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Can Different Theories of Patent Invalidity Be Deemed Different Issues for Collateral Estoppel Purposes?

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Introduction

The doctrine of issue preclusion, or collateral estoppel, prevents a party who unsuccessfully litigated an issue to a final decision in one proceeding from relitigating the same issue in future proceedings. In the patent litigation context, until recently, patent validity has been treated as a single issue for preclusion purposes. In other words, so long as the other elements of issue preclusion were satisfied, a prior judgment of validity or invalidity typically prevented any further litigation of the patent's validity in subsequent proceedings, and not just with respect to the specific invalidity theory that was previously litigated.¹

Recently, however, some district courts have shifted away from this conventional approach and have started to treat different theories of patent invalidity as different issues for issue preclusion purposes. These courts reason that there are legitimate reasons for treating a district court judgment of invalidity differently than a judgment of no invalidity, because a judgment of no invalidity is not a determination that the patent claims are valid for all time. Rather, it is a determination that the asserted claims were not proven invalid based on the

specific evidence presented in a particular case, and that additional evidence may render those same claims invalid in another proceeding. This article discusses the evolving case law on this topic.

The Scope of the Patent Validity “Issue” for Purposes of Issue Preclusion

The Supreme Court has defined issue preclusion in accordance with the Restatement (Second) of Judgments: “subject to certain well-known exceptions, the general rule is that “[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or different claim.”² The policies underlying the doctrine are to “protect adversaries from the expense and vexation attending multiple lawsuits, conserve[] judicial resources, and foster[] reliance on judicial action by minimizing the possibility of inconsistent decisions.”³

With respect to patent validity, collateral estoppel applies if (1) validity or invalidity was decided in a prior case that proceeded to final judgment where all procedural opportunities were available to the litigants; (2) the issues litigated were identical; and (3) the party against whom estoppel is applied had a full and fair opportunity to litigate.⁴ The Federal Circuit applies its own law when evaluating whether a patent issue is “identical” to an issue previously litigated.⁵

Historically, validity was treated as a single issue for issue preclusion purposes. In other words, the “issue” was the ultimate determination on validity itself, and not any sub-issue leading to that ultimate determination of validity or invalidity. This meant that if patent claims were found to be invalid in the prior litigation against a defendant, the patentee was estopped from reasserting the same (or substantially similar) claims in a subsequent proceeding.⁶

Similarly, if the patent was found not invalid in the prior litigation, the alleged infringer and its privies were estopped from relitigating validity in subsequent proceedings.⁷

Recently, however, district courts have begun to question the propriety of this practice and have started treating different theories of patent validity as separate issues for collateral estoppel purposes. Courts following this approach, as discussed below, reason that the “identity of issues” requirement of collateral estoppel is not met if different theories of invalidity are presented in the second action, or because different legal rules govern different theories of invalidity.

For example, in *Orexo*, the defendant sought to relitigate validity of a previously-litigated patent under §§ 103 and 112.⁸ In the prior litigation between the same parties but involving different products, the patent was found not invalid under §103.⁹ The defendant wanted to assert §112 defenses and also wanted to introduce new prior art for its §103 defense that had not been considered in the prior litigation.¹⁰ Plaintiff contended that the defendants were precluded from asserting these invalidity defenses because validity is a single issue and “validity under §103 was actually litigated, adjudicated, and necessary to the judgment” in the prior action.¹¹

Judge Connolly held that validity should not, as a matter of law, be treated as a single issue for estoppel purposes. He acknowledged that “[d]iscerning the dimensions of an ‘issue’ for estoppel purposes can be difficult in any setting, but it is especially challenging in the context of patent validity, a subject matter once described by Chief Judge Hand to be ‘as fugitive, impalpable, wayward, and vague a phantom as exists in the whole paraphernalia of legal concepts.’”¹² Judge Connolly concluded that “if validity were a single issue, then there would be no reason for the district court to make a determin[ation] [under *Blonder Tongue*] that the issue in both actions was identical where the patent was found to be invalid in the first action. That district courts are required to make that determination when a defendant seeks to preclude a plaintiff from relitigating the validity of a patent previously held to be invalid necessarily means that validity is not a single issue.”¹³ In making this statement, Judge Connolly did not expressly address application of issue preclusion to previously adjudicated claims in situations where “the differences between the adjudicated patent claims and adjudicated patent claims” are deemed not to “materially alter the question of invalidity.”¹⁴

Judge Connolly also cited several public policy reasons against adopting a *per se* rule that validity is a single issue.¹⁵ In his view, such a *per se* rule could “cause defendants to litigate in full every possible invalidity theory as opposed to pursuing a streamlined defense focused on noninfringement and one or two of the most promising

invalidity theories. If that were the case, litigation costs would rise, trials would become more complicated, jury confusion would likely increase, and precious judicial resources would be wasted.”¹⁶ Judge Connolly never reached the issue of whether the availability of new prior art would be sufficient to defeat the application of issue preclusion, when obviousness had been previously litigated.¹⁷

