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PATENTS

The authors examine the various scenarios in which estoppel might apply when a court and the PTO consider the validity of the same patent.

Estoppel as Applied to and from Patent Office Post-Grant Proceedings



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The America Invents Act (AIA)¹ altered the landscape of patent law by, among other things, creating alternative vehicles for challenging the validity of patents before the U.S. Patent and Trademark Office (PTO).² In these post-grant, trial-like proceedings, the

¹ Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in 35 U.S.C.).

² The AIA post-grant proceedings comprise inter partes review, post-grant review and covered business method review. This article discusses these proceedings generally and highlights distinctions among the different proceedings in the footnotes.

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PTO has the authority to cancel patent claims that it determines are invalid by a preponderance of the evidence.³

The AIA proceedings supplement the 30-year-old ex parte reexamination proceeding, which allows a third party to lodge a request for the PTO to reexamine an issued patent. Unlike ex parte reexamination, however—which allows for limited participation by the petitioner challenging the validity of the patent—the post-grant proceedings are inter partes and adversarial in nature. Thus, the petitioner is afforded the opportunity to file motions, take discovery and participate in oral argument before a panel of three administrative law judges from the Patent Trial and Appeal Board (PTAB). Aspects of the AIA proceedings therefore resemble district court litigation, despite differences in standards and burdens of proof.

Post-grant proceedings have proven to be popular vehicles for challenging patent claims in the wake of the AIA: from September 2012 through June 2014, nearly 1,600 petitions were filed.⁴ These proceedings oftentimes involve the same patents as those involved in concurrent lawsuits, so that invalidity determinations are made in parallel by the district court and the PTO.⁵ In-

³ See 35 U.S.C. §§ 316(e), 318(b) (2012) (inter partes review); *id.* §§ 326(e), 328(b) (post-grant review); *see also* 37 C.F.R. § 42.1(d) (2014); *id.* § 42.80.

⁴ See AIA Statistics, [USPTO.GOV](http://www.uspto.gov/aia_implementation/statistics.jsp), available at http://www.uspto.gov/aia_implementation/statistics.jsp (last visited July 23, 2014) (including statistics for inter partes review (1,405) and covered business method review (186)).

⁵ In fact, a petitioner may only file a petition for covered business method review if it “has been sued for infringement of the patent or has been charged with infringement under that patent.” 37 C.F.R. § 42.302(a). And as of September 2013, 81 percent of all inter partes review proceedings involved concurrent district court litigation. *See Harness Dickey, Harnessing Patent Office Litigation: Volume III* (2013), available at <http://ipr-pgr.com/-content/uploads/2013/09/IPR-PGR-Report-Vol.-31.pdf>.

consistent judgments can be avoided, however, by application of collateral estoppel so that a determination with respect to an issue decided in one forum can be used to bind the patent owner, petitioner or third party in the other forum.

This article discusses whether and under what circumstances “inter-branch” collateral estoppel can apply to and from PTO determinations in post-grant proceedings and district court. Although this area of the law is complex, the article attempts to bring clarity by addressing common estoppel scenarios in such proceedings.

I. Law of Collateral Estoppel

A. Federal Courts’ Approach to Collateral Estoppel

Collateral estoppel, or issue preclusion, is a common law doctrine that prevents a party from relitigating issues that were previously adjudicated in a legal proceeding.⁶ For a court to give preclusive effect to an issue of fact or law, the following elements must be satisfied:⁷

- (1) the issue is identical to one decided in the first action,
- (2) the issue was actually litigated in the first action,
- (3) resolution of the issue was essential to a final judgment in the first action, and
- (4) the party against whom estoppel is invoked had a full and fair opportunity to litigate the issue in the first action.

