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The Evolving Scope of IPR Estoppel as Applied to System and Product Prior Art

MICHAEL RUECKHEIM AND RICHARD JUNG

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INTRODUCTION

The *inter partes* review (“IPR”) statute provides that a final IPR decision estops the petitioner from later litigating that any challenged claims are invalid on any ground that the petitioner raised or reasonably could have raised in the IPR proceeding.¹ By statute, a petitioner may only request to cancel a claim in an IPR on a “ground that could be raised under” 35 U.S.C. § 102 or 103 and “only on the basis of prior art consisting of patents or printed publications.”² The IPR estoppel provision does not expressly address invalidity theories based on system or product prior art, which is not surprising given the scope provision permitting only the assertion of patents and printed publications in IPR proceedings.

The meaning of “ground[s]” in the IPR estoppel provision and whether IPR estoppel applies to later-asserted invalidity theories based on system or product prior art has been decided inconsistently by different district courts. This article will examine the developing district court split regarding how IPR estoppel is applied to system and product prior art. This article will then suggest a potential appellate resolution of this split of authority and discuss practical considerations.

DISTRICT COURT SPLIT OF AUTHORITY OVER INTERPRETATION OF THE IPR ESTOPPEL STATUTORY SECTION, § 315(E)(2)

The Statutory Plain Language Approach

A first line of district court cases interprets the estoppel statute narrowly based on its plain language. In *Chemours Company FC v. Daikin Industries*, for example, a defendant in the District of Delaware was subject to IPR estoppel but sought to litigate an invalidity defense based on prior art products that practiced the claims of patents used as a ground in an attempt to invalidate the claims in IPR.³ It was undisputed that the products were not patents or printed publications available for use in IPR challenges.⁴ The patent owner argued that IPR estoppel applied against the defense because the “product” prior art was cumulative to the “paper” prior art relied upon in the IPR challenge.⁵

The District of Delaware rejected the patent owner’s argument, holding that “[a]s a matter of statutory interpretation, estoppel does not apply to the prior-art products that [the defendants] rel[y] on.”⁶ The court read the IPR

1. 35 U.S.C. § 315(e)(2). The provision applies to both district court litigation and proceedings before the International Trade Commission.

2. 35 U.S.C. § 311(b).

3. *Chemours Co. FC, LLC v. Daikin Indus., Ltd.*, No. CV 17-1612 (MN), 2022 WL 2643517, at *1 (D. Del. July 8, 2022).

4. *Id.*

5. *Id.*

6. *Id.*

estoppel statute narrowly, finding that estoppel does not apply to such prior-art products “regardless of whether [the relied-upon] products are ‘cumulative’” of materials available for use in IPR proceedings.⁷ The court reasoned that the statutory language uses the term “ground” to refer to “specific pieces of prior art” available for use in IPR challenges, which do not include prior-art products, and therefore, “any invalidity theory relying upon [a] product as a prior art reference is not a ‘ground’ that reasonably could have been raised during the IPR.”⁸

The *Chemours* court explored the legislative intent behind § 315(e)(2). The court stated: “Congress could have dictated that estoppel applies to products covered by the paper art [that] discloses the same claim limitations as the product. But Congress did not do so.”⁹ The court concluded that, based on “[a]dher[ence] to well-accepted canons of [statutory] construction,” *i.e.*, the plain language approach, “it is not for this Court to ignore Congress’s omission and create additional bases for estoppel.”¹⁰

Other district courts have employed a similar statutory plain language approach to adopt a similarly narrow interpretation of IPR statutory estoppel, including districts in at least Illinois, Minnesota, and Wisconsin.¹¹

The “Materially Identical” Approach

In a second line of decisions, other district courts (or even the same district courts as in the prior side of the split) have applied estoppel when the system or product prior art was “materially identical” to printed publications and patents available for use in IPR challenges. In *Wasica Finance GmbH v. Schrader International, Inc.*, for example, the defendant asserted an Italian patent (“Oselin”) in an IPR challenge, and later proffered a litigation invalidity defense combining Oselin with a physical “ZR-1 Sensor” prior art product.¹² The patent owner argued that estoppel applied because a prior printed publication (“Siuru”) disclosed all of the relevant features of the ZR-

7. *Id.*

8. *Id.* (citing *Medline Indus., Inc. v. C.R. Bard, Inc.*, No. 17-7216, 2020 WL 5512132, at *3 (N.D. Ill. Sept. 14, 2020); 35 U.S.C. § 315(e)(2)).

