

N.D. Cal. Expands Scope of IPR Estoppel Post-SAS Institute, Provides Rare Guidance for IPRx Estoppel

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Inter partes review (IPR) estoppel

Before the Supreme Court's decision in *SAS Institute v. Iancu* (2018), the Northern District of California was part of a minority of district courts that did not apply 35 U.S.C. § 315(e)(2) IPR estoppel to non-petitioned § 102 or § 103 grounds based on patents or printed publications. § 315(e)(2) estoppel attaches to "any ground that the petitioner raised or reasonably could have raised during that inter partes review." These courts interpreted the Federal Circuit's reasoning in *Shaw Industries Group Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016), that an "IPR does not begin until it is instituted" and that the petitioner "did not raise – nor could it have reasonably raised – the [uninstituted] ground *during* the IPR" as holding that estoppel narrowly applies only to those grounds that were both petitioned for and instituted. *See, e.g., Finjan, Inc. v. Blue Coat Systems, LLC*, 238 F. Supp. 3d 839, 856 (N.D. Cal 2017) (holding that "estoppel applies only to grounds that were both raised in the IPR petition and instituted in the IPR proceeding"); *see also Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12-CV-05501-SI, 2017 WL 235048, at *2–3 (N.D. Cal. Jan. 19, 2017) (agreeing with defendant that "estoppel applies only to grounds raised, or that reasonably could have been raised, *after* institution of the IPR" and explaining that "limiting IPR estoppel to grounds actually instituted ensures that estoppel applies only to those arguments, or potential arguments, that received (or reasonably could have received) proper judicial attention").

Deciding the issue for the first time post-*SAS* in *Asetek Danmark A/S v. CoolIT Systems, Inc.*, Judge Edward M. Chen of the Northern District of California struck Asetek's non-petitioned grounds as estopped under § 315(e)(2). No. 3:19-cv-00410-EMC, Slip Copy (Dec. 30, 2019) ("Slip Op."). The district court pointed out that post-*SAS*, both the Patent Office and the Federal Circuit agree that "all grounds raised in a petition must also now be instituted if IPR is instituted at all." Slip Op. at 10. Thus, *SAS* effectively makes "impossible the situation at issue in *Shaw* – where grounds are raised in a petition but not instituted." *Id.* For partially instituted IPRs that resulted in Final Written Decisions before *SAS*, the court reasoned that "the decisions in *SAS* and *PGS Geophysical* call into question one of the central tenants of *Shaw* – that 'IPR does not begin until it is instituted.'" *Id.* (citing *SAS*, 138 S. Ct. at 1355 ("in an inter partes review the petitioner is master of its complaint," and "the statute envisions that a petitioner will seek an inter partes review of a particular kind – one guided by a petition"); *see also PGS Geophysical*, 891 F.3d at 1360 ("the petitioner's petition ... guide[s] the life of the litigation") (quoting *SAS*, 138 S. Ct. at 1351) (internal quotations omitted)). Thus, the district court concluded that the IPR petition is afforded more significance after *SAS*. *Id.* Judge Chen also agreed with other district courts that (1) shielding non-petitioned grounds from estoppel would render the "reasonably could have raised" language of § 315 essentially meaningless, (2) shielding non-petitioned grounds from estoppel would be contrary to the efficiency-promoting purpose underlying the estoppel statute and (3) the fairness and due process concerns that animate withholding estoppel from petitioned but uninstituted grounds are distinguishable from non-petitioned grounds, where the petitioner has "only itself to blame." *Id.* at 10-11.

Having found that § 315(e)(2) can apply to non-petitioned claims, the district court adopted the diligent searcher test to determine what grounds "reasonably could have been raised" in the IPR petition. The test, adopted by many district courts based on the legislative history of § 315(e)(2), is a factual inquiry into whether a "skilled searcher conducting a diligent search reasonably would have been expected to discover" the prior art references at issue. As the proponent of estoppel, CoolIT had the burden to make this showing. As the Court noted, one way to "show what a skilled searcher conducting a diligent search could have been expected to discover is to '(1) to identify the search string and search source that would identify the allegedly unavailable prior art and (2) present evidence, likely expert testimony, why such a criterion would be part of a skilled searcher's diligent search.'" Slip Op. at 13 (quoting *Clearlamp, LLC v. LKQ Corp.*, No. 12 C 2533, 2016 WL 4734389, at *9 (N.D. Ill. Mar. 18, 2016)). CoolIT provided a declaration of an experienced patent prosecution attorney, attesting to the procedures and resources a skilled prior art searcher would have used at the time the IPR petition was filed and concluding that a diligent searcher would have found the disputed references. Asetek did not dispute this evidence or provide a competing declaration. Thus, the court granted CoolIT's motion to

strike.

