

Axinn IP Update: No Collateral Estoppel after PTAB Ruling on IPR

October 9, 2019

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Axinn Update

On October 2, 2019, Judge Chesler in the District of New Jersey denied a motion for summary judgment of invalidity seeking to bar the patentee from relitigating invalidity. The Patent Trial and Appeal Board (“PTAB”) had found two patents asserted in the litigation invalid as obvious in an inter partes review (“IPR”), but Judge Chesler concluded that collateral estoppel did not apply because the PTAB applied a different legal standard for proving obviousness than required in district court cases. *Sanofi-Aventis U.S. LLC v. Mylan GmbH*, No. 17-9105 (D.N.J. Oct. 2, 2019).

Several months after Mylan filed IPR petitions challenging the validity of U.S. Patent Nos. 7,476,652 and 7,713,930 (“the asserted patents”), Sanofi-Aventis filed a complaint alleging that Mylan infringed those same patents. While litigation was ongoing, the PTAB found the asserted patents invalid as obvious. Mylan moved for summary judgment based on collateral estoppel.

Collateral estoppel, also called issue preclusion, prevents parties from contesting issues that have already been decided in a prior proceeding. Collateral estoppel applies “when an issue of fact or law” was “actually litigated [by the parties] and determined by a valid and final judgment, and the determination is essential to the judgment.” *Id.* at 2.

The Court concluded that collateral estoppel did not apply where the prior proceeding applied a different legal standard for evaluating the disputed issue. *Id.* Judge Chesler found persuasive the Supreme Court’s statement in *B&B Hardware* that “[i]ssues are not identical if the second action involves application of a different legal standard, even though the factual setting of both suits may be the same.” *Id.* (quoting *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1306 (2015)). In federal district court, a patent challenger is required to demonstrate that the asserted patents are invalid by clear and convincing evidence. In IPR proceedings, however, a petitioner must only prove that the challenged patents are obvious by a

preponderance of the evidence. Collateral estoppel was inappropriate in this case because the proceedings required different burdens of proof and consequently different issues.

The PTAB's decision is currently on appeal to the Federal Circuit. Judge Chesler did not address what would happen if the Federal Circuit were to affirm the PTAB's decision while the district court action remains pending. Although the "different standards of proof" rationale would still apply even after a Federal Circuit affirmance, the PTAB's determination will become binding on the district court if affirmed by the appellate court. *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294 (Fed. Cir. 2018) ("[A]n affirmance of an invalidity finding, whether from a district court or the [PTAB], has a collateral estoppel effect on all pending or co-pending actions."). Thus, even though the different burdens of proof applied by the PTAB and federal district court initially prevents application of collateral estoppel, patent invalidity findings will have preclusive effect on pending actions if affirmed by the Federal Circuit.