9. *Chemours*, 2022 WL 2643517 at *2.

10. *Id.*

11. *See, e.g.*, *Medline Indus., Inc. v. C.R. Bard, Inc.*, No. 17 C 7216, 2020 WL 5512132, at *4 (N.D. Ill. Sept. 14, 2020) (“If Congress had wanted to estop an IPR petitioner from pursuing invalidity grounds that relied upon a physical product in a particular situation, such as where a patent or printed publication disclosed the same claim limitations as the product, it could have provided language to that effect. Congress did not do so, and this failure indicates Congress did not intend for the IPR estoppel provision to be that broad”); *Polaris Indus., Inc. v. Arctic Cat Sales Inc.*, No. 15-CV04475, 2019 WL 3824255, at *3 (D. Minn. Aug. 15, 2019) (rejecting argument that reliance upon “physical vehicles” prior art “rather than the printed materials describing them would allow [the defendant] to end-run estoppel”); *Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, 271 F. Supp. 3d 990, 1031 (E.D. Wis. 2017) (“IPR estoppel bars nothing except prior art consisting of patents and printed publications.”).

12. *Wasica Fin. GmbH v. Schrader Int’l, Inc.*, 432 F. Supp. 3d 448, 452 (D. Del. 2020).

l sensors.¹³ Under the patent owner’s theory, defendants were estopped because they “reasonably could have raised” Siuru in IPR.¹⁴

In resolving the dispute on summary judgment, the *Wasica* court examined whether “IPR estoppel extend[s] to invalidity ‘grounds’ that include a physical product when a patent or prior art publication – to which the physical product is entirely cumulative – was reasonably available during the IPR.”¹⁵ The court looked to the IPR statute and concluded that “the Patent Act distinguishes between grounds and evidence.”¹⁶ As such, the court reasoned, an IPR “petitioner is estopped from proceeding in litigation on those grounds,” including where the petitioner seeks to support those grounds with evidence not consisting of patents or printed publications that therefore could not have been used in IPR.¹⁷ The court granted summary judgment that estoppel barred the defendant from asserting the ZR-1 sensor prior art in an invalidity defense.¹⁸

The *Wasica* court supported its decision by echoing the patent owner’s concern that allowing IPR petitioners to “simply swap out publications that were available through a diligent search with the same prior art, only in a slightly different format” would “gut the estoppel provision entirely.”¹⁹

Other district courts similarly employ the “materially identical” approach based on statutory interpretation and the policy concerns discussed in *Wasica*, among them the Western District of Texas in *Hafeman v. LG Electronics*.²⁰ Others have disagreed, and not followed *Wasica*’s analysis.²¹

13. *Id.* at 453.

14. *Id.* at 453-454.

15. *Id.* at 453.

16. *Id.* at 454 (further noting “35 U.S.C. § 312(a)(3) identifies as separate requirements to be included in an IPR petition ‘the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim’”).

17. *Id.*; see also *supra* note 2.

18. *Wasica*, 432 F. Supp. 3d at 455.

19. *Id.*

20. See, e.g., *Hafeman v. LG Elecs., Inc.*, No. 6:21-CV-00696-ADA, 2023 WL 4362863, at *1 (W.D. Tex. Apr. 14, 2023) (defendant estopped from asserting its own physical prior art after defendant conceded its products practice its patents); *Star Envirotech, Inc. v. Redline Detection, LLC*, No. SACV 12-1861, 2015 WL 4744394, at *4 (C.D. Cal. Jan. 29, 2015) (no estoppel because physical product prior art included a relevant feature that was not disclosed in the printed publication instruction manual related to the product, and was therefore a “superior and separate” prior art reference); *Parallel Networks Licensing, LLC v. Int’l Bus. Machines Corp.*, No. 13-2072, 2017 WL 1045912, at *12 (D. Del. Feb. 22, 2017) (“Allowing [defendant] to raise arguments here that it elected not to raise during the IPR would give it a second bite at the apple and allow it to reap the benefits of the IPR without the downside of meaningful estoppel”); *Oil-Dri Corp. v. Nestlé Purina Petcare Co.*, No. 15-CV-01067, 2017 WL 3278915, at *8 (N.D. Ill. Aug. 2, 2017) (purpose of IPR estoppel purpose to prevent petitioners from taking “a second bite at the apple”).