The purpose of the doctrine is to promote consistency of judgments and judicial efficiency by ensuring that resources are not wasted relitigating issues that have already been conclusively decided.⁸

In patent litigation, collateral estoppel is especially important. As the Supreme Court held in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, a patent that is judicially declared invalid as to one defendant is invalid as to all others under principles of collateral estoppel, as long as the plaintiff had a full and fair opportunity to litigate the validity of its patent.⁹

B. PTO’s Approach to Collateral Estoppel

Collateral estoppel is most often applied between two federal district courts. But it may also apply between a

district court and an administrative agency if the agency acts in a judicial capacity and provides “procedural opportunities in the presentation and determination of the issues” for which preclusion is sought.¹⁰

As discussed above, the PTAB is an administrative tribunal within the PTO that decides issues of patentability and holds trial-like proceedings under the AIA.¹¹ Thus, “[t]here is no doubt that in proper circumstances decisions of the Board . . . may be given collateral estoppel effect,”¹² so that a patent owner or third party may have certain PTO determinations apply in district court litigation, or vice versa.

Generally speaking, the same principles of collateral estoppel discussed above also apply in PTO proceedings. Thus, for example, a district court’s *non-final* holding of claim invalidity or unenforceability is not preclusive in the PTO because such a judgment lacks finality for purposes of collateral estoppel.¹³ And while a district court’s claim construction, affirmed on appeal, can have preclusive effect against the patent owner in a subsequent *ex parte* reexamination proceeding,¹⁴ it cannot have preclusive effect in *favor of the patent owner* in such a proceeding because the PTO—the party against whom preclusion would be sought in such circumstances—could not have had a full and fair opportunity to litigate the issue in the district court.¹⁵ Similarly, a determination favorable to the patent owner made by the PTO in an *ex parte* reexamination cannot have preclusive effect in subsequent district

¹⁰ RESTATEMENT § 29(2); see also *Astoria Fed. Sav. & Loan Ass’n v. Solimino*, 501 U.S. 104, 107–08 (1991) (“We have long favored application of the common-law doctrines of collateral estoppel (as to issues) and *res judicata* (as to claims) to those determinations of administrative bodies that have attained finality.” (citing *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422 (1966))). Decisions from the International Trade Commission, however, are not entitled to preclusive effect, as specified in the legislative history. See *Tex. Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568–69, 39 U.S.P.Q.2d 1492 (Fed. Cir. 1996).

¹¹ See 35 U.S.C. § 6.

¹² *Gould v. Mossinghoff*, 711 F.2d 396, 398, 219 U.S.P.Q. 393 (D.C. Cir. 1983).

¹³ MPEP § 2286 (9th ed. Rev. 1, Mar. 2014) (“A *non-final* Federal Court decision concerning a patent under reexamination shall have no binding effect on a reexamination proceeding.”). Similarly, the PTO’s nonfinal determinations have no preclusive effect in district court. See *Abbvie Deutschland GmbH & Co., KG v. Janssen Biotech, Inc.*, No. 2013-1338, 2014 BL 183329 (Fed. Cir. July 1, 2014) (holding that PTO interference proceeding is not sufficiently final to have preclusive effect in § 146 district court review proceeding where factual record remains open and is subject to *de novo* review).

¹⁴ See *In re Freeman*, 30 F.3d 1459, 1465, 31 U.S.P.Q.2d 1444 (Fed. Cir. 1994). But see *Research in Motion Corp. v. Wi-Lan USA Inc.*, IPR2013-00126, Paper No. 10, at 13 (P.T.A.B. June 20, 2013) (“[T]he Board may itself interpret a claim term as a matter of law notwithstanding what is or is not argued by a party. The Board’s conclusion is not subject to any restriction based on a party’s contentions in another proceeding or even this proceeding.”).

¹⁵ See *In re Tex. Holdings Corp.*, 498 F.3d 1290, 2007 BL 85882, 83 U.S.P.Q.2d 1835 (Fed. Cir. 2007) (74 PTCJ 528, 8/31/07); see also *Interthinx, Inc. v. Corelogic Solutions, LLC*, CBM2012-00007, Paper No. 58, at 7 (Jan. 30, 2014) (87 PTCJ 743, 2/7/14) (finding that collateral estoppel could not apply to bind PTO in post-grant proceeding where PTO chose to proceed to a final written decision after the parties settled and petitioner was dismissed).

⁶ Collateral estoppel is one of two species of *res judicata*, a preclusion doctrine that is Latin for “a thing adjudicated.” See *Black’s Law Dictionary* (9th ed. 2009). The other species of *res judicata* is claim preclusion, which estops a party from relitigating a legal claim that was already, or could have reasonably been, litigated against the same party.

