September 2023

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THE PTAB REVIEW

This issue of *The PTAB Review* begins by discussing recent trends in sanctions practice at the Patent Trial and Appeal Board (PTAB). Next, we summarize several recent Federal Circuit decisions addressing various aspects of PTAB practice. Finally, we examine the interplay between statutory *inter partes* review (IPR) estoppel and common law estoppel in district court.

PTAB Sanctions

The PTAB, like any tribunal, has inherent power to govern its own procedures.[1] The America Invents Act (AIA) granted the Director specific authority to promulgate rules "prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding".[2] The PTAB's trial rules provide inclusive lists of sanctionable misconduct and appropriate sanctions.[3]

The PTAB's use of sanctions has fluctuated in the decade since the AIA passed in 2012. A spike of sanctions motions occurred in 2014-2015—mainly to confirm the PTAB's expectation that parties would abide the rules—but even at its peak, the PTAB denied more sanctions motions (38) than it granted (18).[4] Sanctions requests tailed off until 2021. This reduction might reflect the limited success of sanctions motions, increased familiarity with the PTAB practices, and the PTAB's tendency to address some perceived misconduct with discretionary denials of institution. Since 2021, however, sanctions request have been creeping back up. Indeed, so far just this year, the PTAB has explicitly imposed sanctions more times (five) than it did from 2016-2021. Significantly, this increase has been led by the current Director of the United States Patent and Trademark Office, Kathi Vidal.

In 2022, all four decisions imposing sanctions were *sua sponte* Director decisions.[5] The sanctions arose from the conduct of petitioners who filed petitions against VLSI patents after VLSI had won significant infringement damages in district court. This timing

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[1] *In re Bogese*, 303 F.3d 1362, 1368 (Fed. Cir. 2002); *see also* 5 U.S.C. 551, 556-558 (generally providing for agency sanctions).
[2] 35 U.S.C. §§316(a)(6), 326(a)(6).
[3] 37 C.F.R. §42.12(a) and (b), respectively.
[4] All data from DocketNavigator, §42.12 motion success. As discussed below, the PTAB can effectively sanction a party (e.g., by according no weight to suspect material) rather than explicitly sanctioning (e.g., by expunging the same material). DocketNavigator does not identify such non-sanction sanctions.
[5] *OpenSky Industries v. VLSI Technology*, IPR2021-01064 (3 decisions), *pending on appeal*, App. 23-2159 (Fed. Cir.); *Patent Quality Assurance v. VLSI Technology*, IPR2021-01229.

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PTAB Sanctions *(continued from page 1)*

raised a concern that the petitioners were simply seeking settlements rather than seriously contesting the patents. To address this concern, the Director ordered additional discovery. The sanctions resulted from the petitioners' failure to comply with the discovery orders.

Petitioner OpenSky Industries was held to have abused the trial process and to have behaved unethically in seeking to extract payments from both the patentee (VLSI) and a joinder petitioner (Intel), in addition to defying the discovery order. Similarly, petitioner Patent Quality Assurance (PQA) was held to have misrepresented its engagement of an expert and to have abused the trial process by improperly filing its petition for *inter partes* review. Ultimately, the Director dismissed both petitioners from their respective IPRs, leaving Intel as the sole petitioner in each IPR.

In 2023, the OpenSky and PQA cases continued to play out and account for two of the three significant sanctions the PTAB has imposed so far. The other case is *Spectrum Solutions v. Longhorn Vaccines & Diagnostics*, IPR2021-00847, in which a panel entered judgment against a patentee—including for contingent substitute claims—for failure to disclose material information inconsistent with its argument. The patentee contended that the undisclosed information was exempt from disclosure as attorney work product.[6] The PTAB noted that "the work-product doctrine is not absolute" and permits discovery of factual or non-opinion work product, while requiring protection of attorney impressions and theories.[7] The PTAB further noted that parties, including the patentee, are subject to a duty of candor, including for substitute claims.[8] According to the panel, the patentee could have filed the material for *in camera* review even if it were correct in its assumption about work product.[9] Although the panel found a partial cure when the material was produced pursuant to an order, the panel nevertheless held that the pattern of repeated misrepresentation warranted sanction.[10] The panel entered judgment against the challenged and substitute claims; a concurring judge would have awarded expenses and fees too.[11]