21. See, e.g., *Willis Elec. Co. v. Polygroup Macau Ltd. (BVI)*, 649 F. Supp. 3d 780, 814-15 (D. Minn. 2023) (stating that “the court in *Wasica* did not engage in a close analysis of the statutory text and, for this reason, other courts have rejected the holding in *Wasica* and instead followed the holding in *Medline* and other decisions ‘that have adhered more closely to the statutory language’ . . . For these reasons, the court declines to follow the reasoning in *Wasica*”) (quoting *Chemours*, 2022 WL 2643517 at *2).

POTENTIAL APPELLATE RESOLUTION OF THE SPLIT IN AUTHORITY

As shown by cases like *Chemours* and *Wasica*, the split in authority as to applying IPR estoppel to system and product prior art is inter-jurisdictional, and indeed sometimes, intra-jurisdictional.

Many of these district court decisions have noted that the Federal Circuit has not yet addressed the issue.²² However, a recent decision by Federal Circuit Judge William Bryson, sitting as a trial judge by designation in the District of Delaware, may be a harbinger of at least his potential appellate view.

In *Prolitec Inc. v. ScentAir Technologies, LLC*, Judge Bryson addressed the *Chemours* and *Wasica* holdings and the concern of “preventing defendants from ‘simply swapping labels for what is otherwise a patent or printed publication invalidity ground in order to ‘cloak’ its prior art ground and ‘skirt’ estoppel,’” and followed the *Chemours* approach.²³

Judge Bryson observed in *Prolitec* that the “core question animating the disagreement between courts is the meaning of the term ‘ground,’ as used in section 315” and whether it refers to “specific pieces of prior art” (i.e., printed publications and patents) or also the “underlying legal arguments” (which would include cumulative system and product prior art).²⁴ Judge Bryson found that the weight of authority favored limiting estoppel to only the specific pieces of prior art available for IPR challenges and noted that this approach was consistent with the statutory language addressed by *Wasica* and how the Federal Circuit uses the term “grounds” in the IPR context.²⁵ Judge Bryson concluded his holding by stating: “I will follow the *Chemours* line of cases and hold that IPR estoppel does not apply to device art, even when that device art is cumulative of patents and printed publications that were or could have been asserted in a prior IPR.”²⁶

PRACTICAL CONSIDERATIONS

The stated purpose of enacting the America Invents Act, in which Congress created IPR, was to “limit unnecessary and counterproductive litigation costs.”²⁷ Interpreting the scope of IPR estoppel, however, has added additional complexities to district court litigation in light of the split in authority discussed herein. Litigants need to be aware of if, and how, their specific judge and court views the issue, be cognizant that the Federal Circuit might

22. See, e.g., *Wasica*, 432 F. Supp. 3d at 454.

23. *Prolitec Inc. v. ScentAir Techs., LLC*, No. 20-984-WCB, 2023 WL 8697973, at *22 (D. Del., Dec. 13, 2023) (quoting *Cal. Inst. of Tech. v. Broadcom Ltd.*, No. CV 16-3714, 2019 WL 8192255, at *7 (C.D. Cal. Aug. 9, 2019), aff’d, 25 F.4th 976 (Fed. Cir. 2022)) (citing *Biscotti Inc. v. Microsoft Corp.*, No. 2:13-CV-01015, 2017 WL 2526231, at *8 (E.D. Tex. May 11, 2017)).

24. *Prolitec*, 2023 WL 8697973 at *22 (quoting 35 U.S.C. § 315(e)(2)).

