

Patent Owner Estoppel Questions In The Wake Of SoftView

By **David Haars and Richard Crudo** (September 17, 2024)

The U.S. Patent and Trademark Office's seldom-litigated Rule 42.73(d)(3) — which precludes a patent applicant or owner "from taking action inconsistent with" an adverse judgment entered in an inter partes review proceeding — was brought to the forefront in the U.S. Court of Appeals for the Federal Circuit's recent *SoftView LLC v. Apple Inc.* decision.[1]

The rule is a bit of an oddity. By its terms, it is broader than common-law estoppel and, although it was promulgated in concert with the America Invents Act, no statute expressly provides for such estoppel.

Nevertheless, the Federal Circuit held in *SoftView* that the rule was lawfully promulgated under the AIA. The court also held that, while the rule estops a patent owner from "obtaining" claims that are patentably indistinct from canceled ones, it does not prevent a patent owner from "maintaining" already issued claims.

For as much as the court said about Rule 42.73(d)(3), though, several questions remain, including what it means to take action inconsistent with an adverse judgment and how far preclusion extends. This article addresses these questions.



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What Is Rule 42.73, and How Is It Applied?

By now, Patent Trial and Appeal Board practitioners are familiar with the statutory estoppel provision of Title 35 of the U.S. Code, Section 315(e), which precludes a petitioner from raising invalidity challenges that were or reasonably could have been raised in an IPR.

But perhaps less well known is the estoppel provision in Rule 42.73(d)(3), which applies in the opposite direction against patent owners. The rule states that when an adverse judgment is issued in an IPR, the "patent applicant or owner is precluded from taking action inconsistent with the adverse judgment." [2] The rule provides an example in Paragraph (i) of such inconsistent action: "obtaining in any patent" a claim "that is not patentably distinct from a finally refused or canceled claim."

The USPTO has stated that the rule was intended to be "consistent with" the AIA and "other statutory provisions." [3] But, unlike petitioner estoppel, the patent owner estoppel effectuated by Rule 42.73(d)(3) finds no statutory counterpart. The rule, whatever its value, does not seem to reflect congressional endorsement.

The USPTO has also stated that the rule is consistent with "the common law related to estoppel." [4] But that appears to be true only when the adverse judgment is a final written decision on the merits canceling the patent claims. In that scenario, Rule 42.73(d)(3) estoppel "is no different than what is mandated under traditional principles of *res judicata* and collateral estoppel." [5]

In most other scenarios, the rule seems to be broader than common-law estoppel.

Whereas collateral estoppel applies only after an issue has actually been litigated, Rule 42.73(d)(3) applies to any form of adverse judgment in an IPR, including a judgment that terminates the proceeding before the merits are adjudicated. For example, an adverse judgment may be entered when the patent owner cancels claims such that there are "no remaining claim[s] in the trial."^[6]

A divided panel of the Federal Circuit has held, moreover, that the board may enter adverse judgment even before institution.^[7] Rule 42.73(d)(3) is thus triggered by a broader range of judgments than common-law estoppel.

Likewise, whereas collateral estoppel precludes a party from relitigating identical issues, Rule 42.73(d)(3) more generally precludes a patent owner from taking actions inconsistent with an adverse judgment. The rule itself states that obtaining a patentably indistinct claim qualifies as an action inconsistent with an adverse judgment. A patent owner would thus be estopped from seeking continuation or reissue claims that are patentably indistinct from claims canceled in an IPR.^[8]

Before *SoftView*, board panels seemed to be split on whether the rule could preclude a patent owner from defending already issued claims. In *Apple Inc. v. ContentGuard Holdings Inc.*, for example, the board found that Rule 42.73(d)(3) did not estop a patent owner from defending its claims even after the patent owner had canceled other claims in the same patent.^[9]

By contrast, in *Ex Parte Nelson*, the PTAB held that Rule 42.73(d)(3) estopped a patent owner from making arguments during a reexam that conflicted with a previous IPR in which patentably indistinct claims were canceled because such arguments qualified as "action inconsistent with" an adverse judgment.^[10]

The Federal Circuit's *SoftView* Decision

The Federal Circuit weighed in on this issue in *SoftView*. There, the court addressed one of Rule 42.73(d)(3)'s sub-provisions — namely, Paragraph (i), which precludes a patent applicant or owner from obtaining in any patent claims that are "not patentably distinct from a finally refused or canceled claim."