Director Vidal has *sua sponte* ordered review of the panel judgment.[12] Her order does not indicate the basis for her review, but possibly she agrees with patentee that work product may be withheld,[13] that whether the withheld information is inconsistent is just a merits decision,[14] that judgment is too harsh a sanction;[15] or perhaps she will hold that review-terminating sanctions are the sole prerogative of the Director. Even if the Director acts to curb PTAB sanctions, a panel has ample scope to regulate party conduct with lesser sanctions or no explicit sanction. For example, the PTAB may choose to accord no weight rather than grant a motion to strike.[16] Such non-sanction sanctions may avoid Director review and may prove harder to reverse on appeal. Hence, regardless of how the PTAB trends on sanctions, the wisest course remains to avoid any appearance of sanctionable conduct.

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[6] Cf. 37 C.F.R. §43.51(b)(1)(iii) ("Unless previously served, a party must serve relevant information that is inconsistent with a position advanced by the party.... This requirement does not make discoverable anything otherwise protected by legally recognized privileges such as attorney-client or attorney work product.").
[7] IPR2021-00847, Paper 107 at 10-11.
[8] *Id*. at 32.
[9] *Id*. at 44.
[10] *Id*. at 53.
[11] *Id*. at 61.
[12] IPR2021-00847, Paper 126.
[13] The Federal Circuit would review a PTAB decision to impose a sanction—and the sanction itself—for abuse of discretion. *Gerritsen v. Shirai*, 979 F.2d 1524, 1528 (Fed. Cir. 1992) (affirming decision to sanction, but reversing claim cancellation as too harsh). The Director's power to review a final PTAB action, however, is plenary. *United States v. Arthrex, Inc.*, 141 S.Ct. 1970, 1987 (2021); *id*.
[14] *Novartis Pharmaceuticals v. Shilpa Pharma*, IPR2022-00886, Paper 70 at 7 (2023) (denying sanction because evidence of bad faith is lacking and alleged inconsistency can be decided on the merits).
[15] *See, e.g.*, *Alexsam, Inc. v. IDT Corp.*, 715 F.3d 1336, 1343 (Fed. Cir. 2013) (explaining greater culpability or harm is required for judgment as a sanction).
[16] *Apple Inc. v. Wiesel*, IPR2020-1540, Paper 13 at 4 (2021) (nominally denying a sanction motion while ruling it will disregard to challenged material).

Selected Recent Federal Circuit Decisions Addressing PTAB Matters

Antedating Prior Art Before the PTAB and Corroboration of Inventor Testimony

Antedating prior art can be difficult and controversial. In *Medtronic, Inc. v. Teleflex Innovations S.A.R.L.*,[17] a split panel of the Federal Circuit affirmed the PTAB's conclusion in five different IPRs that a patent owner had successfully antedated an asserted prior art reference (Itou). The challenged patents related to guide extension catheters and were filed before the effective date of the America Invents Act. The patent owner submitted numerous declarations from both inventors and non-inventors as well as documentary exhibits from the relevant timeframe to establish conception, reduction to practice, and diligence.[18] The PTAB found conception and actual reduction to practice occurred before Itou's filing date and, in the alternative, found diligence toward constructive reduction to practice through the challenged patents' filing date. In evaluating reduction to practice, the PTAB found that the intended purpose of the claimed inventions was broad (to provide improved backup support for a guide catheter) and rejected the challenger's argument that the intended purpose was much narrower (providing backup support necessary for accessing and crossing tough or chronic occlusions).[19]

