

IPR Strategy Suggestions For In-House Counsel

By **Paul Haughey** (August 23, 2019)

Based on recent federal court and Patent Trial and Appeal Board decisions, here are some basics in-house counsel should know in managing outside inter partes review counsel.



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Preemptive IPR May Not Be Appealable

An IPR must be filed within one year of service of a complaint. The earlier it is filed, the better the chances of a stay. However, if it is a preemptive challenge filed without a lawsuit, the U.S. Court of Appeals for the Federal Circuit has held in several decisions that the petitioner has no standing to appeal the PTAB decision. An appeal requires Article III standing — a case or controversy — which has generally been held to mean a lawsuit or a significant threat to an infringing product.

In July, in *General Electric Co. v. United Technologies Corp.*,^[1] the court stated, “Not every party to an IPR will have Article III standing to appeal a final written decision of the Board.”^[2] General Electric had not been sued and had suggested competitive harm because a customer, Boeing, had asked for information regarding a possible engine design. The court stated, however, that “there is no evidence that Boeing demanded or required an engine covered by claims 7–11 of the ‘605 patent, and there is no indication that GE lost the Boeing bid.”^[3] The court held that there was no standing and dismissed the appeal.

If a preemptive challenge is to be filed, it appears required to have in the record evidence of infringement and fear of a lawsuit to support standing for appeal. If this is not done in the IPR, it can be done by submitting evidence and affidavits at the time of appeal: “[W]hen the record before the Board is inadequate,” the appellant “must supplement the record to the extent necessary to explain and substantiate its entitlement to judicial review,’ such as by submitting ‘affidavits or other evidence to demonstrate its standing.”^[4] However, it is doubtful any petitioner is going to want to admit infringement, so this decision appears to effectively deny the ability to appeal absent a lawsuit or infringement allegation.

Redundant IPRs Blocked

Multiple IPR petitions have been used when a patent includes too many claims to cover in one petition or where the petitioner has too many prior art references to discuss in one petition. In recent decisions, the PTAB has refused to hear multiple IPRs against the same patent, even forcing petitioners to choose their best petition. The July 15 update to the PTAB trial practice guide says that multiple petitions “should” be ranked, with an explanation of the differences and why the board should institute more than one.^[5] The patent owner “could” respond to the explanation in its preliminary response.^[6]

Estoppel

Redundant Petitions

The rejection of petitions for redundancy raises the question of whether there is estoppel for the prior art in the petitions judged redundant. The prior art in the redundant petitions does not seem to fall within the standard of “reasonably could have raised” since the PTAB

explicitly didn't allow them to be raised. In 2016, the Federal Circuit ruled that estoppel did not apply to grounds not instituted in an IPR, in the case of *Shaw Industries Group v. Automated Creel Systems Inc.*[7]

The same rationale would appear to apply to redundant petitions that are denied institution, although some commentators have argued otherwise. Some district courts have distinguished prior art known but not asserted as a ground, holding that *Shaw* doesn't address these and estoppel applied.[8] It would be a strange result if this caused redundant IPR petitions to be filed for the purpose of avoiding estoppel on the ones not instituted.

Preemptive IPRs

Note that it appears to be an open issue whether estoppel applies for preemptive IPRs where there is no opportunity to appeal. In *AVX Corp. v. Presido Components Inc.*,[9] the court declined to address the issue of estoppel where there is no standing to appeal because it wasn't briefed, and the current appeal didn't involve a case or controversy. The argument in this case was somewhat circular, with AVX arguing that because there was estoppel, there was a controversy giving rise to appeal. AVX assumed estoppel would apply, without briefing the issue.

If in the future it is held there is no estoppel, that would suggest preemptive IPRs as a way to avoid estoppel on other prior art, although a patent owner might then sue to give the right to appeal and force the application of estoppel.

Thus, the conservative approach is to assume estoppel on all prior art you are aware of. Note, however, this doesn't prevent later challenges on Section 101 or 112 grounds or to product sales or other nonpublication prior art.

Reissue or Ex Parte Reexamination

If your company's patent is challenged, you can file for a reissue or reexamination to hedge your bets or after losing the IPR. If it is a broadening reissue, it needs to be filed within two years of issuance. A reissue or reexamination can be filed anytime up to a Federal Circuit decision on appeal or expiration of the appeal period (63 days after a final written decision).