SoftView's internet-content display patent was subject to multiple validity challenges, including an IPR filed by a third party, as well as reexams filed by Apple. In the IPR, the board canceled some of the patent's claims, while in the reexams, the examiner rejected the remaining claims and *SoftView*'s newly amended claims.

Then, on appeal from one of the reexams, the board held that the adverse judgment in the IPR estopped *SoftView* from obtaining the amended claims and from maintaining its already issued claims. In so ruling, the board found that each claim "was either essentially the same as a canceled claim or merely a combination of limitations that had previously been invalidated on obviousness grounds" in the IPR and thus was "not patentably distinct" from its corresponding canceled claim.^[11]

On appeal, the Federal Circuit affirmed in part and reversed in part. At the outset, the court held that the board properly gave the term "patentably distinct" in Rule 42.73(d)(3)(i) "the same meaning as that term is given in obviousness-type double patenting cases and in interference proceedings."^[12] After all, the court reasoned, "[i]dentical words used in a

given field of law typically carry the same meaning." [13]

The court also addressed whether the USPTO possessed "statutory authority to issue the regulation" in the first place. [14]

SoftView had argued that the rule was unlawfully promulgated because the patent office is limited to issuing regulations on procedural matters rather than "substantive issues of patent law, such as the estoppel effect of PTO decisions." [15] The court disagreed and found authority for the regulation in Title 35 of the U.S. Code, Section 316(a)(4), which "refers broadly to regulations 'governing inter partes review and the relationship of such review to other proceedings' before the PTO," and is thus "not limited to authorizing the PTO to issue procedural rules." [16]

The court reasoned that the rule is "closely tied" to this provision because it "[p]revent[s] a patent owner or applicant from acting inconsistently with the outcome of an IPR proceeding." [17] Accordingly, the court affirmed the board's finding that Rule 42.73(d)(3)(i) precluded SoftView from obtaining the amended claims during reexam.

But the court reversed the board's finding that SoftView was precluded from maintaining its already issued claims. Endorsing the view articulated in the Apple case described above, the court agreed with SoftView that the rule does not apply to claims that issued before the adverse judgment: The rule "applies to 'obtaining' a claim — not maintaining an existing claim." [18]

The court further explained that obtaining a new, patentably indistinct claim "can fairly be viewed as an effort to circumvent the prior adverse judgment" and thus qualifies as an "action inconsistent with the adverse judgment" under the rule. [19] "By contrast, seeking to maintain an already issued claim cannot be viewed as circumventing a subsequent decision on related claims." [20]

Accordingly, the court affirmed the board's application of Rule 42.73(d)(3)(i) for the claims amended after adverse judgment but vacated and remanded as to the already issued claims.

Unanswered Questions and Takeaways

SoftView draws a line in the sand between obtaining and maintaining claims, but does the court's reasoning hold up?

The court explained that preventing parties from obtaining patentably indistinct claims "prevent[s] actions that would undermine the outcomes of" proceedings at the patent office. [21] But seeking to maintain an already issued patentably indistinct claim also undermines the outcome of the previous proceeding. The purpose of IPR is to "weed out bad patent claims," [22] and a party that defends against a subsequent validity challenge of patentably indistinct claims arguably undermines this purpose. In that sense, it is unclear why the distinction between new claims and already issued claims should matter.

Further, while SoftView addressed Rule 42.73(d)(3)(i)'s prohibition against obtaining claims that are patentably indistinct from canceled ones, the court did not define the outer boundaries of Rule 42.73(d)(3)'s more general prohibition against "taking action inconsistent with [an] adverse judgment." Instead, the court merely suggested that an action inconsistent with an adverse judgment is one that seeks "to circumvent" the judgment. [23] How far does that prohibition extend beyond obtaining patentably indistinct

claims?

