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## Federal Circuit Report

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### Federal Circuit Adopts “Skilled Searcher” Standard for IPR Estoppel

On April 3, 2023, the Federal Circuit issued an opinion in *Ironburg Inventions Ltd. v. Valve Corp.*,<sup>1</sup> addressing the scope of what invalidity grounds are subject to estoppel pursuant to 35 U.S.C. § 315(e)(2) and the burden of proof for establishing estoppel.<sup>2</sup> The panel held that (1) “§ 315(e)(2) estops a petitioner [from asserting] invalidity grounds a skilled searcher conducting a diligent search reasonably could have been expected to discover”<sup>3</sup> and (2) the party asserting estoppel must prove estoppel applies by a preponderance of the evidence.<sup>4</sup>

### Background

Petitioner/Defendant Valve Corp. filed an *inter partes* review (IPR) petition approximately ten months after it was sued for patent infringement. Valve’s petition was partially instituted under the pre-*SAS* framework, with the Patent Trial and Appeal Board (PTAB) instituting three grounds and declining to institute two other grounds (Non-Instituted Grounds).<sup>5</sup> The PTAB issued a final written decision on

the three instituted grounds, and Valve declined to seek remand pursuant to *SAS* for consideration of the Non-Instituted Grounds.

In the co-pending litigation between the parties in the United States District Court for the Western District of Washington, Patent Owner/Plaintiff Ironburg Inventions Ltd. filed a motion to estop Valve from presenting invalidity theories at trial based on (1) the Non-Instituted Grounds, and (2) invalidity grounds Valve advanced based on prior art not included in the IPR grounds (Non-Petitioned Grounds). The district court granted Ironburg’s motion, finding Valve was estopped from asserting either the Non-Instituted Grounds or the Non-Petitioned Grounds at trial. In its analysis, the district court placed the burden of proof on Valve to show that “it could not ‘reasonably . . . have raised’ the Non-Petitioned Grounds in its petition.”<sup>6</sup>

### Federal Circuit’s Analysis

The Federal Circuit panel (Judges Lourie, Clevenger, and Stark) affirmed the district court’s order that Valve was estopped from raising the Non-Instituted Grounds at trial. The panel found that because the “Non-Instituted Grounds were explicitly contained in the petition”

and were thus raised during the IPR, Valve could not raise them again in district court.<sup>7</sup> Although the Non-Instituted Grounds were not considered by the PTAB, the panel noted that “Valve’s choice to leave unremedied the Board’s mistake [post-*SAS*] does not shield it from estoppel with respect to the grounds it included in its IPR petition.”<sup>8</sup>

The panel remanded consideration of whether estoppel applied to the Non-Petitioned Grounds to the district court. In so doing, it made two primary findings.

**First**, the panel held that “provided the other conditions of the statute are satisfied, § 315(e)(2) estops a petitioner as to invalidity grounds a skilled searcher conducting a diligent search reasonably could have been expected to discover, as these are grounds that the petitioner ‘reasonably could have raised’ in its petition.”<sup>9</sup> The panel acknowledged that the Federal Circuit had not previously “fully addressed the standards by which a determination is to be made as to what invalidity grounds not presented in a petition are estopped pursuant to § 315(e)(2).”<sup>10</sup> The panel recognized that various district courts have adopted a “skilled searcher” standard and noted that both parties to the appeal agreed that the Federal Circuit should apply that standard. The panel commented that “[t]he inquiry into what a skilled and diligent searcher *would* reasonably have discovered is ultimately concerned with what the searcher of ordinary skill would find through reasonable diligence and not what an actual researcher *in fact did* find through whatever level of diligence she exercised.”<sup>11</sup>

**Second**, the panel held that patent owners, not defendants, have the “burden of proving, by a preponderance of the evidence, that a skilled searcher exercising reasonable diligence would have identified an invalidity ground . . .”<sup>12</sup> It explained that placing the burden on patent owners

is consistent with “general practice that a party asserting an affirmative defense bears the burden to prove it” and that Ironburg had not identified a persuasive basis to depart from that general rule. Specifically, it rejected Ironburg’s argument that the burden of proof should not rest with the patent owner because often a defendant “will aim to protect details of its search efforts by asserting attorney-client privilege relating to its undertaking.”<sup>13</sup> The panel explained that what a searcher *would* have been able to find was evidence a plaintiff could itself advance, and that any issues of privilege regarding what a searcher *did* actually find could be resolved by the district court and taken into consideration when addressing any findings related to estoppel.<sup>14</sup>

Because factual issues existed regarding whether Patent Owner Ironburg satisfied its burden to show the Non-Petitioned Grounds would have been identified in a reasonably diligent search, the panel

remanded the case to the district court to address estoppel, and decide whether to reopen fact discovery, address the relevance of Petitioner Valve’s own searches, and address any privilege issues that arise.<sup>15</sup>

## Implications

The *Ironburg* decision sets forth the current standards and burdens for arguing IPR estoppel in district court. Patent owners and petitioners/defendants should keep the *Ironburg* standards in mind as they develop strategies for pursuing and defending IPRs and advancing their claims or defenses in district court.

Parties should also continue to monitor developments on this issue because the application of IPR estoppel remains in flux. There is currently a petition for certiorari on this issue, and the Supreme Court recently requested that the Solicitor General weigh in on the pending petition.

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1. Nos. 2021-2296, 2021-2297, 2022-1070, slip op. (Fed. Cir. Apr. 3, 2023).

2. *Id.* at 39.

3. *Id.* at 40.

4. *Id.* at 43.

5. *Id.* at 6.

6. *Id.* at 39.

7. *Id.* at 38.

8. *Id.* at 38 (cleaned up).

9. *Id.* at 40.

10. *Id.* at 39.

11. *Id.* at 44 (emphasis added).

12. *Id.* at 43.

13. *Id.* at 43-44.

14. *Id.* at 44.

15. *Id.* at 45.

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