the petitioner was aware of the prior art and thus, could have raised those grounds in a previous IPR proceeding. *See, e.g., Apotex v. Wyeth*, IPR2015-00873, Paper No. 8 at 6 (Sept. 16, 2015) (estopping petitioner from asserting an obviousness ground that was based on prior art that was referenced, but not relied on, in an earlier IPR proceeding); *see also Dell et al. v. Electronics and Telecommunications Research, Institute*, IPR2015-00549, Paper No. 10 at 4 (Mar. 26, 2015) (estopping petitioner from later asserting obviousness ground based on the same prior art that formed the basis of an anticipation ground in a previous IPR proceeding).

However, the PTAB also has recognized at least two exceptions to the estoppel provisions of § 315(e). First, finding that estoppel only applies on a claim-by-claim basis, the PTAB has permitted old challenges to new claims. *See Dell* at 6. Second, the PTAB has expressly held that grounds raised in a prior petition, “but not made part of the instituted trial ... cannot be the basis of estoppel.” *Apotex* at 8–9.

The Federal Circuit’s decision in *Shaw* focuses on the latter exception, holding that neither §§ 315(e)(1) or (2) prohibit a party from later raising a ground in an IPR or district court that was asserted in a previous petition for IPR, but not instituted on that basis. *Shaw*, slip op. at 11. The *Shaw* decision underscores the importance of including your best prior art and multiple invalidity arguments in an IPR petition, including any arguments based on prior art references that a skilled searcher performing a diligent search would discover. In light of *Shaw*, a useful strategy to leverage this exception and preserve arguments for future litigation may be to draft IPR petitions that include multiple grounds on similar, but distinct prior art.

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