25. *Id.* at *23.

26. *Id.*

27. 77 F. Reg. 48680-01 (Aug. 14, 2012).

soon weigh in and change the framework, and take proactive steps to account for these possibilities.

Indeed, the split may affect not just the scope of estoppel but the overall briefing and evidentiary approach required. Counter-intuitively, the “materially identical” approach, which imposes a broader estoppel standard, arguably creates more complexities than the statutory plain language approach. Under this approach, litigants may be required to compare the system or product prior art relied upon to the asserted patent claims to prove their invalidity defense, in addition to comparing the system and product prior art to all printed publications and patents that are identified as cumulative in order to prove that litigants are not estopped from asserting the invalidity defense.

For example, in *Boston Scientific Corporation v. Cook Group Inc.*, the Southern District of Indiana, following a *Wasica*-type approach, introduced a burden-shifting analysis for determining whether a patent challenger is estopped from relying on a physical device in district court.²⁸ The court was persuaded by the “materially identical” standard, but held that patent challengers will not be estopped if the physical device they rely on “discloses any substantive additional limitation that was not present in the reference.”²⁹ The court decided that the party seeking to estop the prior art device bears the burden of showing that “each and every material limitation present in the physical device is disclosed in the estopped reference.”³⁰ If this burden is met, the court held, the burden shifts to the party opposing the application of estoppel to show a “material limitation that is disclosed in the physical device that is not disclosed in the estopped reference.”³¹ If the opposing party meets its burden, the court may still apply estoppel if the party seeking estoppel establishes the limitation “is (1) either not material or (2) is in fact specifically disclosed in the estopped reference.”³²

Other courts on this side of the split, such as *Hafeman*, follow a different approach to burden. Indeed, the short-cut taken by the court in *Hafeman*—finding a reference was “materially identical” because of an admission that the product prior art practiced the prior art patents³³—could inspire patent owners to conduct the sometimes time consuming and expensive litigation activities that were once typically only performed by accused infringers. For example, in a typical patent litigation, accused infringers search for similar prior art for invalidity defenses and research patent marking issues for damages defenses.³⁴ Now, in a “materially identical” court, patent owners might

28. *Boston Sci. Corp. v. Cook Grp. Inc.*, 653 F. Supp. 3d 541, 593 (S.D. Ind., 2023).

29. *Id.* at 594.

30. *Id.*

31. *Id.*

32. *Id.*

33. *Hafeman*, 2023 WL 4362863 at *1.

34. *See generally*, 35 U.S.C. §§ 102 (anticipation), 103 (obviousness), and 287 (marking).

be inspired, for instance, to search for printed publications and patents that are similar to the system or product prior art identified by accused infringers, including by researching whether the system or product prior art was marked with a patent identification. These efforts could raise further questions as to the appropriate standards of proof when determining the “materially identical” question.³⁵ These efforts could also raise further questions as to rule-making by districts with local patent rules that establish deadlines for identifying prior art invalidity contentions³⁶ and whether additional deadlines for “materially identical” contentions are appropriate.

CONCLUSION

Whether IPR estoppel applies to invalidity theories raised in district court has significant implications on patent defense strategies. As the scope of IPR estoppel continues to evolve, litigants will have to stay up to date on the decisions of their jurisdictions, and even their specific presiding judges, in order to develop the best strategies and defenses for their clients.

35. *See* *Novartis AG v. Noven Pharm. Inc.*, 853 F.3d 1289, 1294 (Fed. Cir. 2017) (“The PTAB determined that a ‘petitioner in an inter partes review proves unpatentability by a preponderance of the evidence (see 35 U.S.C. § 316(e)) rather than by clear and convincing evidence[] as required in district court litigation,’ meaning that the PTAB properly may reach a different conclusion based on the same evidence.”) (citing *Noven Pharm., Inc. v. Novartis AG*, No. IPR2014-00550, 2015 WL 5782081, at *2 (P.T.A.B. Sept. 28 2015)).

36. *See, e.g.*, E.D. TEX. P. R. 3-3.