

Court Narrows Invalidity Case Through IPR Estoppel, but Federal Circuit's Shaw Decision Keeps Some Arguments Alive

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By: Andy Rosbrook

Under § 315(e), a final decision in an IPR on the validity of a patent claim, generally precludes a later challenge to the validity of a patent claim on any ground that a petitioner “raised or reasonably could have raised during that *inter partes* review.” In *Shaw*, the Patent Trial and Appeal (PTAB) instituted the IPR on most of the grounds in the petition, but declined to institute the IPR based on a prior art reference called “Payne.” The Federal Circuit was faced with deciding whether § 315(e) would prevent the petitioner from making a subsequent invalidity challenge based on Payne. Reading § 315(e) strictly and narrowly, the Federal Circuit determined that estoppel did not attach to Payne, reasoning that the petitioner “did not raise—nor could it have reasonably raised—the Payne-based ground during the IPR” because “[t]he IPR does not begin until it is instituted.”

For patent infringement defendants, the Federal Circuit's rationale presented a tempting strategic possibility. One reading of *Shaw* is that estoppel might attach to only those grounds that the PTAB relies on in instituting an IPR, leaving open the possibility of an invalidity challenge on every other ground.

Judge Peterson in the Western District of Wisconsin, however, recently rejected that possibility in *Douglas Dynamics, LLC v. Meyer Prods. LLC*, No. 14-cv-886-JDP (W.D. Wis. Apr. 18, 2017). There, the defendant's invalidity arguments fell into two categories: (1) prior art that was raised in an IPR petition, but that was not used by the PTAB to institute the IPR, and (2) previously unasserted prior art. The first category was easy—this was plainly the fact pattern

of *Shaw*, and the court allowed those invalidity arguments to go forward. The court, however, tossed the second category of invalidity arguments.

In the court's view, allowing post-IPR assertion of non-petitioned grounds "undermines the purported efficiency of IPR." In short, the legislative history suggests that Congress intended for IPRs to be "a complete substitute" for district court litigation over patent validity. If defendants can "hold a second-string invalidity case in reserve in case the IPR does not go the defendant's way," then IPR is not a substitute for district court litigation, but rather an additional step in the process. The Court further noted that at least two other courts—the Middle District of North Carolina and the Northern District of Illinois—have held similarly. Based on this ruling, a defendant who wants to preserve as many possible grounds for challenging invalidity will want to put all of its grounds in its IPR petition. Any grounds that are not used as the basis for instituting the IPR could then become the petitioner's "second-string" arguments to be used in district court.

Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc., 817 F.3d 1293 (Fed. Cir. 2016)

Categories

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