The reissue or reexamination could pursue claims not challenged in the IPR or new claims. If the claims are the same or overlapping, a stay is typically granted. Stays typically will be lifted after a final written decision in the Leahy-Smith America Invents Act trial if the patent owner is taking steps to resolve issues identified in the final written decision.

In a notice[10] issued by the U.S. Patent and Trademark Office on April 22, the USPTO set forth numerous conditions and factors for determining whether a stay may be granted, in particular similarity of art and arguments and the timeline. If you believe an IPR will be filed in the future against one of your company's patents, you may want to consider filing a reissue or reexam first, since the PTAB may deny institution if it is in a more advanced stage and involves overlapping issues.

Sovereign Immunity

You may have heard of companies assigning patents in an effort to claim governmental sovereign immunity against an IPR. The Federal Circuit has largely put an end to this, holding that sovereign immunity does not apply to IPRs in cases involving federally recognized Indian tribes in 2018 in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals*

Inc.[11] The court held, “While IPR presents a closer case for the application of tribal immunity than reexamination, we nonetheless conclude that tribal immunity does not extend to these administrative agency reconsideration decisions.”[12]

The court also said, “While we recognize there are many parallels, we leave for another day the question of whether there is any reason to treat state sovereign immunity differently.”[13] That “another day” arrived on June 14, in *Regents of the University of Minnesota v. LSI Corp.*[14] The court held, “We conclude that state and tribal sovereign immunity do not differ in a way that is material to the question of whether IPR proceedings are subject to state sovereign immunity. Thus, under the reasoning of the majority and concurrence in *Saint Regis*, we conclude that state sovereign immunity does not apply to IPR proceedings.”[14]

Strategy

These recent court decisions dictate the following strategy:

1. You should consider not filing preemptive IPR challenges for your company unless you have evidence of an infringement allegation or fear of a lawsuit to support standing for appeal.
2. If your company has been filing multiple IPRs against the same patent, you should consider stopping this practice (and saving some money!), and just selecting your best argument for one IPR, since extra IPRs may be considered redundant and rejected (except if future decisions confirm that the denied, redundant IPRs are exempt from estoppel).
3. Monitor the estoppel decisions, since this is in flux. The conservative approach is to assume all your published prior art will be estopped, and don’t file an IPR unless you believe the PTAB is your best forum to decide validity, and/or unless you have nonpublication prior art. Note that estoppel considerations favor an IPR over a post-grant review where you have a choice, since a PGR allows a wider range of invalidity contentions, and thus a wider range of estoppel.
4. If an IPR has been filed against one of your company’s patents, or you have reason to believe one is about to be filed, consider filing a reissue or ex parte reexamination request.
5. Unless you want to fight to change the law, or can come up with some creative exception, you should not be considering using sovereign immunity as a strategy to protect your company’s patents from IPR challenges.

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[1] *General Electric v. United Technologies*, CAFC, July 10, 2019 (IPR2016-00531)

[2] *Id.* at 5.

[3] Id. at 6.

[4] AVX v. Presidio Components , CAFC, May 13, 2019, at 6 (IPR2016-00636)

[5] PTAB Trial Practice Guide, page 27

[6] Id. at page 28.

[7] See, e.g., Shaw Indus. Grp., Inc. v. Automated Creel Sys. Inc. , 817 F.3d 1293, 1299-1300 (Fed. Cir. 2016); HP Inc. v. MPHJ Tech. Invs., LLC , 817 F.3d 1339, 1347 (Fed. Cir. 2016).

[8] American Technical Ceramics Corp. et al v. Presidio Components, Inc. , 2-14-cv-06544 (E.D.N.Y); Milwaukee Electric Tool, Corp. v. Snap-On Inc. , 271 F. Supp. 3d 990 (E.D. Wisc. 2017) and Oil-Dri Corp. of Am. v. Nestle Purina Petcare Co. , No. 15-CV-1067, 2017 U.S. Dist. LEXIS 121102 (N.D. Ill. Aug. 2, 2017)

[9] AVX v. Presidio Components, CAFC, May 13, 2019 (IPR2016-00636)

[10] Notice Regarding Options for Amendments by Patent Owner Through Reissue or Reexamination During a Pending AIA Trial Proceeding, Federal Register, Vol. 84, No. 77, p. 16654 (April 22, 2019)

[11] Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc. , 896 F.3d 1322 (Fed. Cir. 2018).

[12] Id. at 1333.

[13] Id. at 1334.

[14] Regents of the University of Minnesota v. LSI Corp. , Fed. Cir., 2018-1559

[15] Id. at 25-26.