⁷ *Innovad Inc. v. Microsoft Corp.*, 260 F.3d 1326, 1334, 59 U.S.P.Q.2d 1676 (Fed. Cir. 2001) (62 PTCJ 342, 8/10/01); see also *Restatement (Second) of Judgments* § 27 (1982). Collateral estoppel is generally regarded as a procedural issue and is therefore governed by regional circuit law except as to those aspects of the determination that involve substantive issues of patent law, which are governed by Federal Circuit law. See *Ohio Willow Wood Co. v. Alps S., LLC*, 735 F.3d 1333, 1342, 2013 BL 316646, 108 U.S.P.Q.2d 1745 (Fed. Cir. 2013) (87 PTCJ 171, 11/22/13).

⁸ See *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 326 (1979).

⁹ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 169 U.S.P.Q. 513 (1971).

court litigation because the defendant would not have had a full and fair opportunity to litigate the issue at the PTO.¹⁶

However, the PTO has departed from the common law doctrine of collateral estoppel adopted by the majority of courts in one critical way. Although most courts hold that “the pendency of an appeal has no effect on the finality or binding effect of a trial court’s holding, and thus, will not be a barrier to applying collateral estoppel,”¹⁷ the PTO has rejected this approach. Instead, the PTO will not consider a district court’s judgment as sufficiently “final” for purposes of preclusion until all pending appeals have been resolved.¹⁸ In the PTO’s view, the judgment must be “immune, as a practical matter, to reversal or amendment.”¹⁹ The PTO therefore affords no preclusive effect to a district court decision even though the very same decision could be given such effect in another district court case.

The PTO does, however, afford preclusive effect to its own findings in subsequent PTO proceedings under certain circumstances. For example, “administrative estoppel” may be used to give preclusive effect to an examiner’s findings in subsequent reexamination proceedings if the patent owner did not traverse those findings during prosecution.²⁰ Additionally, under this

“intra-branch” estoppel, findings in derivation proceedings may have preclusive effect in subsequent PTO proceedings.²¹ Similar principles are now codified in the AIA and apply to estop patent owners from “taking action inconsistent with the adverse judgment” rendered in post-grant proceedings, including prosecuting any other “claim that is not patentably distinct from a finally . . . cancelled claim.”²²

II. Collateral Estoppel in Post-Grant Proceedings

How do the principles of collateral estoppel discussed above apply to the new post-grant proceedings? This area of the law is complex and continues to evolve as the PTO and the patent bar explore the contours of estoppel law. This article attempts to shed light on the issue of whether collateral estoppel precludes relitigation of issues decided in (A) post-grant proceedings in subsequent district court litigation, and (B) district court litigation in subsequent post-grant proceedings.

A. Preclusive Effect of Post-Grant Proceeding in Subsequent District Court Litigation

1. Estoppel Against the Defendant/Petitioner—PTO’s Finding of Validity

The petitioner in a post-grant proceeding is subject to statutory estoppel codified in the AIA. For inter partes review, once a final written decision is issued by the PTAB, the petitioner and any real party in interest or privy of the petitioner, may not assert in a civil action “that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during” the proceeding.²³ Thus, the statutory estoppel provision is broader than the common law doctrine of collateral estoppel insofar as it extends to issues not actually litigated, but that could reasonably have been litigated.²⁴

Co., IPR2013-00064, Paper No. 11 (P.T.A.B. Apr. 30, 2013) (rejecting petitioner’s administrative estoppel argument because claims challenged in the petition were not “patently indistinct” from claims cancelled in prior reexamination proceeding).

²¹ See MPEP § 2308.03 (estoppel within the office).

²² 37 C.F.R. § 42.73(b)(3)(i). Additionally, the PTO may, in its discretion, preclude a petitioner from instituting post-grant review proceeding based on “the same or substantially the same prior art or arguments previously . . . presented to the” PTO in another proceeding. 35 U.S.C. § 325(d); see also *Medtronic, Inc. v. Robert Bosch Healthcare Sys., Inc.*, IPR2014-00436, Paper No. 17 (P.T.A.B. June 19, 2014).