On appeal, Medtronic argued the PTAB erred: 1) in its identification of the intended purpose of the claimed inventions; 2) by not requiring comparative testing to demonstrate that the invention worked for its purpose; and 3) in relying solely on uncorroborated inventor testimony to find actual reduction to practice.[20]

The majority decision was written by Judge Lourie, joined by Chief Judge Moore. For the first issue, the majority agreed with the PTAB that Medtronic's proposed intended purpose was overly narrow in view of the patents' description of the invention and other extrinsic evidence.[21] For the second issue, the majority found that the testing that had been performed was sufficient to show that the claimed invention worked for that broad purpose. The majority rejected Medtronic's argument that the patent owner was required to make "a 1:1 comparison or quantitative assessment to show an 'increase' or 'improvement' in function" over prior-art catheters.[22]

For the third issue, evaluating the patent owner's evidence under a "rule of reason" standard, the majority found inventor testimony relating to actual reduction to practice was sufficiently corroborated by both contemporaneous documentary evidence and testimony from non-inventors with personal knowledge of the research and development of the claimed device.[23] Though Medtronic argued that some of the evidence related to an unclaimed device, the majority reasoned that the inventors' testimony was corroborated by the totality of the evidence. The majority noted that the "law does not impose an impossible standard of independence on corroborative evidence by requiring that every point of a reduction to practice be corroborated by evidence having a source totally independent of the inventor."[24]

In a dissenting opinion, Judge Dyk would have held the patent owner's antedating case was unsuccessful.[25] While agreeing with the majority that the PTAB had correctly identified the intended purpose of the claimed inventions, Judge Dyk disagreed with the PTAB's finding that the testing of

[17] 68 F.4th 1298, 1301 (Fed. Cir. 2023).
[18] *Id.* at 1302.
[19] *Id.*
[20] *Id.* at 1304.
[21] *Id.*
[22] *Id.* at 1305-06.
[23] *Id.* at 1306-07.
[24] *Id.* at 1307 (quoting *Knorr v. Pearson*, 671 F.2d 1368, 1374 (CCPA 1982)) (internal quotations omitted).
[25] *Id.* at 1308.

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the claimed device was sufficient to show that the device worked for its intended purpose.[26] Judge Dyk also would have held that the inventor testimony regarding testing was insufficiently corroborated because the only independent evidence did not correspond to the claimed invention, lacked specificity, or discussed earlier prototypes that had not been reduced to practice.[27]

Legal Error to Require Motivation to Bodily Incorporate Unclaimed Features

The Federal Circuit held in 2016 that an obviousness analysis requires reasonable expectation of success for what is claimed, not for any unclaimed features.[28] In *Axonics, Inc. v. Medtronic, Inc.*,[29] the Federal Circuit held that it was legal error for the PTAB to require motivation to bodily incorporate unclaimed features.[30]

The patents challenged in the IPRs related to the electrostimulation of body tissue.[31] While particular embodiments described by the patents focused specifically on the stimulation of sacral nerves, neither the specifications nor the claims limited the invention to stimulation of sacral nerves.[32] In its asserted grounds, the petitioner had argued that the claims would have been obvious in view of two references, one intended to stimulate the trigeminal nerve system and the other intended for sacral-nerve stimulation.[33] The PTAB rejected the petitioner's motivation for modifying the reference directed to trigeminal nerve stimulation because the proposed electrode arrangement "would not be feasible" in the trigeminal nerve region.[34]

The Federal Circuit vacated the decision. It held that the PTAB "committed a fundamental legal error in confining the motivation inquiry to whether a motivation would exist to make the proposed combination for use in the Young-specific trigeminal-nerve context—to which the Medtronic patents are not limited."[35] The court noted that "the motivation-to-combine portion of the [obviousness] inquiry is whether a skilled artisan would have been motivated to combine the teachings of the prior art references to achieve *the claimed invention*."[36] According to the court, "[t]he inquiry is not whether a relevant artisan would combine a first reference's feature with a second reference's feature to meet requirements of the first reference that are not requirements of the claims at issue"; rather, "a skilled artisan may be motivated to combine particular features of different references, *e.g.*, to secure some benefits at the expense of others, even when bodily incorporation would be impossible or inadvisable."[37]