Under the court's reasoning, apparently not very far. With that said, the court seemed to cite the Nelson case described above to suggest that Paragraph (d)(3) would estop a patent owner from making arguments that are inconsistent with those rejected in a previous IPR.[24] So, at least as of now, making inconsistent arguments would likely fall within the scope of Paragraph (d)(3).

Another interesting unanswered question in the wake of SoftView is whether the rule estops a patent owner from enforcing patentably indistinct claims in district court. Although several defendants raised this argument before SoftView, courts have avoided the issue. The U.S. District Court for the District of New Jersey, for example, expressed skepticism last year in Choon's Design LLC v. Wecool Toys Inc. that a USPTO regulation could be applied outside the office but ultimately determined that, regardless, a determination whether the asserted claims were patentably distinct from earlier canceled ones could not be made at the pleading stage.[25]

SoftView seems to suggest that Rule 42.73(d)(3) would not preclude such enforcement, at least where the claims issue before the adverse judgment. Indeed, if the rule does not preclude a patent owner from defending its already issued claims, it seems that it would also not preclude a patent owner from asserting such claims.

Finally, it is worth noting that, in some respects, Rule 42.73(d)(3)(i) is similar to the USPTO's recently proposed terminal disclaimer rule.

Under the proposed rule, a terminal disclaimer would include an agreement that a patent would not be enforceable if a claim in another patent tied to the subject patent through a disclaimer has been held unpatentable.[26] This means that a patent owner would be precluded from enforcing claims that are patentably indistinct (as evidenced by the terminal disclaimer) from claims found unpatentable.

Both Rule 42.73(d)(3) and the proposed terminal disclaimer rule are aimed at preventing a patentee from obtaining claims that are patentably indistinct from those previously canceled. If the terminal disclaimer rule passes, it would provide an even greater estoppel effect than Rule 42.73(d)(3). If the proposed rule does not pass, Rule 42.73(d)(3) may gain prominence as a tool for patent challengers to defend against patentably indistinct claims.

For now, practitioners will have to wait and see how this aspect of patent practice evolves in SoftView's wake.

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[1] SoftView LLC v. Apple Inc., 108 F.4th 1366 (Fed. Cir. 2024).

[2] 37 C.F.R. § 42.73(d)(3).

[3] 77 Fed. Reg. 48,612-01, 48,649 (Aug. 14, 2012).

[4] Id.

[5] Regents of the Univ. of Minn. v. LSI Corp., 926 F.3d 1327, 1345 n.5 (Fed. Cir. 2019) (additional views).

[6] 37 C.F.R. §§ 42.73(a), (b)(1)-(4); see also Arthrex, Inc. v. Smith & Nephew, Inc., 880 F.3d 1345, 1349 (Fed. Cir. 2018).

[7] Arthrex, 880 F.3d at 1349-51.

[8] See Ex Parte King, Appeal No. 2021-002695 (P.T.A.B. Sept. 1, 2021).

[9] Apple Inc. v. ContentGuard Holdings Inc. IPR2015-00458, Paper 9, at 8 (P.T.A.B. July 15, 2015).

[10] Appeal No. 2020-004978 (P.T.A.B. Dec. 31, 2020); see also Alphatec Holdings, Inc. v. NuVasive, Inc., IPR2019-00546, Paper 17, at 19-20 (P.T.A.B. July 9, 2019) (presumptively applying estoppel as to claim canceled in previous IPR).

[11] 108 F.4th at 1370-72.

[12] Id. at 1370.

[13] Id. at 1371.

[14] Id. at 1372.

[15] Id.

[16] Id. at 1372-73.

[17] Id. at 1373.

[18] Id.

[19] Id. at 1374-75.

[20] Id.

[21] Id. at 1373.

[22] Thryv, Inc. v. Click-To-Call Techs., LP, 590 U.S. 45, 46 (2020).

[23] 108 F.4th at 1374.

[24] Id. at 1374 n.5.

[25] Choon's Design, LLC v. WeCool Toys Inc., 2023 WL 6366325, at *3, 7-8 & n.3 (D.N.J. 2023); see also Stragent, LLC v. BMW of N. Am., LLC, 2021 WL 1147468, at 7 (D. Del. 2021) (Stark, J.).

[26] 89 Fed. Reg. 40,439 (May 10, 2024).