

Racing Patents To The Fed. Circ.: Collateral Estoppel Lessons

By **Rubén Muñoz, Jason Weil and Anthony Sierra** (November 22, 2024)

The doctrine of collateral estoppel ensures finality and uniformity of issues that have been raised and adjudicated. In the patent world, the doctrine can trigger a race to the U.S. Court of Appeals for the Federal Circuit when two different forums address the same or related issues.

In the last decade, as inter partes reviews at the Patent Trial and Appeal Board have gained in popularity, more and more parties find themselves competing in this race, whether ready or not. Below, we explore the lessons learned from those cases, and share strategies that parties should consider as they gear up to win the race.

The race to the Federal Circuit is shaped by the parameters that render a judgment final.

For decades, the general consensus on collateral estoppel — also known as issue preclusion — as reiterated by the Federal Circuit in *Pharmacia & Upjohn Co. v. Mylan Pharmaceuticals Inc.* in 1999, was that "the pendency of an appeal has no effect on the finality or binding effect of a trial court's holding."^[1]

It was less clear whether the same was true for decisions issuing from the U.S. Patent and Trademark Office — a question pondered extensively over the last several years by practitioners and courts.

By 2012, the U.S. District Court for the District of Massachusetts in *Abbott GMBH & Co. KG v. Centocor Ortho Biotech Inc.* indicated that an unpatentability ruling by the board's predecessor in an interference proceeding did not immediately trigger collateral estoppel as to a co-pending litigation because, according to the court, the decision from the USPTO was not a final judgment.^[2]

Then in 2013, the Federal Circuit decided *Fresenius USA Inc. v. Baxter International Inc.* The court held that claims found unpatentable in a USPTO decision that was affirmed by the Federal Circuit moot a district court's nonfinal damages judgment.^[3] The Federal Circuit explained that "there is no basis for distinguishing between the effects of a final, affirmed court decision determining invalidity and a final, affirmed PTO decision determining invalidity on a pending litigation."^[4]

The U.S. Supreme Court's 2015 holding in a trademark case, *B&B Hardware Inc. v. Hargis Industries Inc.*, reinforced the notion that determinations by the USPTO had a preclusive effect on later district court infringement litigation, but was silent on whether the USPTO's determination needed to be affirmed to have that preclusive effect.^[5] If such an affirmance were required, then there would be a discrepancy between the two venues — a pending district court invalidity judgment could have immediate preclusive effect, but a board unpatentability decision would need to be affirmed to have the same effect.

In 2018, the Federal Circuit weighed in again, in *XY LLC v. Trans Ova Genetics*, stating that



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"an affirmance of an invalidity finding, whether from a district court or the [b]oard, has a collateral estoppel effect on all pending or co-pending actions." [6]

But while general preclusion principles still apply to judgments originating from district courts, it was not initially clear whether this holding simply reiterated that affirmed judgments from both forums have a preclusive effect, or whether it indicated that unaffirmed USPTO judgments were not preclusive until after affirmance. [7]

Indeed, the XY decision has been the subject of analysis by various district courts since it issued. In 2021, the U.S. District Court for the District of Delaware in *TrustID Inc. v. Next Caller Inc.* explained that allowing a plaintiff to proceed to trial on claims that were found unpatentable by the board while preventing the defendant from asserting prior art defenses based on Title 35 of the U.S. Code, Section 315(e)(2), "seems counterintuitive." [8]

Last year, the U.S. District Court for the District of New Jersey stated in *Indivior Inc. v. Alvogen Pine Brook LLC* that there were "difficulties in harmonizing XY with the traditional rule," where the difference in legal standards — clear and convincing evidence for invalidity in district court versus preponderance of the evidence for unpatentability at the board — "render[s] issue preclusion inapplicable." [9]

As for the board's interpretation of XY, a 2022 concurring opinion by an administrative patent judge in *Medtronic Inc. v. Teleflex Life Sciences Ltd.* explained that the weight of authority still supported the conclusion that board decisions should be treated as final pending appeal. [10]

Also in 2022, in *United Therapeutics Corp. v. Liquidia Technologies Inc.*, a Delaware federal court held, *inter alia*, that the defendant was liable for induced infringement.