Due Process Requires Opportunity to Submit Argument and Evidence Under Claim Construction PTAB Adopted Post-Institution

In *Axonics, Inc. v. Medtronic, Inc.*,[38] the Federal Circuit vacated two PTAB decisions upholding patents because the PTAB refused to consider the petitioner's arguments under a claim construction the PTAB adopted that was presented for the first time in the patent owner response.[39]

The challenged claims related to transcutaneous charging of implanted medical devices.[40] The claims required the power of an external charger be automatically varied based on: 1) a "value associated with the current passing through the internal power source"; and 2) a "measured current associated with the current passing through the internal power source."[41] The petition did not propose any express constructions, but argued in claim charts that the claimed "measured current" simply narrowed

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[26] *Id.* at 1308-09.
[27] *Id.* at 1309-10; *see also id.* at 1310-11 (further finding insufficiently corroborating the additional evidence cited by the majority).
[28] *Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359 (Fed. Cir. 2016).
[29] 73 F.4th 950 (Fed. Cir. 2023).
[30] *Id.*
[31] *Id.* at 2-4.
[32] *Id.*
[33] *Id.* at 4-7.
[34] *Id.* at 9-10.
[35] *Id.* at 11-13.
[36] *Id.* at 12 (quoting *Allied Erecting & Dismantling Co. v. Genesis Attachments, LLC*, 825 F.3d 1373, 1381 (Fed. Cir. 2016)) (emphasis original) (internal quotations omitted).
[37] *Id.*
[38] No. 2022-1532 (Fed. Cir. Aug. 7, 2023).
[39] *Axonics*, No. 2022-1532, slip op. at 1.
[40] *Id.* at 2.
[41] *Id.* (alterations omitted).

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the claimed "value" and was satisfied by prior art disclosure of the claimed measured current.[42] The patent owner preliminary response did not contest this construction, and the PTAB instituted review.[43]

In its patent owner response, Medtronic argued that the claims require two separate inputs, such that the claimed "measured current" cannot also satisfy the claimed "value," and that the asserted art did not teach the two separate inputs.[44] In reply, Axonics both reiterated its petition position while also submitting supplemental expert testimony to prove the additional disclosures in the asserted references regarding the previously-asserted embodiments disclosed two separate inputs that satisfy Medtronic's construction.[45] Medtronic responded that it would be prejudicial for the PTAB to consider Axonics's reply arguments and evidence without allowing Medtronic to submit its own supplemental expert testimony, but Medtronic did not seek leave for any such submission.[46] The PTAB subsequently adopted Medtronic's two-input construction and declined to consider Axonics's reply arguments and evidence.[47]

The Federal Circuit vacated the PTAB's decision because "under the APA [Administrative Procedures Act], when the Board adopts a new claim construction following institution, an IPR petitioner must have adequate notice and an opportunity to respond under the new construction," including being "afforded a reasonable opportunity in reply to present argument and evidence under that construction."[48] The court noted, however, that its rule requiring an opportunity to respond does not extend to allowing a petitioner to "rely on new prior art in response to a new claim construction presented in the patent owner response" to, for example, show disclosure of a claim limitation.[49] The court left open "the question of whether, when presented with a new claim construction, a petitioner can rely in its reply on new embodiments from the prior art references that were relied on in the petition."[50]

The court noted that its interpretation of the APA and the PTAB's rules prevents "sandbagging by the patent owner" by withholding its strongest claim construction arguments for the patent owner response to "obtain a favorable final IPR decision and an estoppel without the Board's reaching the merits of any invalidity arguments under the newly adopted claim construction."[51] While Medtronic argued that it is unfair to permit a new expert declaration to be submitted with a reply because a patent owner is typically not permitted to submit a supplemental declaration in sur-reply, the court noted that the PTAB's rules contemplate allowing the submission of new evidence in a sur-reply if authorized, which Medtronic did not request.[52]

