

NJ District Judge Declines to Give Collateral Estoppel Effect to PTAB Decision Until Affirmance by Federal Circuit

December 9, 2020

Source: New Jersey Federal Practice Alert

In this patent infringement action, NJ District Court Judge John Michael Vazquez declined to give collateral estoppel effect to a decision by the Patent Trial and Appeal Board (the “PTAB”) that rejected a validity challenge to the patent at issue, until the Federal Circuit affirmed the PTAB’s decision. As the Court noted, “binding Federal Circuit authority strongly suggests the PTAB’s decision cannot be given preclusive effect until affirmed by the Federal Circuit . . .” *Canfield Scientific, Inc. v. Drugge, et al.*, Civil Action No. 16-cv-04636, slip op. at 4 (D.N.J. Oct. 30, 2020).

Plaintiff Canfield Scientific, Inc. (“Canfield”) brought a declaratory judgment action of non-infringement and invalidity against Defendants concerning U.S. Patent No. 7,359,748 (the “’748 Patent”), which relates to the detection, diagnosis and treatment of skin cancer. During the pendency of the District Court litigation, Canfield also filed a petition with the U.S. Patent Office seeking *inter partes* review (“IPR”) of certain claims of the ‘748 Patent. Canfield’s IPR petition challenged the validity of the ‘748 Patent. Upon completion of the IPR, the PTAB issued a final decision “finding that the challenged claims had not been proven invalid on any ground raised by Canfield in the IPR.” *Id.* at 3. Canfield appealed the PTAB’s decision to the Federal Circuit.

As a result of the PTAB’s final decision, Defendants moved, pursuant to Rule 12(f), to strike Canfield’s invalidity contentions. Defendants asserted that under 35 U.S.C. §315(e)(2)’s collateral estoppel provision, Canfield is barred from relitigating in the District Court action certain of its invalidity contentions that were raised, or which reasonably could have been raised, in the IPR. Judge Vazquez denied Defendants’ motion to strike without prejudice, ruling that the Court could not address the motion to strike while Canfield’s appeal of the PTAB’s decision remains pending. *Id.* at 5.

Specifically, Judge Vazquez looked to the Federal Circuit’s opinion in *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282 (Fed. Cir. 2018). In that case, the Federal Circuit explained that “an *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” because “‘a patentee, *having been afforded the opportunity to exhaust his remedy of appeal from a holding of invalidity*, has had his ‘day in court,’ and a defendant should not have to continue ‘defend[ing] a suit for infringement of [an] adjudged invalid patent.’” *Id.* at 1294 (emphases added) (citation omitted). Therefore, Judge Vazquez concluded that “[t]he Federal Circuit’s decision in *XY, LLC* strongly suggests that a PTAB holding in an IPR does not gain preclusive effect until affirmed on direct appeal.” *Canfield*, slip op. at 5. Accordingly, applying *XY, LLC* to the case at hand, Judge Vazquez

declined to give preclusive effect to the PTAB's IPR decision because the Federal Circuit has yet to decide Canfield's appeal of that decision. *Id.*

A full copy of the Judge Vazquez's October 30, 2020 opinion in *Canfield Scientific, Inc. v. Drugge, et al.*, Civil Action No. 16-cv-04636, is attached.