On appeal, the Federal Circuit last year rejected the defendant's argument that a final written decision holding claims unpatentable (that was still pending appeal) could negate the specific intent for induced infringement. In the course of doing so, the Federal Circuit clarified any remaining ambiguity after XY, explaining that "we have previously held that an IPR decision does not have collateral estoppel effect until that decision is affirmed or the parties waive their appeal rights." [11]

Following this ruling, the defendant filed a petition for certiorari arguing that the Federal Circuit's decision ran afoul of Supreme Court precedent and general preclusion principles applied by all circuits. [12] Certiorari was denied in February. [13]

Notably, in *United Therapeutics*, the Federal Circuit ultimately affirmed the board's final written decision of unpatentability in December 2023 and issued a mandate in March 2024.

Shortly after, on March 28, the District of Delaware granted the defendant's motion for modification of the final judgment under Federal Rule of Civil Procedure 60, concluding that the Federal Circuit's decision entitled the defendant to a modification of the final judgment because "[t]he underlying act of infringement that warranted relief ... is no longer a basis for relief due to the invalidation of the [patent]. ... Invalid patents cannot be infringed." [14]

The Federal Circuit's September decision in *Parkervision Inc. v. Qualcomm Inc.* places a finer point on the scope of collateral estoppel. Here, the board's final written decision, affirmed by the Federal Circuit, held that the challenged apparatus claims were obvious, but also held that the petitioner had failed to prove the challenged method claims were obvious. [15]

On the basis of that second holding, the defendant argued that collateral estoppel precluded the patentee from asking the district court to reach different conclusions than the board on factual findings relating to the prior art as it applies to the method claims, and the district court agreed.[16] However, the Federal Circuit disagreed and reversed.

In *Parkervision*, the Federal Circuit explained that "collateral estoppel is subject to certain well-known exceptions," including "where the second action involves application of a different legal standard, even though the factual setting of both suits may be the same." [17] Such was the case here because the accused infringer had only been faced with a burden of proving unpatentability by a preponderance of the evidence before the board but had not yet overcome the higher clear and convincing evidence standard in the district court; therefore, the unpatentability affirmance did not estop the patentee from defending the validity of its related method claims in that jurisdiction.[18]

Unlike *XY*, where the Federal Circuit affirmed an unpatentability finding that extinguished the claims, here the Federal Circuit affirmed a board decision that the challenger had not proven the method claims unpatentable. Accordingly, the general collateral estoppel exception applied.[19]

Considerations and Takeaways

The Supreme Court's recent denial of certiorari in *United Therapeutics*, which asked whether USPTO determinations must be affirmed before they trigger collateral estoppel, leaves the status quo in place.[20] As such, parties should consider the below strategies to position themselves for success if they find themselves competing in the race to the Federal Circuit.

First, timing is key. In a 2022 analysis of the time to trial for various district courts by Angela Morris of IAM, median time to trial was generally significantly higher than the approximate 18-month timeline for IPRs.[21] However, when looking at the timing from notice of appeal to final decision in the Federal Circuit, patent decisions from the board take about 483 days on average versus 419 from the district court, with Rule 36 affirmances taking 448 and 367 days on average, respectively.[22]

In general, and other things being equal, patentee-plaintiffs have an incentive to sue in jurisdictions with shorter times to trial to obtain a judgment well before an unpatentability finding by the board is affirmed on appeal. The opposite is true for accused infringers who challenge patent claims at the board — obtaining an unpatentability decision at the board and ultimately an affirmance at the Federal Circuit as early as possible will be important for a patent challenger racing toward final judgment.

Furthermore, as the Federal Circuit noted this year in *Packet Intelligence LLC v. NetScout Systems Inc.*, even if a finding of infringement and no invalidity is affirmed, if any part of the decision is remanded to the lower court, then the decision is not final and can be affected by collateral estoppel of a co-pending decision.[23]

This leaves certain judgments in the district courts at risk of being foreclosed by a later affirmed board decision finding unpatentability, or board decisions of unpatentability failing to take effect before a final damages judgment in a parallel district court case. Although parties cannot control whether a panel will remand, this should be part of the calculus when considering which issues to appeal.

Similarly, an appealing party should consider whether a time comes to stop appealing and

accept a final, immune judgment. The appealing party should determine whether the chances of success outweigh the risk of significantly delaying a final affirmance.

Finally, even when a party loses the race, Rule 60 of the Federal Rules of Civil Procedure may be used as a last resort. Even though the rule is limited to extraordinary circumstances, the rule has been invoked successfully by at least one party to vacate a final judgment of infringement in light of a later, affirmed unpatentability finding by the board.[24]

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[1] *Pharmacia & Upjohn Co. v. Mylan Pharms., Inc.*, 170 F.3d 1373, 1381 (Fed. Cir. 1999).

