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BLOG

Federal Circuit Overrules Shaw Industries and Clarifies Scope of 35 U.S.C. § 315(E)(2) Estoppel

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California Institute of Technology v. Broadcom Ltd, 2022-2222, 2021-1527, (Fed. Cir. Feb. 4, 2022).
Before: Lourie, Linn, Dyk.

Caltech clarifies the scope of estoppel under 35 U.S.C. § 315(e)(2). That statute, in relevant part, provides that: "The petitioner in an inter partes review of a claim in a patent … that results in a final written decision …, or the real party in interest or privy of the petitioner, may not assert … in a [district court case or ITC investigation] … that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review." In *Shaw Indus. Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293 (Fed. Cir. 2016), the Federal Circuit had previously held that the estoppel of 35 U.S.C. § 315(e)(2) did not reach grounds included in an IPR petition that were not instituted. The holding in *Shaw* was based upon the Board's former practice of instituting IPR review on a ground-by-ground basis rather than on a petition-by-petition basis. But the Supreme Court ruled in *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018) that this practice was improper, holding that it is the petition, not the Board's institution decision, that defines the scope of an IPR proceeding. Since *SAS*, the Board must institute either on either all or none of the grounds in an IPR petition. The *Caltech* decision now confirms that *Shaw* is no longer good law in view of *SAS*.

Apple had pursued IPR petitions that challenged the patentability of various claims of the several Caltech patents. Those IPR proceedings concluded in final written decisions where the Board held that Apple had failed to show the challenged claims unpatentable as obvious. After these final written decisions, in a parallel proceeding in the Central District of California, Apple and Broadcom sought to assert that the challenged claims were obvious in view of new combinations of prior art references that were not part of the IPR proceedings. The District Court, however, granted summary judgment of no invalidity, holding that Apple and Broadcom were barred from asserting those invalidity arguments because of the estoppel provisions of 35 U.S.C. § 315(e)(2). A jury found Apple and Broadcom liable for infringement of those Caltech patents in the district court trial and awarded Caltech over a billion dollars in damages. Apple and Broadcom appealed, arguing, among other things, that summary judgment of no invalidity was improper in view of *Shaw*.

The *Caltech* Court first acknowledged that there was a split of authority at the district courts regarding the scope of *Shaw*. Some district courts have held that *Shaw* only excepted the specific non-instituted grounds from the scope of the 315(e)(2) estoppel, but that any other grounds that could have been raised were still within the scope of the

estoppel. Other courts have held that *Shaw* limited the 315(e)(2) estoppel to only the instituted grounds and that all other grounds were not subject to the estoppel.

The Federal Circuit resolved that split of district court authority by overruling *Shaw*, holding that it is no longer good law in view of *SAS*. Applying the new law to the facts of this case, the Court held that Apple and Broadcom could have reasonably included the district court invalidity grounds in the IPR petitions. Accordingly, the 315(e)(2) estoppel barred Apple and Broadcom from pursuing the district court grounds in the district court case and the District Court's grant of summary judgment of no invalidity was affirmed.

It is important to note that petitioners seeking to avoid 315(e)(2) estoppel still may have arguments that were not reached by the *Caltech* decision. In particular, *Caltech* did not reach the issues of whether the Board's word count limits or the Board's tendency to deny multiple petitions on the same patent claims mean that non-IPR grounds could not "have been raised" and are outside the scope of the estoppel.

It is also important to note that the Board issued an errata a few weeks after the original *Caltech* decision that edited dicta in the original decision suggesting that the 315(e)(2) estoppel reached claims that were not challenged in the IPR proceeding. The errata makes clear that 315(e)(2) estoppel only applies to the specific claims that were challenged in the IPR proceeding.
3 Min Read

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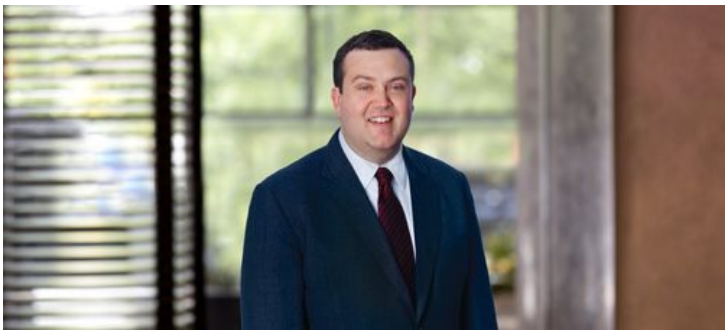

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