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Joining Issue: The Federal Circuit Addresses the Interplay between IPR Estoppel and IPR Joinder

Jonathan Herstoff and Anna Lukacher

Jonathan Herstoff is a partner at the law firm of Haug Partners LLP. Jonathan practices in a variety of areas, from patent litigation to analysis of complex evidentiary and procedural rules, including appearing before the United States Supreme Court.

Anna Lukacher is an associate attorney at the law firm of Haug Partners LLP. Anna focuses her practice on patent litigation, particularly with respect to pharmaceutical products.

On September 24, 2020, the Federal Circuit issued a decision in *Network-1 Tech., Inc. v. Hewlett-Packard Co.*¹, in which the Federal Circuit addressed whether statutory estoppel under 35 U.S.C. § 315(e)² applies to a party who joined an already instituted IPR under 35 U.S.C. § 315(c).³ In this decision, the Federal Circuit held that statutory estoppel does not apply to “a joining party [because it] cannot bring with it grounds other than those already instituted, [and therefore] that party is not statutorily estopped from raising other invalidity grounds.”⁴ Previously, the Federal Circuit has addressed § 315(e) estoppel only to decide whether estoppel applies when an accused infringer asserts invalidity arguments that were: (i) made in an IPR petition; (ii) but not one of the grounds on which the PTAB granted institution.⁵ This is the first case where the Federal Circuit addressed the § 315(e) estoppel statute for non-petitioned grounds. Specifically, the Federal Circuit determined that defendant Hewlett-Packard (HP) was not estopped under 35 U.S.C. § 315(e) based on a previous IPR written decision.

Background of the Case

In 2011, Network-1 Tech., Inc. (Network-1) filed a complaint in the U.S. District Court for the Eastern District of Texas against multiple defendants, including HP, for infringement of U.S. Patent No. 6,218,930 (the '930 patent), which claims an “Apparatus and Method for Remotely Powering Access Equipment over a 10/100 Switched Ethernet Network.”⁶ In 2013, co-defendant

Avaya, Inc. petitioned for an IPR of the '930 patent (the Avaya IPR) and the Board partially granted institution of this IPR on two grounds: “(1) anticipation under 35 U.S.C. § 102(b) by Matsuno⁷; and (2) obviousness under 35 U.S.C. § 103(a) by De Nioclo⁸ and Matsuno.”⁹ Shortly after institution of the Avaya IPR, HP and other petitioners filed their own IPR petition of the '930 patent on grounds different from those in the Avaya IPR and subsequently filed a motion to join the Avaya IPR.¹⁰ The Board denied institution based on HP's IPR petition, so HP filed another IPR petition and a motion to join the Avaya IPR, but this time with only the grounds already instituted in the Avaya IPR.¹¹ While HP was time-barred under 35 U.S.C. § 315(b) from filing its own petition because more than a year had passed since the district court complaint was served, § 315(c) allows the Director discretion to join a person to an already filed IPR. The Board granted HP's second IPR petition and HP was added to the Avaya IPR pursuant to 35 U.S.C. § 315(c). Ultimately, the Board did not find the '930 unpatentable over either instituted ground.¹²

Subsequently, in the district court case, HP argued, among other things, that the “asserted claims [were] rendered obvious by both public use of ‘the Fisher system.’”¹³ The jury rendered a verdict in favor of HP, finding all asserted claims invalid.¹⁴ The district court then granted judgment as a matter of law with respect to the '930 patent's validity, finding that “because of HP's joinder to the Avaya IPR, HP should have been estopped under 35 U.S.C. § 315(e) from raising the remaining obviousness challenges, which it determined ‘reasonably could have been raised’ in the Avaya IPR.”¹⁵ In particular, the Magistrate Judge applied Federal Circuit precedent *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.* in its Report and Recommendation to reason that under the “plain language of § 315(e)(2)” “IPR estoppel applies to non-petitioned grounds (grounds that a party failed to raise in an IPR, but reasonably could have).”¹⁶ In *Shaw Indus. Grp., Inc.* the Federal Circuit held that the § 315(e) statutory estoppel only applies to situations where the IPR was instituted and not merely petitioned and institution denied. In *Shaw Indus. Grp., Inc.* the patent challenger

was not estopped under § 315(e) from certain prior art invalidity arguments in either the PTO or district courts because “[t]he IPR does not begin until it is instituted.”¹⁷ The Federal Circuit in *Shaw Indus. Grp., Inc.* emphasized the word “during” in § 315(e)—“on any grounds that the petitioner raised or reasonably could have raised during that inter partes review”—to signify that § 315(e) estoppel was intended to apply only to grounds of an IPR that are actually instituted.¹⁸ The Magistrate Judge distinguished this case from *Shaw Indus. Grp., Inc.* where the Board denied institution, because in *Network-1 Techs., Inc.* the Avaya IPR was instituted and decided. The district court adopted the Magistrate Judge’s reasoning in holding that HP was estopped under § 315(e) from claiming invalidity based on the Fisher System references because:

The plain language of 315(e)(2) suggests that estoppel applies to non-petitioned grounds—grounds that a party failed to raise in an IPR but reasonably could have done so. The statute provides that a party is estopped from asserting at trial invalidity grounds that it *reasonably could have raised* during an IPR, and non-petitioned grounds that could have been included in an IPR petition are precisely those grounds.¹⁹