Reply Argument Can Elaborate on Petition Arguments; Objections to New Arguments Must Be Sufficiently Specific to Avoid Forfeiture

In *Rembrandt Diagnostics, LP v. Alere, Inc.*,[53] the Federal Circuit affirmed a PTAB decision invalidating patent claims that was based in part on the petitioner's reply arguments because those reply arguments were properly responsive to the patent owner response and merely elaborated on existing petition arguments based on cited embodiments rather than offering a new theory of invalidity.[54]

First, the court concluded that the patent owner had forfeited the argument that the petitioner had advanced new theories in the appealed grounds because the patent owner had expressly alleged new theories only with respect to one ground that was not challenged on appeal.[55] The court concluded that generic statements in the patent owner sur-reply and at the oral hearing about new arguments failed to give notice to the PTAB that the

42 *Id.* at 5-6.
43 *Id.* at 6.
44 *Id.* at 6-7.
45 *Id.*
46 *Id.*, 7-8.
47 *Id.*
48 *Id.* at 13-16.
49 *Id.* at 16-17.
50 *Id.* at 17.
51 *Id.* at 17-18.
52 *Id.* at 18.
53 No. 2021-1796 (Fed. Cir. Aug. 11, 2023).
54 *Rembrandt*, No. 2021-1796, slip op. at 2, 7.
55 *Id.* at 9.

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petitioner's reply theories for the appealed grounds were new.[56]

Second, the court concluded that the reply arguments were proper because they were responsive to arguments in the patent owner response and because they elaborated on petition arguments rather than raising a new theory. The court noted that the petition had asserted that modifying the primary reference as proposed "would have increased the 'efficiency'" of the reference by allowing multiple tests to be conducted simultaneously.[57] The court concluded that the petitioner's discussion of time and costs savings was responsive to the patent owner's arguments that there was no motivation to add multiple test strips or an expectation of success and was "a fair extension of its previously raised efficiency argument."[58]

The court noted that a proper reply argument must "assert[] the same 'legal ground' as its petition" by "rel[ying] on the 'same prior art' to support the 'same legal argument.'"[59] However, the court concluded that the petitioner was not barred from relying on "previously unidentified disclosures of the applied references" because the petitioner did not point to any new embodiments not previously identified to advance a meaningfully distinct contention from what it first asserted in its petition."[60] Instead, the petitioner pointed to those additional portions "to convey the benefits of removing the wicking material as 'a legitimate reply' to Rembrandt's arguments and the Board's observations."[61]

[56] *Id.*
[57] *Id.* at 12-13.
[58] *Id.* at 13.
[59] *Id.* at 11-12.
[60] *Id.* at 13-14.
[61] *Id.*

District Court Rejects Common Law Issue Preclusion End-Run Around IPR Estoppel

In *DMF, Inc. v. Amp Plus, Inc.*,[62] District Judge Snyder of the Central District of California held that the estoppel provision of the AIA effectively supplants common law issue preclusion for purposes of determining whether a petitioner can assert invalidity grounds following a final written decision in an IPR.

Common law issue preclusion (also referred to as collateral estoppel) and the AIA's estoppel provision ("IPR estoppel") apply different rules but have a similar purpose: finality of litigation. Under common law issue preclusion, when an issue is addressed in a first action, a party to that action is bound by the result in subsequent actions only if 1) the issue is identical to the previously decided issue, 2) the issue was actually litigated in the first action, 3) the issue was essential to the outcome of the first action, and 4) the party had a full and fair opportunity to litigate the issue during the first action.[63]

Under statutory IPR estoppel, as set forth in 35 U.S.C. §315(e), when an IPR results in a final written decision, petitioners—and their privies and real parties in interest—are estopped from asserting

[62] No. 2:18-cv-07090-CAS (GJSx), 2023 WL 4157479 (C.D. Cal. June 14, 2023).
[63] *In re Freeman*, 30 F.3d 1459, 1465 (Fed. Cir. 1994).