²³ See 35 U.S.C. § 315(e) (2012) (inter partes review); *id.* § 325(e) (post-grant review). The statutory estoppel provision for covered business method review is narrower and applies only to invalidity grounds actually raised by the petitioner. See AIA § 18(a)(1)(D).

²⁴ The statutory estoppel provision is perhaps more appropriately regarded as “something of a hybrid of claim preclusion and issue preclusion.” Robert J. Stoll, *Maintaining Post-Grant Review Estoppel in the America Invents Act Revisited: A Call for Legislative Restraint*, 23 FED. CIR. B.J. 15, 40 (2013). For an excellent discussion of how the Federal Circuit might apply the estoppel provision in the context of post-grant proceedings, as well as a discussion of other issues implicated by concurrent district court and PTO litigation, see Thomas King

¹⁶ See, e.g., *Fromson v. Advance Offset Plate, Inc.*, 755 F.2d 1549, 1555, 225 U.S.P.Q. 26 (Fed. Cir. 1985) (“The Examiner’s decision, on an original or reissue application, is never binding on a court.”); *PIC Inc. v. Prescon Corp.*, 485 F. Supp. 1302, 1309–13 (D. Del. 1980) (finding claim construction in reissue proceeding did not have preclusive effect given its ex parte nature); see also *TDM Am., LLC v. United States*, 100 F. Cl. 485, 492, 2011 BL 211216 (Fed. Cl. 2011) (refusing to reconsider earlier judgment in light of PTO determinations made in ex parte reexamination because the procedures provided by the PTO are “less than robust,” the challenger does not have the opportunity to participate, and the proceeding involves a different claim construction standard).

¹⁷ Robert A. Matthews, Jr., *Requirement of Finality and Effect of Appeal or Post-Judgment Motions*, 6 ANN. PAT. DIG. § 38:36 (updated 2014); see also *Pharmacia & Upjohn Co. v. Mylan Pharm.*, 170 F.3d 1373, 1381, 50 U.S.P.Q.2d 1033 (Fed. Cir. 1999) (applying majority approach).

¹⁸ See MPEP § 2659 (“Claims finally held invalid by a Federal Court, after all appeals, will be withdrawn from consideration and not reexamined during a reexamination proceeding.” (emphasis added)); *id.* § 2286 (“A final holding of claim invalidity or unenforceability (after all appeals) . . . is controlling on the Office.” (emphasis added)); see also *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429, 7 U.S.P.Q.2d 1152 (Fed. Cir. 1988) (noting that under *Blonder-Tongue*, “if a court finds a patent invalid, and that decision is either upheld on appeal or not appealed, the PTO may discontinue its reexamination” (emphasis added)).

¹⁹ *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, CBM2012-00001, Paper No. 36, at 19 (Jan. 9, 2013) (quoting *Vardon Golf Co. v. Karsten Mfg. Corp.*, 294 F.3d 1330, 1333, 63 U.S.P.Q.2d 1468 (Fed. Cir. 2002) (64 PTCJ 194, 6/28/02)); see also *In re Stampa*, No. 105,069, 65 U.S.P.Q.2d 1942 (B.P.A.I. Dec. 11, 2002) (noting in pre-AIA interference proceeding that “[t]he district court’s decision is presently on appeal” and therefore that “there is no issue preclusion as the district court’s decision is not immune to reversal or amendment”). But see *Malow Indus., Inc. v. Igloo Prods. Corp.*, 65 F. App’x 313, 318 (Fed. Cir. 2003) (finding that district court’s prior orders that were not appealed were material to PTO’s final reexamination for purposes of inequitable conduct because “they were binding on the examiner under the doctrine of issue preclusion”).

