

How ITC May Handle Inter Partes Review Estoppel

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The America Invents Act introduced inter partes review as an expedited proceeding in the U.S. Patent and Trademark Office for challenging the validity of issued patents based on prior art patents and printed publications. If the Patent Trial and Appeal Board institutes an IPR proceeding, then the PTAB will issue a final written decision at the conclusion of the proceeding. Under the AIA, if a patent claim is upheld in the final written decision, the patent challenger in the IPR is estopped from asserting “in a civil action ... or in a proceeding before the International Trade Commission ... that the claim is invalid on any ground that the petition raised or reasonably could have raised during that inter partes review.”[1]



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The U.S. International Trade Commission has not yet had reason to apply the estoppel provisions, which are outlined in 35 U.S.C. § 315(e). However, the Federal Circuit and several district courts have issued decisions interpreting the provisions in the context of civil actions. Against this backdrop, we analyze the likely ways in which the ITC will follow or depart from the Article III courts in its application of the estoppel provisions, as well as identify unique issues that may arise in the context of ITC proceedings that district courts may not have occasion to address.



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Article III Courts’ Interpretations of 35 U.S.C. § 315(e)

In *Shaw Industries Group Inc., v. Automated Creel Systems Inc.*[2], the Court of Appeals for the Federal Circuit adopted a narrow interpretation of the estoppel provisions. In that case, the petitioner raised several grounds in its petition for IPR. The PTAB instituted IPR on some of the grounds, but denied institution on other grounds, stating that the denied grounds were redundant.[3] On appeal, the Federal Circuit held that the estoppel provisions were not triggered as to the uninstituted grounds because those grounds were not raised “during” the IPR.[4] According to the Federal Circuit, an IPR does not begin until it is instituted, and “the plain language of the statute prohibits the application of estoppel under these circumstances.”[5] Thus, under a strict reading of *Shaw*, estoppel does not apply to any ground that was raised in the petition, but for which the PTAB did not institute.

The Federal Circuit’s reasoning in *Shaw* has been criticized by district courts as leading to outcomes that are inconsistent with the plain meaning and intent of the AIA. District courts have attempted to

reconcile, with mixed results, the logic in *Shaw* with situations in which the grounds being asserted in the district court were never raised in a petition for IPR. In *Intellectual Ventures I LLC v. Toshiba Corp.*, the District of Delaware extended the reasoning in *Shaw* to such situations stating, “although extending [the logic in *Shaw*] to prior art references that were never presented to the PTAB at all (despite their public nature) confounds the very purpose of this parallel administrative proceeding, the court cannot divine a reasoned way around the Federal Circuit’s interpretation in *Shaw*.”[6] The court concluded that unpetitioned grounds were not subject to the estoppel provisions.

In contrast, the Northern District of Texas adopted a different rule in *Ilife Technologies Inc. v. Nintendo of America Inc.*[7] In *Ilife*, the court determined that the estoppel provisions apply to grounds that reasonably could have been raised in a petition for IPR, but were not.[8] That is, unpetitioned grounds were subject to the estoppel provisions so long as the prior art could have been found by a skilled researcher in a diligent search. According to the court in *Ilife*, the rule in *Intellectual Ventures* rendered the statutory language “reasonably could have been raised” superfluous because the estoppel provision would only apply to grounds that were actually raised in an IPR.[9] At least one other district court has agreed with the court’s opinion in *Ilife*. [10]

Estoppel and the ITC

The ITC has made clear that it will not apply any more deference to the PTAB than it is statutorily required to. For example, the ITC has stated that it will not stay proceedings during the pendency of IPR proceedings.[11] This lack of deference stems from the ITC’s mandate to complete its investigations “at the earliest practicable time.”[12] More recently, the ITC refused to suspend remedial orders following a determination by the PTAB that the claims at issue were invalid.[13] However, the claims had not yet been canceled by the director of the USPTO.[14] Therefore, the ITC reasoned, no change of law or fact had yet taken place.[15] Considering this and the Article III courts’ developing body of law on § 315(e), the ITC must determine how best to handle inevitable estoppel challenges.

Regarding the grounds to which estoppel applies, the ITC is bound by the Federal Circuit’s narrow reading of the statute in *Shaw*. This interpretation also potentially comports with the ITC’s resistance to PTAB deference by allowing the ITC to proceed with its normal practice of considering the invalidity grounds before it with an eye to completing its investigation “at the earliest practicable time.” It remains to be seen how the ITC will handle the situation of unpetitioned grounds on which the district courts are split.

One area in which the ITC is likely to encounter unique circumstances implicating the estoppel provisions is its refusal to grant stays pending an IPR. Because estoppel under § 315(e) takes effect upon the issuance of a final written decision, the status of the parallel proceeding has real implications for the applicability of estoppel. It is undeniable that estoppel applies to grounds raised by a patent challenger and instituted by the PTAB after issuance of the final written decision on those grounds.[16] However, the question remains as to how estoppel should be applied to prior or co-pending proceedings.

