

PATENT AND TRADEMARK LAW

Expert Analysis

Federal Circuit in ‘Caltech’ Clarifies The Scope of IPR Estoppel

A recent decision by the U.S. Court of Appeals for the Federal Circuit regarding the scope of estoppel triggered by an inter partes review (IPR) proceeding initially prompted panic among patent litigants, as it suggested a far broader scope of estoppel than had been applied under controlling precedent to that point. But a quick-on-its-feet Federal Circuit issued an errata opinion just over two weeks later, correcting certain of its statements regarding IPR estoppel. While the corrected opinion still overrules one prior decision—as was clearly intended based on the Federal Circuit’s reasoning—the correction otherwise moved the decision back in line with precedent.

On Feb. 4, 2022, the Federal Circuit initially issued its opinion in *Califor-*

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nia Inst. of Tech. v. Broadcom Ltd., 25 F.4th 976 (Fed. Cir. 2022) (*Caltech*),

The corrected decision still overruled a prior decision of the Federal Circuit and provided clarity on the question of whether IPR estoppel applies to invalidity grounds that the challenger “reasonably could have raised” in the IPR.

which raised concerns that the Federal Circuit was applying a far broader estoppel than it had before, preventing a patent challenger in an IPR proceeding from, in a parallel district court case, raising invalidity defenses against *any* patent claim

in a challenged patent—even those claims that were not at issue in the IPR proceeding. But, later that month, the Federal Circuit issued an errata opinion clarifying that IPR estoppel applies only as to patent claims actually challenged in an IPR proceeding. That said, the corrected decision still overruled a prior decision of the Federal Circuit and provided clarity on the question of whether IPR estoppel applies to invalidity grounds that the challenger “reasonably could have raised” in the IPR.

Background

After President Obama signed the America Invents Act into law in 2011, IPR proceedings became a fixture in modern patent litigation. The new mechanism offered under the statute was straightforward—rather than challenge validity of a patent in a time intensive and expensive exercise in federal court, where unpredictable and inconsistent decisions would ostensibly be made by various

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federal judges and juries, a patent challenger could instead elect to file an IPR proceeding at the newly-formed Patent Trial and Appeals Board (PTAB). These expedited, 18-month challenges were intended to be cheaper and faster alternatives to district court litigation. But, as part of the deal, patent challengers would then be estopped from raising in a parallel district court proceeding any grounds for invalidity that the challenger “raised or reasonably could have raised during that inter partes review.” 35 U.S.C. §315(e)(2). The scope of this estoppel is a critical consideration in patent litigation, and ultimately in a patent challenger’s decision on whether to file an IPR petition.

Prior to *Caltech*, the Federal Circuit had held that an IPR proceeding resulting in a Final Written Decision would not preclude a patent challenger from raising invalidity in a district court based on grounds not actually instituted as part of the IPR proceedings. See *Shaw Indus. Grp. v. Automated Creel Sys.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016). According to the analysis in *Shaw*, an invalidity ground raised in the petition but *not* instituted as part of an IPR is not a ground that could have been raised “during that inter partes review”—because the IPR did not yet exist prior to institution.

In the wake of *Shaw*, district courts split on whether the estoppel applies

to grounds not actually raised in a petition. For example, some district courts focused on the “during the IPR” part of the *Shaw* decision, exempting non-petitioned grounds from estoppel. See, e.g., *Koninklijke Philips N.V. v. Wangs All.*, 2018 WL 283893 (D. Mass. Jan. 2, 2018); *Verinata Health v. Ariosa Diagnostics*, 2017 WL 235048 (N.D. Cal. Jan. 19, 2017); *Intellectual Ventures I v. Toshiba*, 221 F. Supp. 3d 534 (D. Del. 2016). But other courts rejected this limited read of the statute, applying estoppel to grounds that *could have been raised* but which were not included in the petition. See, e.g., *SiOnyx v. Hamamatsu Photonics K.K.*, 330 F. Supp. 3d 574, 602 (D. Mass. 2018); *Cobalt Boats v. Sea Ray Boats*, 2017 WL 2605977, at *3 (E.D. Va. 2017); *Biscotti v. Microsoft*, 2017 WL 2526231, at *7 (E.D. Tex. 2017); *Douglas Dynamics v. Meyer Prods.*, 2017 WL 1382556, at *5 (W.D. Wis. 2017); *Parallel Networks Licensing v. IBM*, 2017 WL 1045912, at *12 (D. Del. 2017); *Oil-Dri Corp. of Am. v. Nestle Purina Petcare Co.*, 2017 WL 3278915, at *8 (N.D. Ill. 2017).

