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Options for Avoiding Non-Party Estoppel Based on Prior Real-Party-in-Interest Determinations

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The America Invents Act (“AIA”) established statutory estoppel provisions that limit when a petitioner in an *inter partes* review (“IPR”) or post-grant review (“PGR”), or the real party in interest (“RPI”) or privity of the petitioner, may pursue another validity challenge before the U.S. Patent and Trademark Office, in district court, or before the U.S. International Trade Commission (“ITC”).¹

Specifically, where an IPR results in a final written decision from the Patent Trial and Appeal Board (“Board”), the petitioner, RPI, or privity of the

petitioner “may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that *inter partes* review.”²

Likewise, the petitioner, RPI, or privity of the petitioner may not assert in district court or the ITC that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that IPR.³ The same estoppel provisions apply for PGRs.⁴

Most disputes regarding the statutory estoppel provisions focus on whether a petitioner “reasonably could have raised” an invalidity ground during an IPR.⁵ Important questions also arise, however, where a patent owner asserts that an entity other than the petitioner (i.e., a RPI or privity of the petitioner) should similarly be estopped. In cases where a petitioner and patent owner have litigated the issue of whether another entity is an RPI or privity, where that purported RPI or privity is not already a party to the case, the fairness of applying any finding made in that proceeding to the non-party should be taken into account.⁶

For instance, consider the situation in which Party A files an IPR against a patent owned by Party B. During that IPR, Party B asserts that Party

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A should have listed Third Party as an RPI. Party A and Party B dispute whether Third Party should have been named as an RPI of Party A, and the Board ultimately finds that Third Party is in fact an unnamed RPI of Party A. Accordingly, the Board instructs Party A to list Third Party as an RPI, and Party A does. Third Party, however, does not become a party to the IPR and has no opportunity to “speak” during the proceedings. Eventually, the Board issues a final written decision in the IPR that upholds the validity of the challenged patent claims. Before the Board issues its final written decision in the IPR filed by Party A, Third Party files its own IPR seeking to invalidate the same patent owned by Party B. But after Third Party files its IPR, the Board issues its final written decision in Party A’s case, and Party B then argues that Third Party should be estopped from requesting (or maintaining) its IPR based on the statutory estoppel provisions in light of the final written decision issued in the IPR involving Party A.

The question then arises: Should Third Party be permitted to argue – either in Party A’s IPR or in its own – against application of estoppel by contending that it is not actually an RPI of Party A? Or, should Third Party be bound by the Board’s finding in Party A’s IPR despite not having been a participant or having had an opportunity to respond in Party A’s IPR?

This issue is particularly critical if it arises at the institution stage of Third Party’s IPR: if the Board were to deny institution based on statutory estoppel, the Board’s decision would likely be unreviewable in light of the U.S. Supreme Court’s recent decision in *Thryv, Inc. v. Click-To-Call Technologies, LP*,⁷ effectively leaving Third Party without further recourse.

This article explores the potential due process-related issues that arise in this and similar scenarios, particularly focusing on principles of issue preclusion (also known as collateral estoppel) and non-party preclusion.⁸

COURTS MAY BE QUICK TO APPLY ESTOPPEL TO NON-PARTIES OF AN EARLIER AGENCY PROCEEDING

Primarily, two tribunals make determinations as to whether the Section 315(e) statutory estoppel provisions apply: the Board and district courts.⁹ Although tribunals have begun to encounter the

above-mentioned estoppel arguments somewhat frequently, few decisions have addressed the application of these estoppel provisions to entities that were not parties in the earlier proceeding on which the estoppel argument is based.