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in civil actions and International Trade Commission (ITC) proceedings that challenged claims are invalid "on any ground that the petitioner raised or reasonably could have raised" during that IPR.[64] A similar estoppel applies to Patent Office proceedings.[65]

The Federal Circuit previously held that it was legal error to evaluate whether a petitioner was estopped from asserting invalidity grounds following an IPR by applying common law issue preclusion *instead* of statutory IPR estoppel, but that decision did not address whether common law issue preclusion can apply *in addition* to statutory IPR estoppel.[66] District courts have wrestled with how to determine whether petitioners are estopped from asserting invalidity grounds following an IPR, but those inquiries have typically analyzed the question under the IPR estoppel framework, not under common law issue preclusion. The court's order in *DMF* may be the first to affirmatively hold that common law issue preclusion categorically does not apply in this context because Congress intended statutory IPR estoppel to apply "in lieu of" common law.[67]

District Courts' Different Approaches to IPR Estoppel

When patent claims asserted in district court survive an IPR, parties often dispute whether the defendant is barred from asserting grounds against those claims in the district court case based on prior art other than patents and printed publications. By statute, IPR petitions are limited to grounds under 35 U.S.C. §§102 or 103 "only on the basis of prior art consisting of patents or printed publications."[68] However, other types of prior art that cannot be raised in an IPR may be substantively similar to patents or printed publications that were raised or could have been raised in the IPR. For example, product art has become a common point of dispute, especially when printed publications are used as the underlying evidence to demonstrate a product's features.

District courts are split on the question of whether, and to what extent, parties can be estopped under §315(e) from asserting product-based grounds. Some courts have taken a black-and-white approach, holding that IPR estoppel cannot extend to product art regardless of the similarity of the product (or the supporting evidence) to patents or printed publications considered during an IPR.[69] Other courts have determined that IPR estoppel extends to product art under certain circumstances, though courts have applied different tests to make that determination.[70] These tests have minor differences but generally focus on how similar the product art is to patents or printed publications a petitioner raised or reasonably could have raised in the IPR.

DMF *Background*

After DMF sued AMP alleging infringement of recessed lighting systems patents, AMP filed two IPR petitions against the asserted patent.[71] The PTAB instituted trial based on the first petition and ultimately issued a Final Written Decision finding that AMP had not demonstrated most challenged claims were unpatentable.[72] This disposition remained unchanged following a partial affirmance and remand by the Federal Circuit.[73]

Shortly after the PTAB issued the initial final written decision, DMF

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[64] 35 U.S.C. §315(e)(2).
[65] 35 U.S.C. §315(e)(1).
[66] *Click-to-Call Techs. LP v. Ingenio, Inc.*, 45 F.4th 1363, 1368 (Fed. Cir. 2022).
[67] *DMF*, 2023 WL 4157479, at *5.
[68] 35 U.S.C. §311(b).
[69] *See, e.g.*, *Chemours Co. FC, LLC v. Daikin Indus.*, No. 17-1612 (MN), 2022 U.S. Dist. LEXIS 120579, at *3 (D. Del. July 8, 2022) (IPR estoppel does not apply to product art "regardless of whether those products are 'cumulative'" of art applied in IPR); *Willis Elec. Co. v. Polygroup Macau Ltd. (BVI)*, No. 15-CV-3443 (WMW/DTS), 2023 WL 112733, at *17-19 (D. Minn. Jan. 5, 2023) ("Because a physical product is *not* a type of prior art reference that can be raised in IPR proceedings, IPR estoppel cannot bar" product-based ground).
[70] *See, e.g.*, *Wasica Fin. GmbH v. Schrader Int'l*, 432 F. Supp. 3d 448, 453 (D. Del. 2020) (defendant estopped from asserting grounds including product art that was "cumulative" of printed publication that reasonably could have been raised during IPR); *California Inst. of Tech. v. Broadcom Ltd.*, No. CV 16-3714-GW (AGRx), 2019 WL 8192255, at *8 (C.D. Cal. Aug. 9, 2019) (difference between IPR art and product art must be "substantive" and "germane to the invalidity dispute at hand"); *Star Envirotech, Inc. v. Redline Detection*, LLC, o. 8:12-cv-01861-JGB (DFMx), 2015 WL 4744394, *4 (C.D. Cal. Jan. 29, 2015) (applying "superior and separate reference" test).
[71] IPR2019-01094, Paper 1; IPR2019-01500, Paper 1.
[72] IPR2019-01094, Paper 78; *see also* IPR2019-01500, Paper 12 (denying institution).
[73] *DMF*, 2023 WL 4157479, at *3.

