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Federal Circuit Limits Estoppel Arising Out of an *Inter Partes* Review

On March 23, 2016, the US Court of Appeals for the Federal Circuit held that the estoppel provisions of 35 U.S.C. § 315 do not extend to grounds rejected by the Patent Trial and Appeal Board (“Board”) in a decision instituting *inter partes* review (“IPR”), permitting petitioners who ultimately lose on final written decision to re-raise in district court arguments that the Board had summarily rejected at the institution stage.

Background to the Dispute

Automated Creel Systems (“ACS”) filed suit against Shaw Industries Group, Inc. (“Shaw”) for infringement of US Patent No. 7,806,360 (“the ‘360 patent”), which relates to systems that feed stranded materials (like yarn) into a manufacturing process. In response, Shaw filed a petition for IPR challenging all of the ‘360 patent’s claims. With respect to claims 6, 7, 13, 15–18, and 21, the petition included three grounds of unpatentability—two asserting obviousness, and one asserting anticipation by a different prior-art reference. The Board instituted IPR based on the two obviousness grounds, but denied institution based on the anticipation ground, which it deemed “redundant” to the obviousness grounds without further explanation. After a trial on the merits, the Board determined that Shaw had not proven these claims to be unpatentable.

The Federal Circuit’s Decision

Shaw appealed the final written decision, and also petitioned for a writ of *mandamus* directing the Board to reconsider its institution decision. The stringent requirements for a writ of *mandamus* were satisfied, Shaw argued, because the final decision in the IPR created an estoppel under 35 U.S.C. § 315(e) preventing Shaw from raising the anticipation ground (or other grounds) in the future, even though neither the Board nor the court had evaluated its merits. 35 U.S.C. § 315(e) provides in relevant part:

(1) Proceedings before the office.—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) . . . may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) Civil actions and other proceedings.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision . . . may not assert . . . in a civil action . . . that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

The court denied *mandamus*, disagreeing with Shaw and accepting the argument of the US Patent & Trademark Office (as intervenor) that estoppel does not apply in these circumstances. IPR proceeds in two phases: first, the Board evaluates the petition to determine whether to institute IPR; second, the Board conducts the IPR itself and

makes a final decision based on the evidence. Therefore, the court reasoned, if the Board rejects a ground in its institution decision, it never becomes part of the IPR itself, and so is not a “ground that the petitioner raised or reasonably could have raised *during that inter partes review*.” Since the Board’s redundancy decision did not give rise to estoppel with respect to the anticipation ground, as it specifically prevented Shaw from raising that ground in the IPR, *mandamus* was not warranted.

Judge Reyna joined the majority opinion in full, but wrote separately to criticize the Board’s failure to explain its redundancy decision. He also expressed an opinion that estoppel issues were not properly before the court, but did not provide further explanation or explicitly disagree with the court; rather, his apparent point was that tribunals deciding whether estoppel applies in a particular case cannot readily do so when the Board has not explained its reasons for excluding a ground from the IPR. Judge Reyna therefore called upon the Board to satisfy its legal duty to provide explanation for its decisions, even those not subject to judicial review.

This Federal Circuit decision comes on the heels of a decision by the US District Court for the Northern District of Illinois in *Clearlamp, LLC v. LKQ Corp.*, No. 12-C-2533 (March 18, 2016), granting the defendant’s motion for summary judgment of invalidity with respect to claims that the Board had already finally determined had not been shown to be unpatentable by the same defendant. In the *Clearlamp* case, the court opined that the defendant was not estopped under 35 U.S.C. § 315(e) with respect to prior art that was not reasonably available to the defendant/petitioner, even if that prior art was cumulative of prior art that was before the Board during the IPR proceeding.

Potential Impact of the Court’s Decision

On its face, the Federal Circuit’s holding applies to any ground included in a petition for IPR but that is not instituted by the Board, because such a ground could not reasonably have been raised during the IPR. Therefore, some petitioners may decide to be strategically overinclusive when preparing a petition, assured that any grounds denied institution by the Board will be available during future litigation. In fact, a petitioner with one ground better presented through witnesses in district court might present a potentially redundant ground more suitable for the Board in a more positive light so as to encourage the Board to hear only that one. In this manner, the petitioner could choose which ground is heard by which forum.

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This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

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