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Strategic Considerations of Estoppel for IPRs After *Shaw Industries Group v. Automated Creel Systems*

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When a patent is challenged in an inter partes review and a final written decision has been issued, a statutory estoppel will prevent certain subsequent proceedings. The scope of the estoppel, which applies to both Patent and Trademark Office proceedings and district court disputes, has been uncertain.

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The Federal Circuit's recent opinion in *Shaw Industries Group v. Automated Creel Systems*[1] provides some guidance on the scope of that estoppel. This opinion may have important implications for the decision to pursue an IPR proceeding and how petitioners can best present their grounds for institution going forward.

The America Invents Act of 2011 provides that once the Patent Trial and Appeal Board has issued a final written decision on a given patent claim, the petitioner may not challenge that claim in a subsequent proceeding before the PTO, in a civil action or in an International Trade Commission action ''on any ground that the petitioner raised or reasonably could have raised during that inter partes review.''[2] Before *Shaw*, many stakeholders thought that once the PTAB issued a final decision on a given claim, the petitioner effectively would be estopped from challenging that claim in a future action on any ground consisting of prior art patents and printed publications.[3]

That strategic outlook should now be revisited. In *Shaw*, Shaw Industries Group had petitioned the PTAB to institute IPR on a subset of patent claims on three grounds. The PTAB instituted the IPR on two of the three grounds, but denied the third ground as ''redundant.''[4] On appeal, Shaw sought a writ of mandamus instructing the PTO to reevaluate its redundancy decision and to institute IPR on the third ground. Shaw argued that mandamus was justified, in part, because Shaw

[1] *Shaw Indus. Grp. v. Automated Creel Sys.*, No. 2015-1116, 2016 BL 90034 (Fed. Cir. March 23, 2016) (91 PTCJ 1483, 3/25/16).

[2] 35 U.S.C. § 315(e). The preclusive effect extends to civil actions arising under 28 U.S.C. § 1338 and ITC actions arising under Section 337 of the Tariff Act of 1930.

[3] Inter partes review is limited to challenges based on patents or printed publications. 35 U.S.C. § 311(b).

[4] *Shaw*, 2016 BL 90034, at *2.

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may be estopped from arguing the third ground in future proceedings.[5]

In addressing Shaw's request, the Federal Circuit concluded that Shaw would not be estopped from asserting the third ground in a future proceeding. The court reasoned that because preclusion applied only to grounds that could have been raised ''*during* that inter partes review,'' and because the PTAB's decision not to institute IPR on a petitioned ground prevents that ground from becoming part of the IPR, the ground would not be subject to estoppel.[6]

The nature of the PTAB's practice of denying grounds as ''redundant'' is also instructive. The PTO, which intervened in *Shaw*, argued that the PTAB's decision not to institute IPR on certain grounds on the basis of ''redundancy'' carried no substantive implications.[7] It was not, for example, a determination that the redundant ground was cumulative of the instituted grounds. Rather, the PTO explained that, in light of the AIA requirement that IPRs be completed within one year,[8] efficiency considerations required that the PTAB exercise its discretion in some cases to institute on some grounds and not others—even if the others might also have a reasonable probability of success. The position of the PTO in that regard is not new: The PTO has put forward the same essential position in a prior Federal Circuit proceeding.[9]

Where, then, does that leave the preclusion of grounds that a petitioner ''reasonably could have raised'' in inter partes review? One possibility is that such preclusion reaches grounds the petitioner did not raise in the petition that could reasonably have been included. That was apparently the view of the U.S. District Court for the Northern District of Illinois in its opinion in *Clearlamp LLC v. LKQ Corp.*,[10] a case decided shortly before *Shaw*. If adopted more broadly, the result could be a broad general rule of preclusion, with a carve-out for grounds raised in the petition that were denied as redundant.

In view of these recent cases, here are a few potential strategy considerations.

- Petitioners may want to consider including in their petition any grounds they want to be sure to preserve for future proceedings if the Board denies them as redundant.

- Petitioners may want to consider identifying which ground (or grounds) is the ''lead'' in a challenge to a particular claim. The PTO has made clear that it may select certain viable grounds for institution over others for ''efficiency'' purposes, rather than on the merits. At the same time, Petitioners should be careful not to denigrate any of their grounds.

- Statements about redundancy of references and grounds should be carefully considered. For example, a petition might also indicate, explicitly or by implication, which grounds are redundant to one another to more clearly preserve them. As with identifying a ''lead'' challenge, Petitioners need to consider whether identifying grounds as ''redundant'' would weaken them in future proceedings.

- Patent Owners, in their preliminary response, may want to consider arguments about redundancy and challenges to the sufficiency of the references identified in a ground. Because the new rules will permit declarations with the preliminary response, Patent Owners may want to consider having an expert address the redundancy of the grounds.

- Keep a watchful eye toward district courts and how they interpret the estoppel.

The precise boundaries of preclusion may become district-dependent for a period of time, so practitioners should keep abreast of district court rulings. The scope of estoppel, like many issues that have developed as the AIA is fully implemented, will remain to some degree uncertain until there is further guidance from the Federal Circuit.

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[5] *Id.* at *5.

[6] *Id.* at *6.

[7] *See id.* at *4 n.2; Brief of PTO (Dkt. 46) at 17, No. 2015-1116 (Fed. Cir. 2016).

[8] 35 U.S.C. § 316(a)(11). The time can be extended by up to six months for good cause. *Id.*

[9] *Schott Gemtron Corp. v. SSW Holding Co.*, No. 2015-1073 (Fed. Cir. 2015), Corrected Brief of PTO (Dkt. 44) 34-36, 38-40.

[10] *Clearlamp LLC v. LKQ Corp.*, No. 12C 2533, Opinion and Order (N.D. Ill. March 18, 2016).

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