Judge Andrews appears to agree with Judge Connolly’s view, calling it “persuasive.”¹⁸ According to Judge Andrews, “Third Circuit precedent supports the reasoning that invalidity defenses are not identical issues. The Third Circuit instructs that issues are identical where ‘the same general legal rules govern both cases’ and where ‘the facts of both cases are indistinguishable as measured by those rules.’”¹⁹ “While the overall question of the patent’s validity is the same, the theories of invalidity are not identical. Each one analyzes different legal rules and qualities of the patent. Foreclosing a defendant from making any invalidity arguments because the defendant previously litigated invalidity on a different ground prevents defendant from being heard on a distinct issue with its own legal rules.”²⁰ Judge Andrews also found that the defendants did not have a full and fair opportunity to litigate their § 112 defenses under a different claim construction²¹, and that they should have the opportunity to do so.²² However, Judge Andrews held that new prior art was insufficient to defeat preclusion.²³ Judge Andrews’ statements in *Sprint* are consistent with his earlier decision in *TASER*, in which he held that “each theory of invalidity is a separate issue.”²⁴

Equitable Considerations and Full and Fair Opportunity to Litigate

Even though the recent trend of treating different statutory theories of invalidity as separate issues is not one that has been broadly adopted by district courts, and the Federal Circuit has yet to specifically opine on this issue, it is reasonable to assume that patent litigants, at least in certain jurisdictions, can contend that different statutory theories of patent invalidity are distinct issues. This is because the Supreme Court in *Blonder-Tongue* explained that the decision to apply collateral estoppel “will necessarily rest on the trial court’s sense of justice and equity.”²⁵

As some courts have recognized, a judgment of no invalidity is not a determination that the patent claims are valid, but rather that the asserted claims were not proven invalid based on the specific evidence presented in a particular case.²⁶ This logically suggests that issue preclusion

should not extend to validity challenges based on different grounds or new evidence in a later suit because the patent's claims were never evaluated in light of such arguments or evidence.

Although it has not expressly decided this issue, the Federal Circuit has signaled that a new statutory grounds of invalidity may bar application of issue preclusion, despite a prior finding of no invalidity. In *Voter Verified, Inc. v. Election Sys. & Software LLC*, 887 F.3d 1376 (Fed. Cir. 2018), the Federal Circuit held that issue preclusion did not apply to a defendant's §101 defense when no evidence or argument relating to that defense was presented in a prior litigation, and because the finding of no patent invalidity was not necessary to the ultimate judgment of non-infringement in the prior litigation.²⁷ Despite the finding of no invalidity, the Court analyzed whether the §101 theory of invalidity had been actually litigated in the prior action. The fact that the Court actually reached this issue, and did not consider it moot in view of the

undisputed fact that other theories of invalidity had been litigated in the prior case, suggests that the Court did not consider validity to be a single issue.

It remains to be seen whether other districts too will start to interpret the scope of the validity "issue" narrowly by limiting it to the statutory ground of invalidity previously litigated, or even more narrowly by limiting it to the actual references and evidence relied upon in the prior action. In the meantime, under the "full and fair opportunity to litigate" prong, *Blonder-Tongue*, 402 U.S. at 333, courts can also look at other factors relating to the prior action to determine whether issue preclusion should apply.²⁸ A party thus may be able to avoid issue preclusion, depending on the facts of the case or its procedural posture, by raising the lack of a full and fair opportunity to litigate a particular invalidity theory, for example under different claim construction with respect to §112 or the evolving case law under §101.²⁹

