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SDI Technologies, Inc., v. Bose Corp.: In an IPR, Issue Preclusion Does Not Attach Until Appeal Rights Are Exhausted

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Addressing issue preclusion in the context of an *inter partes* review (IPR), the Patent Trial and Appeal Board (PTAB or Board) allowed the patent owner to present patentability and admissibility arguments from a related IPR, finding that issue preclusion does not attach until the patent owner's appeal rights have been exhausted. *SDI Technologies, Inc., v. Bose Corp*., IPR2014-00343 (PTAB, June 11, 2015) (McKone, APJ.).

The petitioner SDI Technologies filed an IPR petition challenging certain claims of a Bose patent. The same parties were already involved in a related IPR over the same patent (IPR2013-00350). In IPR-350, Bose argued that certain evidence presented SDI was inadmissible and that the challenged claims were patentable. The Board disagreed and issued a written decision finding the challenged claims unpatentable.

In the instant case, the petitioner argued that the patent owner should be estopped from re-arguing the patentability and admissibility issues decided in the petitioner's favor in IPR-350. The rule regarding estoppel, 37 C.F.R. § 42.73(d)(3), states that "a patent owner is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent . . . a claim that is not patentably distinct from a finally refused or cancelled claim." According to the petitioner, the term "judgment" in § 42.73(d)(3) refers to "a final written decision by the Board, or a termination of a proceeding," and so the patent owner should be precluded from taking any action inconsistent with the PTAB's final written decision in IPR-350.

The Board disagreed, explaining that issue preclusion applies only when the patent owner's right of appeal with respect to an adverse judgment has been exhausted. In the instant case, because the patent owner had not exhausted its appeal rights, the Board concluded it was not estopped from re-presenting the patentability and admissibility arguments it rained in IPR-350. The Board also clarified that, in order for estoppel to apply, the claim would need to be cancelled, not merely held unpatentable, as it was in the instant case.

Although the patent owner was allowed to re-present its arguments, it was only a pyrrhic victory, as the Board was again unpersuaded by the substance of the arguments (for the same reasons as in IPR-350).

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