One district court case addressed this issue, at least to some degree. In *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, a district court partially granted a plaintiff’s motion to strike portions of the defendants’ invalidity contentions based on estoppel under Section 315(e)(2).¹⁰ In that case (as relevant here), one defendant (Ariosa Diagnostics, Inc.) filed an IPR, and the Board in that IPR held that Ariosa had failed to prove invalidity based on the instituted ground.¹¹

In the IPR, Ariosa named the other district court defendant (Roche) as an RPI due to the fact that Roche had acquired Ariosa after the Board instituted the IPR. Upon issuance of the final written decision, the plaintiff in district court sought to strike the defendants’ invalidity contentions as to the ground included in the instituted IPR. Roche, however, argued that it was not truly an RPI in Ariosa’s IPR because it did not have adequate control over those proceedings due to the timing of its acquisition of Ariosa.¹²

The court squarely rebuffed Roche’s attempt to litigate the issue of whether it was an RPI, explaining that it “rejects Roche’s apparent assertion that anything beyond its literal status as a ‘real party-in-interest’ in Ariosa’s IPR must be shown here for estoppel purposes.”¹³ The court expressly declined to consider the degree of control that Roche exercised over Ariosa’s IPR.¹⁴ Accordingly, the court held Roche to be fully estopped under Section 315(e)(2) from pursuing the instituted ground.

Although the district court in that case did not have a full opportunity to address the issues posed by this article, the decision confirms that prior representations and/or analysis regarding a third party’s status as an RPI are relevant to the Section 315(e) estoppel determination in a later proceeding. Notably, however, the decision did not address what may become a key question in determining whether an earlier RPI (or privy-of-the-petitioner) finding may bind a third party in a later case – issue preclusion. As discussed below, an entity facing a threat of estoppel based on an earlier RPI or privy-of-the-petitioner finding

may have multiple options to avoid application of issue preclusion in these circumstances.

AGENCY DECISIONS MAY SERVE AS A BASIS FOR COMMON LAW ISSUE PRECLUSION

In *B & B Hardware, Inc. v. Hargis Indus., Inc.*, the U.S. Supreme Court confirmed that agency decisions may serve as a basis for issue preclusion so long as the ordinary elements of issue preclusion are satisfied.¹⁵ Applying *B & B Hardware*, the Federal Circuit has indicated that the determination as to whether an entity is an RPI is generally a case-by-case inquiry. For instance, in *Worlds Inc. v. Bungie, Inc.*, the Court rejected an automatic application of issue preclusion related to a set of IPRs between two parties, noting that “the determination of whether a party is a real party in interest may differ from one IPR to the next, even among a set of seemingly related IPRs.”¹⁶

Under general principles of issue preclusion, “[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 a different claim.”¹⁷ Courts regularly rely on the Restatement (Second) of Judgments in analyzing issue preclusion.

Application of issue preclusion in the scenario discussed in this article may potentially be averted in multiple ways.

First, the general rule that non-parties are not subject to preclusion may suffice to avoid issue preclusion, so long as an exception to that rule does not apply.

Second, even if an exception applies that would render preclusion generally appropriate, the no-appeal exception to issue preclusion may provide a second – and perhaps simpler – avenue for avoiding issue preclusion.

Non-Party Preclusion May Not Be Justified Under Common Law Fairness Principles

The U.S. Supreme Court has explained that “[a] person who was not a party to a suit generally has not had a ‘full and fair opportunity to litigate’ the claims and issues settled in that suit.”¹⁸ Accordingly, the Court has explained that

applying issue preclusion to nonparties “runs up against the ‘deep-rooted historic tradition that everyone should have his own day in court.’”¹⁹ This general principle, of course, has exceptions. In *Taylor v. Sturgell*, the Court grouped those exceptions into six general categories in which non-party preclusion may be justified.²⁰ Although *Taylor* has been used to interpret the meaning of RPI and privity as used in 35 U.S.C. § 315, here, *Taylor* appears in a more typical context: the application of general principles of preclusion between two cases.²¹

An entity may be able to use the general rule against non-party preclusion to avoid automatic application of an earlier RPI or privity-of-the-petitioner finding, so long as an exception to that general rule does not apply. Given the complexity of those exceptions, this article does not discuss the potential exceptions in detail; indeed, an article could be written about each exception discussed in *Taylor*. Instead, this article focuses on a second avenue for negating issue preclusion even in circumstances where non-party preclusion would be generally appropriate: the no-appeal exception to issue preclusion.

