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Reduced Scope of Post-IPR Estoppel Imperils Litigation Stays

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In [*Depomed, Inc. v. Purdue Pharma LP et al.*](#), 3-13-cv-00571 (NJD November 4, 2016, Mem. Op. Dkt. 238) (Bongiovanni, MJ), the Court analyzed and applied recent **Federal Circuit** decisions limiting the scope of post-IPR *estoppel* under 35 U.S.C. § 315(e) to only those claims and grounds subject to a final written decision from the **PTAB**. However, the Court acknowledged the frustrations of the Patent Owner regarding the diminished “simplification of issues” achieved by the IPRs given the limited estoppel effect, and signaled that such outcomes may weigh against future stays pending an IPR.

Background

In January of 2013, Depomed filed suit in the District of New Jersey accusing Purdue’s OxyContin® product of infringing two patents directed to formulations for drugs that benefit from a prolonged time of controlled release in the stomach and upper gastrointestinal (GI) tract. (Two other patents were involved in the suit, but were subsequently dropped.) In January of 2014, Purdue filed IPR petitions against the two asserted patents. See IPR2014-00377, -00378, -00379. The case was temporarily stayed for mediation, and Purdue subsequently requested a continued stay in view of the IPR filings, arguing in part that:

Purdue would be estopped from re-litigating the validity of those claims “on any ground that [Purdue] raised or reasonably could have raised during [the IPRs].” 35 U.S.C. § 315(e)(2). Accordingly, a stay would simplify the issues for trial, which [would] be beneficial to both the Court and the parties.

In response, Depomed complained that Purdue had delayed its filing of the IPRs, that the PTAB was unlikely to invalidate all of the claims addressed in the IPRs, and that, even if the PTAB did invalidate all of the challenged claims, this still would not resolve all of the outstanding issues in the case.

The Court ultimately granted a series of stays, first pending the institution decision, then pending the final written decisions based upon a finding that:

Purdue’s three petitions for IPR review will likely substantially simplify the issues before the Court and the relatively early stage of these proceedings increases the likelihood that a stay will promote judicial economy and the efficient resolution of this matter.

(Dkt. 89 at 13.) When the PTAB issued a final written decision finding the challenged claims not unpatentable, Purdue successfully sought to maintain the stay while the PTAB decided other IPRs on the same patents brought by another petitioner (Dkt. 104), and obtained a further stay while the Federal Circuit considered its appeal (which was heard on a somewhat expedited basis) (Dkt. 108).

On March 24, 2016, more than three years after Depomed filed its complaint, the Federal Circuit issued a decision affirming the PTAB, upon which the parties and court finally agreed to reopen discovery in the case.

Estoppel under 35 USC 315(e)



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Upon the case being reopened, Purdue sought to confirm its ability to raise a host of invalidity defenses that either were not raised in the IPR proceedings (e.g., an alleged on-sale bar under 102(b), as well as a challenge under 102(g)), or were included in Purdue's IPR petition but were not adopted by the PTAB for institution in the IPR proceeding. Depomed opposed Purdue's motion and sought to strike the invalidity grounds from the case based on estoppel under 35 USC § 315(e), arguing that Purdue did or could have raised the invalidity defenses in the IPR. Alternatively, Depomed sought to block the invalidity defenses based on judicial estoppel given Purdue's representations to the Court when originally seeking a stay of the litigation.

Citing recent Federal Circuit decisions regarding the scope of estoppel stemming from IPR proceedings, the District Court refused to strike Purdue's asserted invalidity defenses. For example, the Court cited [Synopsys, Inc. v. Mentor Graphics Corp.](#), 814 F.3d 1309, 1316 (Fed. Cir. 2016) for the proposition that challenges based on the on-sale bar are left to district courts, and that claims not addressed in a PTAB final decision may likewise be challenged in litigation.

The Court further pointed out that under the Federal Circuit's decision in [Shaw Indus. Group, Inc. v. Automated Creel Sys.](#), 817 F.3d 1293, 1300 (Fed. Cir. 2016), noninstituted grounds do not become part of the IPR, and therefore are not subject to the estoppel provisions of 35 USC § 315(e). In similar fashion, the Court noted that grounds not adopted in the IPR institution decision as being "redundant" of other grounds were likewise not subject to estoppel, per the Federal Circuit's decision in [HP Inc. v. MPHJ Tech. Invs.](#), 817 F.3d 1399 (Fed. Cir. 2016).

Judicial Estoppel

Finding that controlling precedent precluded striking Purdue's invalidity arguments in the litigation, the Court next turned to Depomed's judicial estoppel argument, in which Depomed argued that Purdue should be estopped from litigating its invalidity positions based on the representations regarding "simplification of the issues" it made when requesting a stay pending its IPRs.

However, the Court found that Purdue's position has remained consistent throughout the proceeding, namely that it is estopped 35 U.S.C. § 315(e) only from raising any arguments that it "raised or reasonably could have raised" during the IPRs—which is limited to those grounds actually instituted by the PTAB, and excludes grounds not available in an IPR such as the on-sale bar. Nor did the Court find any bad faith on Purdue's part, further weighing against any application of judicial estoppel.

Potential Effect on Likelihood of Stays

While determining that Purdue was not estopped (statutorily or judicially) from pursuing its invalidity defenses at trial (i.e., the grounds not instituted by the PTAB in the IPR proceeding), the Court nonetheless acknowledged Depomed's frustration at having to litigate a host of invalidity defenses, particularly as to those raised in the IPR but not instituted by the PTAB due to a failure to establish a likelihood of success or because the asserted prior art combinations were "redundant" of other grounds that were instituted by the PTAB.

While acknowledging that the IPR proceedings had simplified the issues somewhat by removing the invalidity grounds ultimately rejected by the PTAB in its final written decision, the Court also acknowledged Patent Owner's hope that the issues would have been simplified to a greater extent. Indeed, while Purdue's original invalidity contentions comprised 359 pages, a total of only nine grounds of invalidity were ultimately denied by the PTAB (and therefore estopped) out of the three IPR proceedings combined.

Not free to abrogate the Federal Circuit's decisions regarding the scope of estoppel under 35 U.S.C. § 315(e), the Court noted that, instead, the continued post-IPR viability of Purdue's invalidity defenses could well impact "decisions going forward regarding whether matters should be stayed pending IPR." That is, the Court appeared to recognize a somewhat diminished view of the "simplification" of issues wrought by IPR proceedings, which in turn would weigh less heavily in favor of staying litigation proceedings pending an IPR outcome.

To be sure, many factors go into weighing whether to grant a stay pending Patent Office proceedings, although "simplification of the issues" is certainly an important one. On that issue, Purdue pointed out that its original contentions identified more than 50 patents and printed publications and hundreds of obviousness combinations, while after the IPRs it sought to pursue invalidity based on only seven prior art references and four obviousness combinations. On the other hand, Depomed might argue that such "simplification" would have happened anyway in order for Purdue to make its invalidity case manageable.

In the end, Purdue obtained a series of stays, including while its own and others' IPRs were decided and also during its appeal to the Federal Circuit, yet faced a somewhat limited estoppel effect after these proceedings failed to invalidate any patent claims. While no two cases are alike, based on the Court's observations here, future district court litigants considering IPR challenges should be cognizant of the perhaps increased chances that their claims of "simplification of issues" may be more heavily scrutinized, and the perhaps decreased

chances of receiving a stay in view of the Federal Circuit's narrow application of estoppel under 35 U.S.C. § 315(e) after an IPR.

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