The *Caltech* decision resolved this split in the authority by overruling *Shaw*, based in part on the Supreme Court’s analysis in *SAS Inst. v. Iancu*, 138 S. Ct. 1348 (2018).

The Supreme Court’s Decision in ‘SAS’

The Supreme Court’s decision in *SAS* was not intended to address

estoppel, though it did end up having broader implications. In *SAS*, the Supreme Court held that the PTAB must issue a Final Written Decision addressing every patent claim challenged in an IPR petition, because the statute does not authorize the PTAB to undertake only a partial institution as to some challenged claims but not others. In reaching that conclusion, the court found the statute mandates that “the petitioner’s contentions, not the Director’s discretion, define the scope of the litigation all the way from institution through to conclusion.” *SAS*, 138 S. Ct. at 1357. Under this new all-or-nothing interpretation, the Supreme Court concluded that the PTAB can institute IPR on either all of the challenged claims or none—rejecting a long-established practice of partial institution.

‘Caltech’ Overrules ‘Shaw’

Following the Supreme Court’s decision in *SAS*, the Federal Circuit in *Caltech* overruled *Shaw*. In particular, the Federal Circuit in *Caltech* concluded that the analysis in *Shaw* could not be sustained under the Supreme Court’s interpretation of a related statutory provisions in *SAS*.

In *Caltech*, the defendants had filed multiple IPR petitions challenging the validity of the patents at issue, and, in the parallel district court proceeding, sought to

invalidate those same patents. The Central District of California found that the invalidity arguments were barred by the estoppel stemming from the IPR proceedings, which had resulted in a Final Written Decision upholding the validity of the patents.

The Federal Circuit affirmed the district court decision with regard to the estoppel issue, finding that the grounds at issue reasonably *could have been raised* during the IPR proceedings. The Federal Circuit reasoned that *Shaw* should be overruled because *Shaw* permits the PTAB discretion to selectively institute *some* grounds against *some* patent claims, but to decline to institute on other grounds and claims. The Federal Circuit found that practice to be in conflict with the Supreme Court's holding in *SAS* "that there is no partial institution authority conferred on the [PTAB] by the America Invents Act and that it is the petition, not the institution decision, that defines the scope of the IPR." *Caltech*, 25 F.4th at 990 (internal citation omitted). Therefore, the Federal Circuit reasoned, since the PTAB must consider the petition as a whole and render an all-or-nothing institution decision, any grounds that could have been raised in a petition are grounds that also could have been raised in the post-institution proceedings. In other words, the time at which the IPR technically begins is irrelevant

to whether the ground could have been raised.

One Last Thing ... Widespread Panic and a Timely Errata

While the Federal Circuit's ultimate conclusion to overrule *Shaw* made sense in light of its reasoning, the language of the initial opinion went further. More specifically, the initial version of the opinion suggested that the IPR estoppel not only applied to *grounds* which could have been included in the petition but were not, but also applied to *patent claims* that were not even challenged in the IPR:

Accordingly, we take this opportunity to overrule *Shaw* and clarify that estoppel applies *not just to claims and grounds asserted in the petition and instituted for consideration by the Board, but to all claims and grounds not in the IPR but which reasonably could have been included in the petition.*

Original Opinion, Caltech, Dkt. 63 (emphases added). Indeed, a fair reading of the language above is that an IPR challenging some claims of a patent would result in estoppel as to other claims of the patent. But this read was a vast departure from the precedent and the statute, and seemed a bridge farther than the Federal Circuit intended.

After commentators expressed concerns, the Federal Circuit quickly pounced and issued an errata on February 22, clarifying that the

estoppel applies only to the patent claims challenged in an IPR petition:

Accordingly, we take this opportunity to overrule *Shaw* and clarify that estoppel applies not just to claims and grounds asserted in the petition and instituted for consideration by the Board, but to all claims and grounds not stated in the IPR petition but which reasonably could have been included in the petition asserted. In a regime in which the Board must institute on all grounds asserted challenged claims and the petition defines the IPR litigation, this interpretation is the only plausible reading of "reasonably could have been raised" and "in the IPR" that gives any meaning to those words.

Errata Opinion, Caltech, Dkt 67.

In the end, while the Federal Circuit did overrule *Shaw*, and now provides uniform guidance to district courts that IPR estoppel does, in fact, apply to grounds that reasonably *could have been raised* in an IPR proceeding, the Federal Circuit also clarified that IPR estoppel still applies only as to patent claims actually challenged in an IPR petition.