This question is likely unique to the ITC. District courts are known for staying proceedings early in the case and waiting for a final written decision before the parties are required to fully develop their invalidity positions in the district court case. This affords the patent challenger the ability to reshape its invalidity contentions in the district court so as not to run afoul of the estoppel provisions. In contrast, the ITC does not stay its proceedings pending IPR. Thus, there is a possibility that a final written decision may issue at any point during or after the ITC’s investigation. The AIA does not specify whether the estoppel provisions apply retrospectively or prospectively, or how it applies to co-pending proceedings.

It is up to the ITC and the Federal Circuit to interpret how the estoppel provisions apply in these situations.

There are essentially three possible interpretations of § 315(e) from which the ITC could choose in the event that the PTAB issues a final written decision during an ITC investigation or after a final determination. First, the ITC could adopt the narrow interpretation that estoppel only applies to grounds actually raised by a patent challenger and instituted by the PTAB after the PTAB issues its final written decision on those grounds. This interpretation will avoid the question in most circumstances because the ITC typically concludes its investigation prior to any parallel IPR proceeding. However, this interpretation could be argued as rendering the estoppel provisions largely irrelevant insofar as they apply to the ITC because of the ITC's shorter timeline for concluding an investigation compared to the PTAB. The legislative history of the AIA also appears to support this interpretation. During consideration of the estoppel provisions, Sen. Chuck Grassley, R-Iowa, stated "[t]he bill would ... prevent petitions from raising in a subsequent challenge the same patent issues that were raised or reasonably could have been raised in a prior challenge."^[17] This interpretation is most friendly to respondents because it leaves them open to assert the same invalidity ground in an IPR and in the ITC.

Second, the ITC could adopt a slightly broader interpretation in which the estoppel provisions apply to any ground that has not yet been ruled on by the ITC. Under this interpretation, if the PTAB issues its final written decision on a ground at any time prior to the ITC issuing a final determination (or perhaps even an initial determination) on that ground, the respondent will be estopped from asserting that ground and the ITC could therefore ignore any evidence presented on that ground. This interpretation has the benefit of narrowing issues before the ITC, but also has the drawback of potentially wasting the ITC's resources on grounds that it will ultimately have to ignore.

Third, the ITC could adopt the broadest interpretation in which a final written decision constitutes a change in fact and thus rescind or modify any remedial orders that were premised on the estopped ground. Under this interpretation, once the PTAB issues its final written decision upholding a claim under a given ground, the claimant could petition the ITC to set aside a prior determination invalidating the claim on that ground and to likewise revisit a decision not to enter a remedial order. This interpretation is most friendly to complainants because it could allow them to rely on a final written decision to overrule an ITC determination of invalidity in favor of the respondent. This interpretation could create an imbalance between the parties at the ITC. Specifically, the ITC held in *Certain Laser-Driven Light Sources*, discussed above, that a final written decision did not constitute a change of fact or law that warranted rescission of remedial orders. Thus, if the ITC were to adopt this interpretation, it may enable the complainant to rely on a final written decision to undo a determination of invalidity at the ITC, while the respondent may not be afforded the same ability to rely on a final written decision to modify or rescind a remedial order.

Unique issues exist surrounding the applicability of the estoppel provisions of the AIA in proceedings before the ITC. As patent challengers continue to turn to IPRs for expedited disposition of patent validity, patent owners are likely to turn more frequently to the ITC in order to avoid stays and to quickly address infringement issues through the ITC's power to issue remedial orders. However, there are still yet unresolved issues regarding the estoppel provisions and the impact, if any, they will have on ITC proceedings going forward.

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[1] 35 U.S.C. § 315(e).

[2] 817 F.3d 1293 (Fed. Cir. 2016)

[3] *Id.* at 1297.

[4] *Id.* at 1300.

[5] *Id.*

[6] 817 221 F. Supp. 3d 534, 553-54 (D. Del. Dec. 19, 2016).

[7] 2017 U.S. Dist. LEXIS 87769 (N.D. Tex. May 30, 2017).

[8] *Id.* at *19.

[9] *Id.* at *12-13.

[10] *Oil-Dri Corp. of Am. v. Nestlé Purina Petcare Co.*, 2017 U.S. Dist. LEXIS 121102 (N.D. Ill. Aug. 2, 2017).

[11] *Certain Laser-Driven Light Sources, Subsystems Containing Laser-Driven Light Sources, and Products Containing Same*, Inv. No. 337-TA-983, Order No. 8 (Mar. 4, 2016).

[12] 19 U.S.C. § 1337(b)(1).

[13] *Network Devices, Related Software and Components Thereof (II)*, Inv. No. 337-TA-945, Commission Opinion (Aug. 16, 2017).

[14] *Id.*

[15] *Id.*

[16] See *Shaw*, 817 F.3d at 1300.

[17] 157 Cong. Rec. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Chuck Grassley).