1. This does not apply to the decisions of the International Trade Commission, whose rulings on patent infringement and validity have no preclusive effect for litigants in district court. See *Tandon Corp. v. U.S.I.T.C.*, 831 F.2d 1017, 1018 (Fed. Cir. 1987); *In re Convertible Rowing Exerciser Patent Litigation*, 721 F. Supp. 596, 603-04 (D. Del. 1989).
2. *B & B Hardware, Inc. v. Hargus Indus., Inc.*, 135 S. Ct. 1293, 1303 (2015).
3. *Montana v. U.S.*, 440 U.S. 147, 153 (1979).
4. *ArcelorMittal Atlantique et Lorraine v. AK Steel Corp.*, 908 F.3d 1267, 1273-74 (Fed. Cir. 2018) (citing *Abbott Labs. v. Andrx Pharms., Inc.*, 473 F.3d 1196, 1203 (Fed. Cir. 2007)).
5. See *Aspex Eyewear, Inc. v. Zenni Optical Inc.*, 713 F.3d 1377, 1380 (Fed. Cir. 2013).
6. See *Blonder-Tongue Lab'ys, Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 334 (1971); *Ohio Willow Wood Co. v. Alps S., LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013) (applying issue preclusion to unadjudicated claims where "the differences between the unadjudicated patent claims and adjudicated patent claims do not materially alter the question of invalidity").
7. *XpertUniverse, Inc. v. Cisco Sys., Inc.*, 2018 WL 2585436, at *4 (N.D. Cal. May 8, 2018) (finding that different prior art references and additional §101 challenge were nothing more than "particular arguments" directed towards an issue that had already been decided in a prior action); *Roche Palo Alto LLC v. Apotex, Inc.*, 526 F. Supp. 2d 985, 995-96 (N.D. Cal. 2007) (holding validity is single issue); *Meritor Transmission Corp. v. Eaton Corp.*, 2006 WL 3951711, at *5 (W.D.N.C. Sept. 26, 2006) (agreeing with courts holding that "the validity of a patent is a single issue for purposes of collateral estoppel") (internal quotation marks omitted); *Crossroads Sys. (Texas), Inc. v. Dot Hill Sys. Corp.*, 2006 WL 1544621, at *5 (W.D. Tex. May 31, 2006) (stating that "overwhelming weight of authority suggests that the 'issue' that is to be given issue-preclusive effect to a judgment in the patent context is the ultimate determination on patent validity itself, not the sub-issues or individual pieces of evidence and arguments that may have been necessary to support the validity determination.").
8. *Orexo AB v. Actavis Elizabeth LLC*, 371 F. Supp. 3d 175, 181 (D. Del. 2019).
9. *Id.*
10. *Id.*
11. *Id.*
12. *Id.* (quoting *Harries v. Air King Prods. Co.*, 183 F.2d 158, 162 (2d Cir. 1950)).
13. *Orexo AB*, 371 F. Supp. 3d at 185.
14. *Ohio Willow Wood*, 735 F.3d at 1342.
15. *Orexo AB*, 371 F. Supp. 3d at 186.
16. *Id.*
17. *Id.* at 182, 187.
18. *Sprint Communs. Co. L.P. v. Charter Communs., Inc.*, Civil Action No. 17-1734-RGA, 2021 U.S. Dist. LEXIS 49064, at *13-14 (D. Del. Mar. 16, 2021).

19. *Id.* (citing *Suppan v. Dadonna*, 203 F.3d 228, 233 (3d Cir. 2000)).
20. *Id.*
21. Judge Gilstrap in *Allergan Sales* discussed but did not decide the issue of whether validity is a single issue for purposes of issue preclusion, and nevertheless held it would be inappropriate to apply it where new claim construction expands the scope of the claim. See *Allergan Sales, LLC v. Sandoz, Inc.*, 211 F. Supp. 3d 907, 916 (E.D. Tex. 2016) (citing *TASER Int'l, Inc. v. Karbon Arms, LLC*, 6 F. Supp. 3d 510, 519 (D. Del. 2013)).
22. *Id.* at *20.
23. *Id.* at *23 ("Even though there is different prior art evidence that [d]efendants could use to argue invalidity defenses, the issues are still identical.").
24. *TASER*, 6 F. Supp. 3d at 519; Although Judge Andrews suggested in *TASER* that new prior art may defeat the requirement of identity, he clarified in *Sprint* that new prior art references would not bar application of issue preclusion. Compare *TASER*, 6 F. Supp. 3d at 519 ("[I]f different theories of invalidity are presented in [a] second suit, or if the invalidity theories are based on different claim constructions or different prior art, the requirement of identity is not satisfied. The same arguments are not being presented in the second suit. Further, given that when a district court finds that an accused infringer has failed to prove the invalidity of an asserted claim the court is not making a finding that the patent is valid for all time, but only that the accused infringer has failed to prove the patent invalid on the specific grounds it asserted[.]") with *Sprint*, 2021 U.S. Dist. LEXIS 49064, at *24 ("And I now think I went too far in *TASER*. For example, for anticipation, the issue is whether there is a piece of prior art with the same limitations as the asserted claim. Whether Prior Art A or Prior Art B is the piece of prior art that meets that requirement is a question of proof, not a different invalidity theory as to why the asserted claim is invalid").
25. *Blonder-Tongue*, 402 U.S. at 334.
26. See, e.g., *Ball Aerosol & Specialty Container, Inc. v. Ltd. Brands, Inc.*, 555 F.3d 984, 994 (Fed. Cir. 2009) (courts "do not declare patents to be valid [they] ... only declare that they have not been proved to be invalid ...").
27. *Id.* at 1383-84.
28. *Kulak v. City of N.Y.*, 88 F.3d 63, 72 (2d Cir. 1996) (listing factors such as the size of the claim, the use of initiative, the extent of the litigation, the competence and experience of counsel, the availability of new evidence, indications of a compromise verdict, differences in the applicable law and foreseeability of future litigation).
29. An exception to issue preclusion is triggered when the controlling principles of law have changed. *Ginters v. Frazier*, 614 F.3d 822, 826-27 (8th Cir. 2010); see also *Dow Chem. Co. v. Nova Chems. Corp. (Canada)*, 803 F.3d 620, 628 (Fed. Cir. 2015).

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