²⁰ See *Ex parte Smith*, No. 2009-014595 (B.P.A.I. Aug. 17, 2010); see also *Innolux Corp. v. Semiconductor Energy Lab.*

The provision does not estop unrelated third parties involved in district court litigation involving the same patents. Nevertheless, some courts have conditioned stays of parallel district court litigation on defendants' agreement to be estopped from advancing the same grounds or arguments made by petitioners, thereby preventing third-party defendants "from gaining [a] tactical advantage by reaping the benefits" of petitioners' arguments.²⁵ Thus, the statutory AIA estoppel provision has had the effect of binding unrelated third parties in some circumstances. Other courts, however, have rejected this approach.²⁶

2. Estoppel Against the Plaintiff/Patent Owner—PTO's Finding of Invalidity

The patent owner, by contrast, is not subject to statutory estoppel with regard to subsequent district court litigation. And common law collateral estoppel cannot apply against a patent owner in district court litigation based on the PTO's finding of invalidity in prior post-grant proceedings. This is because the two adjudications employ different standards and burdens of proof. In federal district court, a patent carries a presumption of validity, and the challenger must show by clear and convincing evidence that the patent is invalid. By contrast, no such presumption exists in the PTO, and a petitioner need only show that the patent is invalid by a preponderance of the evidence.²⁷ The mere fact that a petitioner may carry its burden in proving that a patent is invalid in a post-grant proceeding does not imply that the petitioner would meet a higher burden for making the same showing in district court. Thus, the issue of validity in the district court is not the same as that in a post-grant proceeding.²⁸

& Jeffrey A. Wolfson, *PTAB Rearranging the Face of Patent Litigation*, *LANDSLIDE*, Nov./Dec. 2013, at 19.

²⁵ *E-Watch, Inc. v. Lorex Tech., Inc.*, No. 4-12-cv-03314 (S.D. Tex. Sept. 26, 2013); see also *Evolutionary Intelligence, LLC v. Millennial Media, Inc.*, No. 5-13-cv-04206 (N.D. Cal. June 11, 2014).

²⁶ See, e.g., *Intellectual Ventures II LLC v. Huntington Bancshares Inc.*, No. 2:13-CV-00785, slip op. at 7 (N.D. Ohio June 10, 2014) ("[I]t would be . . . unfair to condition a stay on Defendants' being bound by arguments raised in a proceeding over which they have no control.").

²⁷ Additionally, while a district court construes claims to preserve their validity, and in accordance with *Phillips v. AWH Corp.*, 415 F.3d 1303, 75 U.S.P.Q.2d 1321 (Fed. Cir. 2005) (en banc) (70 PTCJ 309, 7/15/05), the PTO gives claims their "broadest reasonable construction in light of the specification of the patent." 37 C.F.R. § 42.100(b) (inter partes review); *id.* § 42.200(b) (post-grant review); *id.* § 42.300(b) (covered business method review). But see *Square, Inc. v. Cooper*, IPR2014-00156, Paper No. 18, at 2 (P.T.A.B. June 23, 2014) ("The Board's review of the claims of an expired patent is similar to that of a district court's review. Therefore, the principles set forth by the court in *Phillips* . . . should be applied because the expired claims are not subject to amendment." (internal citation omitted)).

²⁸ *In re Swanson*, 540 F.3d 1368, 1377, 2008 BL 198581, 88 U.S.P.Q.2d 1196 (Fed. Cir. 2008) (76 PTCJ 664, 9/12/08) (highlighting importance of different standards and burdens of proof when evaluating inconsistent district court and PTO judgments); see also *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1365, 2012 BL 121025, 102 U.S.P.Q.2d 1925 (Fed. Cir. 2012) (84 PTCJ 143, 5/25/12) ("Thus, because the two proceedings necessarily applied different burdens of proof and relied on different records, the PTO did not err in failing to provide the detailed explanation now sought by Baxter as to why the PTO

The PTO's final judgment of invalidity is nevertheless binding in concurrent district court litigation against the patent owner, of course, "not because of collateral estoppel, but because Congress has expressly delegated . . . authority to the PTO under a statute requiring the PTO to cancel rejected claims, and cancellation extinguishes the underlying basis for suits based on the patent."²⁹ Thus, as the Federal Circuit recently held in *Fresenius USA, Inc. v. Baxter International, Inc.*, the PTO's finding of invalidity supersedes an earlier district court judgment if the PTO proceeding is affirmed before the district court judgment becomes "final"—i.e., affirmed on appeal so as to "end[] the litigation on the merits and leave[] nothing for the court to do but execute the judgment."³⁰

Other species of estoppel—e.g., prosecution history estoppel, disclaimer and judicial estoppel—might also preclude the patent owner in subsequent litigation where the post-grant proceeding culminates in a final written decision, especially where the patent owner seeks to amend the claims during the proceeding.