Inter partes reexamination (IPRx) estoppel

Judge Chen also addressed IPRx estoppel, asserted by Asetek against a subset of CoolIT's invalidity contentions. IPRx estoppel is governed by pre-AIA 35 U.S.C. § 315(c) and attaches estoppel to those grounds which a third-party requester "raised or could have raised" during an *inter partes* reexamination.

Before this case, there was very little case law in any district interpreting the language of pre-AIA § 315(c) or examining how to apply the phrase "raised or could have raised." *Id.* at 15. The courts that considered the statute's "raised or could have raised" language did so within the context of staying proceedings pending completion of *inter partes* reexamination. *See, e.g., AT&T Intellectual Prop. I v. Tivo, Inc.*, 774 F. Supp. 2d 1049, 1053 (N.D. Cal. 2011); *Procter & Gamble Co. v. Kraft Foods Glob., Inc.*, No. C 07-4413 PJH, 2007 WL 2990152, at *1 (N.D. Cal. Oct. 11, 2007), *vacated on other grounds*, 549 F.3d 842 (Fed. Cir. 2008).

In the absence of case law, the Court turned to the legislative history of the AIA, which amended pre-AIA 35 U.S.C. § 315(c) into post-AIA 35 U.S.C. § 315(e)(2), with identical language except inserting the word "reasonably" before "could have raised." Senator Kyl explained that the modifier "reasonably" was added because the pre-AIA version was "amenable to the interpretation that litigants are estopped from raising any issue that it would have been physically possible to raise in the *inter partes* reexamination, even if only a scorched-earth search around the world would have uncovered the prior art in question," and the modifier "reasonably" "ensures that could-have-raised estoppel extends only to that prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover." 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (emphasis added by district court). The district court found it apparent from this legislative history that the purpose of adding "reasonably" to the phrase "raised or could have raised" was to "clarify not change the pre-AIA standard." Slip Op. at 16. Thus, the Court applied the IPR diligent searcher standard to the IPRx estoppel.

Asetek and CoolIT heavily disputed whether a diligent searcher would have been able to find four East Asian patent references. The Court estopped grounds based on (1) a reference known to CoolIT two weeks before the IPRx request was filed and (2) a reference raised after grant of the IPRx but expunged from the IPRx record based on the Examiner's reasoning that CoolIT had not provided a sufficient statement explaining why the reference was not available earlier. *Id.* at 17-18. The Court denied the motion on the remaining two references because a factual dispute existed regarding whether a skilled searcher could have found certain prior art references at the time an IPR was filed. *Id.* at 18 (citing *S.E.C. v. Sands*, 902 F. Supp. 1149, 1165 (C.D. Cal. 1995) ("To strike an affirmative defense, the moving party must convince the court that there are no questions of fact, that any questions of law are clear and not in dispute, and that under no set of circumstances could the defense succeed.")) (internal quotations and citations omitted)).

Take home lessons for future IPR petitioners and past IPRx requestors

- IPR estoppel now has significant bite. One of the original and stalwart districts interpreting *Shaw* to narrowly apply § 315(e)(2) estoppel has reversed course post-*SAS*. The Northern District of California now joins the unanimous reasoning of all other district courts post-*SAS* in applying estoppel to non-petitioned IPR grounds that meet the diligent searcher test. This should make future parties more careful in pursuing IPR. If pursued, the IPR is more likely to be a party's only shot at invalidating a patent under § 102 anticipation and § 103 obviousness grounds based solely on patents and printed publications.
- The case extends the diligent searcher test to pre-AIA IPRx estoppel. Since little authority exists on this issue otherwise, this is significant for cases involving patents challenged in IPRx. Patentees and requestors should conduct a full assessment of the scope of available prior art in any pending or anticipated litigation. Future applications of IPRx estoppel will otherwise be rare since, under Section 6(c) of the AIA, the Patent Office stopped granting requests for *inter partes* reexamination as of September 16, 2012.
- Use an expert. The Court's application of the diligent searcher test relied heavily on the submission of expert declarations. As a proponent of estoppel, the expert needs to provide testimony about the search tools available when the IPR petition was filed as well as the specific search strings that would have been used with those search tools to identify the challenged prior

art references. As an opponent of estoppel, a petitioner-defendant should seek to have their expert raise a credible factual dispute as to whether a skilled searcher conducting a diligent search reasonably could have been expected to discover the challenged reference.

- The Court's application of the diligent searcher test to IPRx is also helpful guidance as to what prior art does and does not pass the diligent searcher test for IPR estoppel. Foreign references available only in their native format or references that were provably unsearchable in the Patent Office's EAST database at the time the party initiated proceedings in front of the Patent Office may not be estopped. *See, e.g., Slip Op.; freal Foods, LLC v. Hamilton Beach Brands, Inc.*, No. CV 16-41-CFC, 2019 WL 1558486 (D. Del. Apr. 10, 2019).

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