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filed a motion to enforce statutory IPR estoppel to prevent AMP from asserting several grounds of invalidity.[74] DMF did not argue common law issue preclusion at that time.[75] Addressing the printed-publication grounds, the court noted that AMP did not appear to dispute that it reasonably could have raised those grounds in the IPR, and the court therefore held that the defendants were estopped from asserting those grounds.[76] Turning to the product-based grounds, the court discussed district courts' differing approaches to product-based grounds and determined that IPR estoppel could apply to product art if such art was not "substantively, germanely different" from the printed publications that were raised or reasonably could have been raised in the IPR.[77] While the printed publications included catalogues discussing the now-asserted product, the court ultimately determined that the product was substantively, germanely different, noting 1) the different ways the printed publications and the product were applied to certain limitations and 2) the fact that the publication-based grounds relied on a combination of certain features.[78] The court therefore determined that the defendants were not estopped under §315(e)(2) from asserting grounds including this product art.[79]

After the court issued its IPR estoppel order, DMF filed another motion asking the court to rule that common law issue preclusion barred the defendants from asserting *all* invalidity grounds, including grounds under §§101 and 112 as well as grounds under §§102 and 103 based on product art.[80] DMF narrowed its request to grounds under §§102 and 103 during the hearing on this motion.[81]

The Court's Issue-Preclusion Order

The court denied DMF's motion on multiple bases. Most notably, it held that common law issue preclusion cannot apply to bar all invalidity challenges when IPR estoppel does not apply so broadly.[82] Discussing the interplay between common law issue preclusion and statutory IPR estoppel, the court noted the general rule that issue preclusion applies unless "a statutory purpose to the contrary is evident."[83] The court concluded that such a purpose is evident here, noting that Congress expressly included an estoppel provision in the AIA—§315(e)—and specified the scope of that estoppel.[84] The court also noted that DMF's position would render §315(e)(2) superfluous in this context because, if common law issue preclusion already estopped petitioners from asserting all §102 or §103 grounds following an IPR, Congress would not have needed to enact §315(e).[85] The court concluded that "§315(e)(2) embodies an evident statutory purpose to apply the specified framework in lieu of common law issue preclusion."[86]

The court then determined that even if common law issue preclusion did apply in this context, the issue preclusion test was not satisfied. The court's resolution of each factor hinged on the fact that product art cannot be applied in IPRs. Considering whether the "same issue" had been "actually litigated," the court determined that the validity issue litigated in the IPR was different because IPR grounds are limited to patents and printed publications.[87] The court similarly determined that the issue of validity based on product art was not essential to the outcome of the IPR and that the defendants had not had a "full and fair opportunity" to litigate product-based grounds because such art cannot be applied in IPRs.[88]

Lessons from the Decision

As an initial matter, it is important to recognize the context of the court's order: the court expressly cabined its holding to whether common law issue preclusion can apply to bar all invalidity