B. Preclusive Effect of District Court Litigation in Subsequent Post-Grant Proceeding

1. Estoppel Against the Defendant/Petitioner—District Court's Finding of Validity

The AIA also contains an estoppel provision applying from previous district court litigation, but that provision is much more circumscribed: an earlier civil action will

came to a different determination than the court system in the *Fresenius* litigation."), *reh'g and reh'g en banc denied*, 698 F.3d 1349, 2012 BL 283461, 104 U.S.P.Q.2d 1530 (Fed. Cir. 2012) (per curiam) (87 PTCJ 112, 11/15/13); *In re Construction Equip. Co.*, 665 F.3d 1254, 1256 n.3, 2011 BL 316861, 100 U.S.P.Q.2d 1922 (Fed. Cir. 2011) (83 PTCJ 224, 12/16/11) (applying *Swanson*); *Ethicon*, 849 F.2d at 1429 (Fed. Cir. 1988) ("Accordingly, different results between the two forums may be entirely reasonable. And, if the district court determines a patent is not invalid, the PTO should continue its reexamination because, of course, the two forums have different standards of proof for determining invalidity.").

²⁹ *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1344, 2013 BL 175930, 107 U.S.P.Q.2d 1365 (Fed. Cir. 2013) (86 PTCJ 520, 7/12/13), *cert. denied*, 134 S. Ct. 2295, 2014 BL 138003 (2014) (88 PTCJ 247, 5/23/14); see also *Dow Jones & Co. v. Ablaise Ltd.*, 606 F.3d 1338, 1349 n.3, 2010 BL 119156, 95 U.S.P.Q.2d 1366 (Fed. Cir. 2010) (80 PTCJ 200, 6/11/10) ("An ultimately final rejection of the claims by the PTO would fatally undermine the legal presumption of . . . validity . . . and would be sufficient by itself to moot this entire portion of the appeal and warrant affirmation of the district court's finding of invalidity . . .").

³⁰ *Fresenius*, 721 F.3d at 1341. *Fresenius* involved an ex parte reexamination, but similar principles would likely apply to AIA post-grant proceedings as well. For another example of an instance in which the Federal Circuit upheld the PTO's unpatentability determination in a reexamination proceeding and vacated the district court's final judgment of infringement in a parallel proceeding, thereafter remanding the case for dismissal, see *In re Translogic Technology Inc.*, 504 F.3d 1249 (Fed. Cir. 2007), and *Translogic Technology, Inc. v. Hitachi, Ltd.*, 250 F. App'x 988 (Fed. Cir. 2007). See also *ePlus, Inc. v. Lawson Software, Inc.*, No. 2013-1506, 2014 BL 205642 (Fed. Cir. July 25, 2014) (88 PTCJ 863, 8/1/14) (relying on *Fresenius* to vacate an injunction and compensatory contempt award after PTO's invalidity finding in reexamination was affirmed on appeal, even though the Federal Circuit previously found the claim at issue to be infringed).

preclude a later post-grant proceeding only when the petitioner previously sought declaratory judgment of invalidity.³¹ And collateral estoppel cannot apply against a petitioner based on a district court's finding of *validity* given the different standards employed by the PTO and the district court, as discussed above. "Courts do not find patents 'valid,' only that the patent challenger did not carry the burden of establishing invalidity in the particular case before the court."³² Thus, a finding by a district court that patent claims are not invalid by clear and convincing evidence does not preclude a finding by the PTO that the claims are invalid by a preponderance of the evidence.³³ A petition for post-grant review therefore cannot be denied on the basis that a district court already found the claims at issue not to be invalid.³⁴

2. Estoppel Against the Plaintiff/Patent Owner—District Court's Finding of Invalidity

Can a district court's finding of *invalidity* have preclusive effect against a patent owner in a post-grant proceeding? Based on principles of collateral estoppel adopted by the majority of courts, the answer would be "yes" because the patent owner would have had a full and fair opportunity to litigate the issue of validity in the district court, and the district court's finding that a patent is invalid by clear and convincing evidence necessarily implies that it is invalid by any lower burden of

proof. The PTO has not addressed this exact issue, but has indicated in the context of post-grant proceedings that it will continue to follow its policy of ignoring district court decisions for which appeals are pending.³⁵ Thus, a district court's finding of invalidity likely would not have preclusive effect in the PTO unless and until affirmed by the Federal Circuit.