Federal Circuit Ruling

The Federal Circuit reversed. Specifically, the Federal Circuit concluded that HP “was not estopped from raising other invalidity challenges against [the asserted

claims] because, as a joining party, HP could not have raised with its joinder any additional invalidity challenges.”²⁰ Additionally, the Federal Circuit found that “HP did not timely petition for IPR but relied on the joinder exception to the time bar under § 315(b)” and that “HP first filed a motion to join the Avaya IPR with a petition requesting review based on grounds not already instituted,” but the Board only “granted HP’s second joined request, which petitioned for only the two grounds already instituted.”²¹ To support this position, the Federal Circuit relied on its reasoning in *Facebook, Inc. v. Windy City Innovations, LLC*—a recent case decided after the district court’s decision—in which the Federal Circuit held that “the unambiguous meaning of 315(c) is that it allows the Director discretion to join a person *as a party* to an already-instituted IPR but does not permit the joined party, by virtue of the joinder decision alone, to bring new issues from a second proceeding into the existing proceeding.”²² Furthermore, the Federal Circuit rejected the district court’s suggestion that “permitting HP to challenge the asserted claims of the ‘930 patent, as obvious over the Fisher patents, Woodmas, and Chang,” gives HP a ‘second bite at the apple’²³ because these references “were not raised in the Avaya IPR” and “could not have reasonably been raised by HP.”²⁴

Therefore, the Federal Circuit in *Network-1 Tech., Inc.* clarifies that a party who joins an already-instituted IPR is not statutorily estopped in subsequent civil actions and other proceedings under § 315(e) for invalidity arguments it “reasonably could have raised” because a joined party under § 315(c) “cannot bring with it grounds other than those already instituted.”

1. *Network Tech., Inc. v. Hewlett-Packard Co.*, 976 F.3d 1301 (Fed. Cir. 2020).
2. 35 U.S.C. § 315(e)(2) states that “The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”
3. 35 U.S.C. § 315(c) states that “If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.”
4. *Network-1 Tech., Inc.*, 976 F.3d at 1313.
5. See *Credit Acceptance Corp. v. Westlake Servs.*, 859 F.3d 1044 (Fed. Cir. 2017); *HP Inc. v. MPHJ Tech. Inv., LLC*, 817 F.3d 1339 (Fed. Cir. 2016); *Shaw Indus. Grp., Inc. v. Automate Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016). In view of recent case law, “partial institution” is no longer permitted. Rather, the PTAB must either: (i) institute IPR based on all claims and grounds raised in the IPR petition; or (ii) refuse to institute an IPR. See, e.g., *PGS Geophysical AS v. Iancu*, 891 F.3d 1354, 1359-60 (Fed. Cir. 2018).
6. *Network-1 Tech., Inc.*, 976 F.3d at 1305, 1306.
7. Japanese Unexamined Patent Application Publication No. H10-13576, published Jan. 16, 1998.

8. U.S. Patent No. 6,115,468, filed Mar. 26, 1998, issued Sept. 5, 2000.
9. *Network-1 Tech., Inc.*, 976 F.3d at 1306; see also *Avaya Inc. v. Network-1 Sec. Sols., Inc.*, No. IPR2013-00071 (P.T.A.B. filed Dec. 5, 2012).
10. *Network-1 Tech., Inc.*, 976 F.3d at 1306.
11. *Network-1 Tech., Inc.*, 976 F.3d at 1306-1307.
12. *Network-1 Tech., Inc.*, 976 F.3d at 1307; see also *Avaya Inc. v. Network-1 Techs., Inc.*, 612 F. App’x 613 (Fed. Cir. 2015).
13. *Network-1 Tech., Inc.*, 976 F.3d at 1307 (explaining that “the Fisher system” refers to printed publications and patents that were developed by David Fisher).
14. *Network-1 Tech., Inc.*, 976 F.3d at 1307.
15. *Network-1 Tech., Inc.*, 976 F.3d at 1307-1308.
16. Report and Recommendation at 8,9, *Network-1 Tech., Inc. v. Alcatel-Lucent USA, Inc.*, No. 6:11-CV-000492-RWS-KNM, 2017 WL 4856473, D.I. 978 (Sept. 26, 2017).
17. *Shaw Indus. Grp., Inc.*, 817 F.3d at 1300.
18. *Shaw Indus. Grp., Inc.*, 817 F.3d at 1300 (emphasis in original).
19. *Network-1 Tech., Inc. v. Alcatel-Lucent USA, Inc.*, No. 6:11-CV-00492-RWS, 2017 WL 4856473, at *1 (E.D. Texas, Oct. 27, 2017) (emphasis in original).
20. *Network-1 Tech., Inc.*, 976 F.3d at 1314.
21. *Network-1 Tech., Inc.*, 976 F.3d at 1313-1314.
22. 973 F.3d 1321, 1336 (Fed. Cir. 2020) (emphasis in original).
23. *Network-1 Tech., Inc.*, 976 F.3d at 1314 (citing *Network-1 Tech., Inc.*, 2017 WL 4856473, at *2).
24. *Network-1 Tech., Inc.*, 976 F.3d at 1314.

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