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[74] *Id.* at 2.
[75] *See DMF, Inc. v. AMP Plus, Inc.*, No. 2:18-cv-07090-CAS (GJSx), 2021 WL 6499980 (C.D. Cal. May 5, 2021).
[76] *Id.* at *3.
[77] *Id.* at *2-5.
[78] *Id.* at *4-5.
[79] *Id.* at *6.
[80] *DMF*, 2023 WL 4157479, at *6.
[81] *Id.* at *6 n. 5.
[82] *Id.* at *4-6.
[83] *Id.* at *3-4 (citing *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138, 148 (2015)) (internal quotations omitted).
[84] *DMF*, 2023 WL 4157479, at *5.
[85] *Id.*
[86] *Id.* (citing *Click-to-Call*, 45 F.4th at 1368).
[87] *DMF*, 2023 WL 4157479, at *6-7.
[88] *Id.* at *7-8.

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challenges when IPR estoppel does not apply so broadly.[89] In other words, the court addressed only whether issue preclusion can bar a party from asserting a particular ground of invalidity under §§102 or 103 when IPR estoppel is triggered following an IPR but does not bar that ground. The decision does not address whether a final written decision in an IPR can have preclusive effect in district court in other contexts (e.g., with respect to subsidiary determinations such as claim construction or motivation to combine). The applicability of common law issue preclusion in other contexts sometimes remains disputed because of the higher standard of proof required to prove unpatentability in district court.[90]

With that caveat in mind, the court's order is informative in several respects. First, it provides another signal that the question of whether IPR petitioners are estopped from raising invalidity grounds following an IPR will continue to be rooted in IPR estoppel rather than common law issue preclusion. Indeed, as noted above, DMF had previously lost its motion based on statutory IPR estoppel before seeking the same result via common law issue preclusion, leading the court to view the second motion as an attempt "to find a way around" its IPR estoppel order.[91]

Second, the order illustrates a separate rebuttal available to defendants in district court if plaintiffs argue that common law issue preclusion prevents them from asserting certain grounds following an IPR. Other defendants have successfully defeated such arguments by showing that the requirements of common law issue preclusion were not satisfied.[92] *DMF* demonstrates the viability of further arguing that issue preclusion is categorically inapplicable in its particular context. In any event, patent owners face an uphill battle trying to convince courts that accused infringers are broadly estopped from raising all §102 or §103 invalidity grounds following an IPR.

Lastly, the order demonstrates the varied, uncertain nature of the battleground litigants face when seeking to assert or foreclose grounds of invalidity following an IPR. Until greater certainty is provided by the Federal Circuit regarding whether, and to what extent, petitioners may be estopped from asserting product-based grounds following and IPR, parties should be prepared to address any of the various approaches used by district courts.

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[89] *DMF*, 2023 U.S. Dist. LEXIS 110754, at *6-7 (relevant context is whether plaintiff can "exclude an invalidity ground where the §315(e)(2) framework applies, but applying that framework results in the conclusion that IPR estoppel does *not* apply to that invalidity ground").

[90] *See XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1294 (Fed. Cir. 2018) (under common law issue preclusion, Federal Circuit's affirmance of IPR decision holding claims unpatentable has "immediate issue-preclusive effect" on pending district court actions involving the patent); *but see, e.g.*, *IOENGINE, LLC v. PayPal Holdings, Inc.*, 607 F. Supp. 3d 464, 488-91 (D. Del. 2022) (distinguishing *XY* and holding that higher standard of proof in district court "forecloses the court from applying collateral estoppel to [the defendant's] validity arguments in this forum" (citing, *inter alia*, *Grogan v. Garner*, 498 U.S. 279, 284–85 (1991))).

[91] *Id.* at *5; *see also id.* at 6 (common law issue preclusion cannot be "used as an end-run around §315(e)(2)").

[92] *See, e.g.*, *Willis Elec. Co. v. Polygroup Macau Ltd. (BVI)*, No. 15-CV-3443 (WMW/DTS), 2023 WL 112733, at *20 (defendants did not have "full and fair opportunity" to litigate issue "because an IPR petitioner cannot rely on a physical product as a prior art reference in such proceedings").

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