The Federal Circuit could soon address this issue in the *Versata* cases.³⁶ In those cases, the patent owner appealed the PTO's invalidity decision in a post-grant proceeding that the defendant initiated *after* a jury returned a verdict in favor of the patent owner but *while* the appeal of that verdict was still pending. Collateral estoppel will likely not apply given the different standards and issues in the two adjudications, as discussed above, but claim preclusion could apply, and the Federal Circuit could take the opportunity to declare whether the PTO has jurisdiction to adjudicate issues in post-grant proceedings that were resolved by district courts but pending appeal. If the Federal Circuit follows its reasoning in *Fresenius*, it will likely affirm the PTO and find that preclusion does not apply in such circumstances.

Nevertheless, even if a district court's invalidity decision does not have preclusive effect while on appeal, the PTO has indicated that it will give a "court's decision due consideration" given its "importance" to the validity issue.³⁷

III. Estoppel at a Glance

In short, there exists an asymmetry in preclusion as applied in the context of AIA post-grant proceedings: while the PTO's finding of validity is given statutory preclusive effect against the petitioner in subsequent district court litigation, a district court's finding of invalidity is given no preclusive effect in subsequent post-grant proceedings until appeals run out, even though it likely would be given such effect in a subsequent district court action.

In light of these principles, the tables on the next page set forth several possible estoppel scenarios in concurrent PTO and district court proceedings.

³¹ See 35 U.S.C. § 315(a)(1); 37 C.F.R. § 42.101(a) (inter partes review); 35 U.S.C. § 325(a)(1); 37 C.F.R. § 42.201(a) (post-grant review); see also *Securebuy, LLC v. Cardinal Commerce Corp.*, CBM2014-00035, Paper No. 12 (P.T.A.B. Apr. 25, 2014) (applying post-grant review estoppel provision to covered business method review petition).

³² *Ethicon*, 849 F.2d at 1429 n.3 (citations and internal quotation marks omitted); see also MPEP § 2286 (noting that "the existence of a final court decision of claim *validity* in view of the same or different prior art does not necessarily mean that no new question is present" given "the different standards of proof and claim interpretation employed by the District Courts and the Office").

³³ See *Restatement (Second) of Judgments* § 28(4) (1982) (providing exception to collateral estoppel where "[t]he party against whom preclusion is sought had a significantly heavier burden of persuasion with respect to the issue in the initial action than in the subsequent action").

³⁴ See *Interthinx, Inc. v. Corelogic Solutions, LLC*, CBM2012-00007, Paper No. 58, at 7 (Jan. 30, 2014) ("[T]he jury's finding that Petitioner had not proved invalid any claim of the . . . Patent under the clear and convincing evidence standard, is not binding on the Board, which evaluates claim patentability and applies a preponderance of the evidence standard."); cf. *Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper No. 37, at 12 (P.T.A.B. Oct. 11, 2013) (holding that International Chamber of Commerce's finding of validity during arbitration did not preclude petitioner in inter partes review); *Vestcom Int'l, Inc. v. Grandville Printing Co.*, IPR2013-00031, Paper No. 22, at 18–19 (P.T.A.B. Apr. 1, 2013) (holding that inter partes reexamination determination favorable to patent owner did not preclude petitioner in inter partes review).

³⁵ See *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, CBM2012-00001, Paper No. 36, at 19–20 (Jan. 9, 2013) (rejecting collateral estoppel argument raised by patent owner based on district court's finding of *validity* that was pending on appeal); *Interthinx*, CBM2012-00007, Paper No. 15, at 10 (Jan. 31, 2013) (same but no appeal yet taken).