The No-Appeal Exception to Issue Preclusion Provides a Potential Safeguard for Non-Parties

The Restatement includes certain “well-known exceptions”²² to issue preclusion.²³ As relevant here, the Restatement explains that re-litigation of an issue is not precluded where “[t]he party against whom preclusion is sought could not, as a matter of law, have obtained review of the judgment in the initial action.”²⁴ Comment a to this exception states that “the availability of review for the correction of errors has become critical to the application of preclusion doctrine,” and further notes that the need for this exception may arise where “the law does not allow review of the particular category of judgments.”²⁵ Importantly, the comment explains that this exception applies “only when review is precluded as a matter of law” – it does not apply “where review is available but is not sought” or “when there is discretion in the reviewing court to grant or deny review and review is denied.”²⁶

Given the recent U.S. Supreme Court and Federal Circuit opinions limiting the reviewability of various real-party-in-interest determinations, this

traditional exception to issue preclusion likely places a significant damper on a party's attempt to use issue preclusion in its Section 315(e) estoppel arguments.

Under the current state of the law, few of the Board's determinations regarding whether an entity is an RPI or privy of the petitioner are appealable. This stems from the AIA's no-appeal bar found in Section 314(d), which states that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable."²⁷ Courts have applied this no-appeal bar to effectively eliminate review of most RPI or privy-of-the-petitioner determinations made by the Board.²⁸

One primary scenario in which parties dispute whether a third party is an RPI or privy of the petitioner is with respect to whether the time-bar of Section 315(b) should prevent institution of an IPR. Section 315(b) precludes institution of an IPR if the IPR was filed more than one year after the petitioner (or RPI or privy of the petitioner) was served with a complaint alleging infringement of the patent-at-issue.²⁹ In *Thryv*, the U.S. Supreme Court held that Section 314(d) bars review of the Board's determination as to whether an IPR petition is time-barred under Section 315(b). The Court explained that "[b]ecause § 315(b) expressly governs institution and nothing more, a contention that a petition fails under § 315(b) is a contention that the agency should have refused 'to institute an inter partes review'" and, thus, is barred from review by Section 314(d).³⁰ Given this holding, one of the primary circumstances in which RPI or privy-of-the-petitioner findings are made is simply unappealable as a matter of law.

Another scenario in which the Board makes a finding as to whether a party is an RPI is with respect to the disclosure requirement of Section 312(a)(2). The Federal Circuit has held that, where the Board terminates IPR proceedings based on a party's failure to name all RPIS under Section 312(a)(2), that decision is not reviewable.³¹ Likewise, a challenge to the Board's finding that an IPR petitioner properly named all RPIS under Section 312(a)(2) is also unreviewable, as that too is merely a contention that the agency should have refused to institute an IPR.³² Accordingly, a finding as to whether a particular entity is an RPI that should have been disclosed under Section 312(a)(2) is likewise unappealable as a matter of law.

Finally, with respect to RPI or privy-of-the-petitioner determinations made under Section 315(e) itself, the Federal Circuit has held that such determinations are reviewable, at least where the estoppel-triggering event occurred after institution.³³ This, however, would not impact the scenario set forth in this article – if, in an earlier proceeding, a party is found to be estopped under Section 315(e) based on an RPI relationship, a question as to whether that RPI finding is binding on a later proceeding does not raise the fairness concerns posed by this article because the party presumably would have had an opportunity to litigate its RPI status in its first Section 315(e) case.

In sum, most instances in which the Board reaches an RPI or privy-of-the-petitioner determination are unappealable as a matter of law. Accordingly, the no-appeal exception to issue preclusion may significantly limit the ability to use such findings in a preclusive manner as a basis for Section 315(e) estoppel arguments.

CONCLUSION

An entity facing application of the Section 315(e) estoppel provisions based on an RPI or privy-of-the-petitioner finding that was made in an earlier case in which that entity was not a party would do well to raise the common law principles discussed in this article with the later tribunal. A multi-faceted argument against automatic application of that earlier finding may convince the later tribunal that the entity should, in fairness, have its own opportunity to explain why the estoppel provisions should not automatically apply (i.e., to explain why that entity is not actually a real party in interest or privy of the petitioner that should be estopped).

