

## How ITC Applied Inter Partes Review Estoppel In Ford Case

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In *Certain Hybrid Electric Vehicles and Components Thereof*, Administrative Law Judge David P. Shaw issued an initial determination estopping The Ford Motor Company from challenging the validity of Paice LLC's patents using the same grounds that Ford had previously raised before the Patent Trial and Appeal Board in inter partes reviews.[1] The potentially unusual issue here, though, is that Ford won the IPRs, successfully invalidating 272 of Paice's claims. At issue in *Certain Hybrid Vehicles* were eight patent claims. Six of those claims had been held invalid at the PTAB and were on appeal to the Federal Circuit. One claim had been found valid at the PTAB, and one claim had been found invalid, but the Federal Circuit had vacated and remanded that determination. Relying on a strict reading of the IPR estoppel provision, ALJ Shaw found that it was irrelevant to the estoppel determination that Ford had been successful at the PTAB.[2] Stated differently, ALJ Shaw concluded that the estoppel provision applies after a final decision on both successful and unsuccessful IPRs. This initial determination appears significant because (1) it continues the trend of the U.S. International Trade Commission issuing patent owner-friendly rulings in spite of conflicting PTAB rulings, and (2) the decision may flag a provision of the America Invents Act for clarification by the Federal Circuit on appeal or by Congress.



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### Background of the Litigation

Paice sued Ford in Maryland, alleging infringement of multiple patents. Ford responded by filing 25 petitions for IPR of Paice's patents. The district court stayed the suit in light of the IPRs and the PTAB issued final written decisions finding a total of 272 claims invalid. Paice appealed the PTAB decisions. After all of the final written decisions had issued, Paice filed a complaint in the ITC seeking an exclusion order based on claims that had been found invalid by the PTAB, but were currently on appeal to the Federal Circuit.[3]

Paice filed a motion for summary determination of estoppel, arguing that the PTAB had issued final written decisions in each of the IPRs and that Ford was basing its invalidity position solely on patents and printed publications of which it was aware when it filed the IPRs.[4] Thus, argued Paice, Ford's positions were all positions that it "raised or reasonably could have raised" before the PTAB and are, thus, barred by 35 U.S.C. § 315(e).[5] Ford countered that § 315(e) is inapplicable because Ford was

successful at the PTAB.[6] According to Ford, “estoppel by ordinary meaning and definition applies to relitigating adverse decisions.”[7]

### **ALJ Shaw’s Initial Determination**

ALJ Shaw sided with Paice, holding “[b]ased on the plain language of the statute, and its interpretation by courts, it is clear that estoppel applies to invalidity challenges based on grounds that the petitioner raised in its IPR petition.”[8] ALJ Shaw dismissed Ford’s argument that estoppel was inapplicable because it won at the PTAB. ALJ Shaw explained: “that issue goes more to the weight or effect to be accorded a PTAB decision, rather than to the estoppel which is based on the statute that prevents the same grounds from being litigated before the PTAB, and then later in the district courts or at the Commission.”[9] ALJ Shaw also found that the legislative history of § 315(e) favored stopping Ford, stating “Congress intended to apply ‘a strengthened estoppel standard to prevent petitioners from raising in a subsequent challenge the same patent issues that were raised or reasonably could have been raised in the prior challenge.’”[10] Finally, ALJ Shaw found Paice’s argument persuasive that it had been diligent in terminating the investigation as to claims that were upheld as invalid on appeal.[11]

Ford, however, was not entirely defeated. ALJ Shaw held that claim 3 of U.S. Patent No. 7,559,388, which the PTAB had found invalid and the Federal Circuit had vacated and remanded, was no longer subject to a final written decision because the vacature prevented the final written decision “from spawning any legal consequences.”[12] Thus, estoppel did not apply to claim 3 of the ’388 patent. Additionally, ALJ Shaw held that, because the initial determination would be pending before the commission during the evidentiary hearing, Ford could still offer its entire invalidity case during the hearing.[13]

### **The ITC Appears to Continue to Adopt Patent Owner-Friendly Positions**

ALJ Shaw’s decision is significant because it continues a series of decisions that appear to have favored patent owners at the ITC. The ITC has held that it will not stay its proceedings during the pendency of an IPR, allowing patent owners to pursue exclusion orders despite the PTAB finding a reasonable likelihood that the patents-at-issue are invalid.[14] The ITC has also refused to suspend remedial orders following a determination by the PTAB that the claims at issue were invalid, holding that so long as the decision is on appeal, no change in law or fact has occurred warranting suspension.[15] Now, ALJ Shaw has not only allowed Paice to assert claims that the PTAB found invalid (albeit still subject to appeal), but has estopped Ford from challenging those patents on the same grounds that the PTAB found persuasive. In other words, ALJ Shaw simultaneously discounted the PTAB’s ruling pending appeal and prevented Ford from asserting a potentially viable defense. This decision continues a line of cases where the ITC appears to adopt patent owner-friendly positions.

### **Estoppel at the ITC Appears Ripe for Federal Circuit or Congressional Review**

ALJ Shaw’s initial determination may flag § 315(e) as ripe for consideration by the Federal Circuit, or reconsideration by Congress. Ford’s position that estoppel should only apply to positions on which the party lost may be supported by the application of estoppel in other areas of the law, as pointed out by Ford in its opposition papers.[16] However, the language of the statute itself, absent the word “estoppel,” does not appear to have a requirement that the estopped party have lost at the PTAB. Thus, this decision may provide the Federal Circuit an opportunity to determine whether the word “estoppel,” as used in § 315(e), requires that the estopped party must have lost at the PTAB to trigger the estoppel provision. Alternatively, Congress may step in to clarify the meaning of the provision, either by

specifying that the provision only applies to positions on which the patent challenger lost, or by specifying that the provision applies regardless of whether the patent challenger won or lost at the PTAB. Only time will tell how this issue will ultimately play out in the ITC.

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[1] Inv. No. 337-TA-1042, Initial Determination (Nov. 1, 2017).

[2] Id. at note 12.

[3] Inv. No. 337-TA-1042, Complaint (Feb. 2, 2017).

[4] Inv. No. 337-TA-1042, Complainant's Motion for Summary Determination of Estoppel at 5 (Aug. 31, 2017).

[5] Id.

[6] Inv. No. 337-TA-1042, Respondent's Opp. to Complainant's Motion for Summary Determination of Estoppel at 5 (Aug. 31, 2017).

[7] Id. at 4 (emphasis in original).

[8] Inv. No. 337-TA-1042, Initial Determination at 5 (Nov. 1, 2017).

[9] Id. at note 12.

[10] Id. at 5 (citing 157 Cong. Rec. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley)).

[11] Id. at 4.

[12] Id. at 7.

[13] Id. at note 15.

[14] Certain Laser-Driven Light Sources, Subsystems Containing Laser-Driven Light Sources, and Products Containing Same, Inv. No. 337-TA-983, Order No. 8 (Mar. 4, 2016).

[15] Network Devices, Related Software and Components Thereof (II), Inv. No. 337-TA-945, Commission Opinion (Aug. 16, 2017).

[16] Inv. No. 337-TA-1042, Respondent's Opp. to Complainant's Motion for Summary Determination of Estoppel at 4 (Aug. 31, 2017).