³⁶ *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, No. 14-1194 (Fed. Cir. docketed Nov. 13, 2013); *Versata Dev. Grp., Inc. v. Lee*, No. 2014-1145 (Fed. Cir. docketed Dec. 4, 2013) (87 PTCLJ 1506, 4/25/14).

³⁷ *SAP Am., Inc. v. Pi-Net Int'l, Inc.*, IPR2013-00194, Paper No. 56, at 3 (P.T.A.B. May 23, 2014) (declining to stay post-grant proceedings in light of pending appeal of district court litigation to the Federal Circuit).

Estoppel from Judiciary to PTO

Decision in Court Proceeding	Likely Effect on Subsequent Post-Grant PTO Proceeding
Federal Circuit affirms district court ruling that patent is not invalid	Federal Circuit's ruling has no preclusive effect in PTO because of the different standards. <i>See, e.g.,</i> <i>In re Baxter Int'l, Inc.</i> , 678 F.3d 1357 (Fed. Cir. 2012) <i>In re Construction Equip. Co.</i> , 665 F.3d 1254 (Fed. Cir. 2011) <i>In re Swanson</i> , 540 F.3d 1368 (Fed. Cir. 2008) <i>Ethicon, Inc. v. Quigg</i> , 849 F.2d 1422 (Fed. Cir. 1988) <i>Interthinx, Inc. v. Corelogic Solutions, LLC</i> , CBM2012-00007, Paper No. 58 (Jan. 30, 2014) MPEP § 2286
District court rules patent is invalid	District court's ruling has no preclusive effect in PTO unless and until affirmed by the Federal Circuit after all appeals. <i>See, e.g.,</i> <i>Ethicon, Inc. v. Quigg</i> , 849 F.2d 1422 <i>Interthinx, Inc. v. Corelogic Solutions, LLC</i> , CBM2012-00007, Paper No. 15, at 10 (Jan. 31, 2013) <i>SAP Am., Inc. v. Versata Dev. Grp., Inc.</i> , CBM2012-00001, Paper No. 36 (Jan. 9, 2013) MPEP §§ 2286, 2659
Federal Circuit affirms district court ruling of invalidity	Federal Circuit's ruling has preclusive effect and post-grant proceedings must be terminated. <i>See, e.g.,</i> <i>Ethicon, Inc. v. Quigg</i> , 849 F.2d 1422 (Fed. Cir. 1988) MPEP §§ 2286, 2659
Federal Circuit reverses district court ruling of invalidity	Federal Circuit's ruling has no preclusive effect in PTO because of the different standards. <i>See, e.g.,</i> <i>In re Baxter Int'l, Inc.</i> , 678 F.3d 1357 (Fed. Cir. 2012) <i>In re Construction Equip. Co.</i> , 665 F.3d 1254 (Fed. Cir. 2011) <i>In re Swanson</i> , 540 F.3d 1368 (Fed. Cir. 2008) <i>Ethicon, Inc. v. Quigg</i> , 849 F.2d 1422 (Fed. Cir. 1988) <i>Interthinx, Inc. v. Corelogic Solutions, LLC</i> , CBM2012-00007, Paper No. 58 (Jan. 30, 2014) MPEP § 2286

Estoppel from PTO to Judiciary

Decision in Post-Grant PTO Proceeding	Likely Effect on Subsequent Court Proceeding
PTO cancels claims in final judgment	All actions involving assertion of claims are extinguished. <i>See, e.g.,</i> <i>Fresenius USA, Inc. v. Baxter Int'l, Inc.</i> , 721 F.3d 1330 (Fed. Cir. 2013) <i>Dow Jones & Co. v. Ablaise Ltd.</i> , 606 F.3d 1338 (Fed. Cir. 2010) <i>In re Translogic Tech. Inc.</i> , 504 F.3d 1249 (Fed. Cir. 2007) <i>Translogic Tech., Inc. v. Hitachi, Ltd.</i> , 250 F. App'x 988 (Fed. Cir. 2007)
PTO upholds claims	Petitioner is statutorily estopped from challenging claims in district court on same grounds (for covered business method review) and grounds that could have been raised (for inter partes review). <i>See, e.g.,</i> 35 U.S.C. §§ 315(e), 325(e), AIA § 18(a)(1)(D)