Both arguments discussed in this article – the general rule against non-party preclusion and the specific no-appeal exception to issue preclusion – provide potential options for avoiding issue preclusion in these circumstances. Regardless of the approach taken, "[t]he federal common law of preclusion is, of course, subject to due process limitations," and any application of a prior RPI or privy-of-the-petitioner finding must ultimately take such concerns into account before such a finding is routinely and automatically applied to a non-party in a later proceeding.³⁴

Notes

1. 35 U.S.C. §§ 315(e) (IPR), 325(e) (PGR).
2. *Id.* § 315(e)(1).
3. *Id.* § 315(e)(2).
4. *Id.* §§ 325(e)(1) and 325(e)(2).
5. See, e.g., *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016).
6. See Ryan Davis, *New PTAB Chief Pledges ‘Fair Shake’ For All*, Law360 (May 2, 2019), <https://www.law360.com/articles/1154457/new-ptab-chief-pledges-fair-shake-for-all> (“We want to be very fair and give everybody the opportunity to plead your case and advocate for your position and to feel you got a fair shake. . . . I really do want us to be a place where due process is understood and observed.”).
7. *Thryv, Inc. v. Click-To-Call Technologies, LP*, 140 S. Ct. 1367 (2020).
8. The substantive scope of whether a party should be considered a “real party in interest” or “privy” within the meaning of Section 315 is outside the scope of this article. See *Uniloc 2017 LLC v. Facebook Inc.*, 989 F.3d 1018, 1027–28 (Fed. Cir. 2021).
9. Although statutory estoppel also applies before the ITC, this article focuses on practice before the Board and district courts.
10. No. 12-cv-05501, 2017 WL 235048, at *1 (N.D. Cal. Jan. 19, 2017).
11. In the Ariosa IPR, the Board instituted only some of the grounds raised in Ariosa’s petition. The U.S. Supreme Court struck down the Board’s prior “partial institution” practice in *SAS Institute v. Iancu*, 138 S. Ct. 1348 (2018).
12. *Verinata Health*, 2017 WL 235048, at *6.
13. *Id.* at *6.
14. *Id.* at *6 n. 6.
15. 575 U.S. 138, 147–49, 160 (2015).
16. 903 F.3d 1237, 1247 (Fed. Cir. 2018).
17. *B & B Hardware*, 575 U.S. at 148 (quoting Restatement (Second) of Judgments § 27).
18. *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008).
19. *Id.* at 892–93 (quoting *Richards v. Jefferson Cty., Ala.*, 517 U.S. 793, 798 (1996)).
20. *Id.* at 893–95.
21. The Federal Circuit and the Board have referenced the non-party preclusion factors identified in *Taylor* with respect to the question of whether an entity should be considered an RPI or privy within the meaning of Sections 312(a)(2) and 315. See, e.g., *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1342 (Fed. Cir. 2018); *WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1319 (Fed. Cir. 2018); *Patent Trial and Appeal Board Consolidated Trial Practice Guide* (Nov. 2019), at 13.
22. *B & B Hardware*, 575 U.S. at 148.
23. Restatement (Second) of Judgments § 28 (1982).
24. *Id.* § 28(1).
25. *Id.* § 28, comment a.
26. *Id.*
27. The same no-appeal bar applies to PGRs. See 35 U.S.C. § 324(e). The director has delegated this institution authority to the Board. See 37 C.F.R. § 42.4(a).
28. E.g., *ESIP Series 2, LLC v. Puzhen Life USA, LLC*, 958 F.3d 1378, 1386 (Fed. Cir. 2020).
29. 35 U.S.C. § 315(b).
30. *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1373 (2020).
31. *Medtronic, Inc. v. Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1385 (Fed. Cir. 2016).
32. *ESIP Series 2*, 958 F.3d at 1386.
33. *Uniloc 2017*, 989 F.3d at 1025. Notably, the Board in *Uniloc v. Facebook* held that estoppel did not apply.
34. *Taylor*, 553 U.S. at 891.

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