[2] *Abbott GMBH & Co., KG v. Centocor Ortho Biotech, Inc.*, 870 F.Supp.2d 206, 222-223 (D. Mass 2012) (recognizing that Board of Patent Appeal and Interferences decisions have preclusive effect only where the period for review has elapsed or after a final review by an appellate court).

[3] *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340, 1344 (Fed. Cir. 2013).

[4] *Id.* at 1344.

[5] *B&B Hardware Inc. v. Hargis Indus., Inc.*, 575 U.S. 138 (2015). *MaxLinear, Inc. v. CF Crespe LLC* recognized that a pair of affirmed IPR decisions were binding as a matter of collateral estoppel; however, the decision did not specify whether an affirmance was necessary to have a binding effect, and applied estoppel to another PTAB decision rather than to a district court holding. 880 F.3d 1373, 1376 (Fed. Cir. 2018).

[6] 890 F.3d 1282, 1294 (Fed. Cir. 2018). Collateral estoppel also applies where the parties waive their appeal rights. *United Therapeutics Corp. v. Liquidia Techs., Inc.*, 74 F.4th 1360, 1372 (Fed. Cir. 2023).

[7] See, e.g., *Int'l Bus. Machs. Corp. v. Rakuten, Inc.*, No. CV 21-461-GBW, 2022 WL 17848779, at *8-9 (D. Del. Dec. 22, 2022) (finding that pending appeals on district court holdings have no effect on their finality or binding effect against other district courts).

[8] *TrustID, Inc. v. Next Caller Inc.*, No. 18-172 (MN), 2021 WL 3015280, at *4 (D. Del. July 6, 2021).

[9] *Invidior Inc. v. Alvogen Pine Brook LLC*, 681 F.Supp.3d 275, 293 (D.N.J. 2023).

[10] *Medtronic, Inc. v. Teleflex Life Scis. Ltd.*, IPR2020-01343, 2022 WL 557277, at *28-29 (P.T.A.B. Feb. 23, 2022) (Paulraj, J., concurring) (dismissing XY because "the Board does

not apply regional circuit law for procedural issues such as collateral estoppel, and thus any differences on the issue of finality pending appeal as applied by various district courts should not govern our practice" and, assuming that XY states that only an affirmance or dismissal can render final a Board judgment, this would contradict the settled law that the pendency of an appeal has no effect on the finality of a decision).

[11] *United Therapeutics Corp. v. Liquidia Techs., Inc.*, 74 F.4th 1360, 1372 (Fed. Cir. 2023).

[12] *Liquidia Techs., Inc. v. United Therapeutics Corp.*, No. 23-804, 2024 WL 305626, at *11-*24 (Jan. 23, 2024) (Appellate Petition, Motion and Filing).

[13] *Liquidia Techs., Inc. v. United Therapeutics Corp.*, 144 S. Ct. 873 (2024).

[14] *United Therapeutics Corp. v. Liquidia Techs., Inc.*, No. 20-755-RGA, 2024 WL 1328902, at *2 (D. Del. Mar. 28, 2024).

[15] *Parkervision, Inc. v. Qualcomm Inc.*, 116 F.4th 1345, 1353 (Fed. Cir. 2024).

[16] *Id.* at 1360-61.

[17] *Id.* at 1361 (internal quotation marks omitted).

[18] *Id.* at 1362.

[19] *Id.*

[20] See *supra* n.xiii.

[21] Angela Morris, How top US patent courts compare on median time-to-trial statistics, IAM (June 27, 2022), <https://brochure.docketnavigator.com/how-top-us-patent-courts-compare-on-median-time-to-trial-statistics/>. The Western District of Texas was the jurisdiction with the shortest median time to trial (given Judge Albright's speedy trial schedule), with an average of 24.2 months to jury trial and 23.9 months to a bench trial. Still, its time-to-trial is months longer than the PTAB's timetable.

[22] Morrison Foerster, Statistics, Federal Circuitry, <https://federalcircuitry.mofo.com/statistics> (accessed Nov. 12, 2024) (accessing a data set between November 1, 2019 and October 17, 2023).

[23] 100 F.4th 1378, 1386-87 (Fed. Cir. 2024) (finding the decision not final because it has "not reached a stage at which it would be immune to subsequent developments relating to the patentability of the patent claims on which it was based").

[24] *United Therapeutics Corp. v. Liquidia Techs., Inc.*, 2024 WL 1328902, at *2.