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Full Estoppel Required for a Stay When Third Party Files IPR

By Patrick T. Muffo

Patent litigants or other "real parties in interest" are estopped from asserting invalidity challenges in federal court "on any ground that the petitioner raised or reasonably could have raised during the *inter partes* review [IPR]." The estoppel is more nuanced when a third party files the IPR, such as when the defendant and third party are both alleged infringers of the challenged patent. There, for estoppel to apply, the defendant typically agrees to be bound by the same estoppel that bound the third party who filed the IPR in the first place.

In the case of *Intellectual Ventures II LLC v. Kemper Corp. et al.*, Case No. 6:16-cv-0081 (E.D. Texas Nov. 7, 2016), this issue was presented to Judge Gilstrap in the Eastern District of Texas, which rarely grants stays pending IPR. Judge Gilstrap focused on whether the stay would simplify the issues and noted the IPR did not address all the claims in the patent "Here, the question is whether an instituted IPR covering ***some*** asserted claims and an agreement to a ***limited*** estoppel meaningfully simplifies the issues before the Court." The defendant also had not agreed to be bound by the same estoppel applied to the third party.

Judge Gilstrap first noted the E.D. Texas requires defendants to agree to a full estoppel for the case to be eligible for a stay "other courts have required that an accused infringer seeking to obtain the benefit of a stay should agree to be bound by the estoppel effect of 35 U.S.C. § 315(e) … [t]his Court agrees with [this] approach." The court further held that a carefully-worded estoppel would complicate, rather than simplify, the case by forcing the parties and the court to litigate whether estoppel applied in the first place. The court then denied the stay, holding "[t]he absence of a full statutory estoppel not only increases the ability of litigants to 'game the system' and devise an unfair second bite at the apple, it also has the potential to increase rather than reduce the complexity of the validity issues that may come before the Court."

Takeaway:

Obtaining a stay pending IPR is difficult in the Eastern District of Texas. As Judge Gilstrap himself notes, the court takes the

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most rigid approach of the available three options and requires agreement to a full estoppel before a defendant can halt their own case in favor of a third party's IPR. Watering down this agreement or failing to agree to any estoppel whatsoever will not suffice for obtaining a stay, where simplification is the key factor and where adding complexity is frowned upon.

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