

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

OIL-DRI CORP. OF AMERICA,)	
)	
Plaintiff/Counter-Defendant,)	Case No. 15 C 1067
)	
v.)	
)	Judge Amy J. St. Eve
NESTLÉ PURINA PETCARE CO.,)	
)	
Defendant/Counter-Plaintiff.)	

ORDER

The Court grants Plaintiff’s Renewed Motion for Estoppel brought pursuant to 35 U.S.C. § 315(e)(2). [178].

STATEMENT

Plaintiff Oil-Dri Corp. of America (“Oil-Dri”) has filed a renewed motion to exclude, by Inter Partes Review (“IPR”) estoppel, Defendant Nestlé Purina Petcare Co.’s (“Purina”) reliance on certain prior art references, namely, Akiyama (Japanese Patent Application H07-99857), Shinohara (Japanese Patent Application S62-239932), and Banschick (U.S. Patent Application 07/417,591). For the following reasons, the Court grants Oil-Dri’s motion.

BACKGROUND

I. Current Litigation

The patent-in-suit is U.S. Patent No. 5,975,019 (‘019 Patent), entitled “Clumping Animal Litter,” filed on August 19, 1997. The Abstract of the patent describes “[a] clumping animal litter utilizing the interparticle interaction of a swelling clay, such as sodium bentonite, in combination with a non-swelling clay material.” In addition, the Abstract discloses that “[p]referably, sixty percent (60%) by weight, or less, composition of sodium bentonite is used after the judicious selection of particle size distribution such that the mean particle size of the non-swelling clay material is greater than the mean particle size of the sodium bentonite.”

On February 3, 2015, Oil-Dri filed the present lawsuit claiming Purina infringed the ‘019 Patent with its clumping cat litters, and in February 2017, Oil-Dri amended its complaint. After Purina filed a partial motion to dismiss, Oil-Dri withdrew its claims related to Purina’s “lightweight” products, and the Court dismissed Purina’s allegations of infringement of any claim including the limitation of an “organic clumping agent.” In the interim, approximately two weeks after Oil-Dri filed this lawsuit, Purina filed an IPR petition.

II. IPR Proceedings

A. Background

The Leahy-Smith America Invents Act (“AIA”), codified at 35 U.S.C. § 100, *et seq.*, created the IPR process. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2136–38 (2016); *Wi-Fi One, LLC v. Broadcom Corp.*, ___ F.3d ___, 2018 WL 313065, at *1 (Fed. Cir. Jan. 8, 2018). Under 35 U.S.C. § 311(b), “a person who is not the owner of a patent may petition the Director to institute IPR of one or more patent claims on permitted grounds, alleging unpatentability on certain prior art bases.” *Wi-Fi One*, 2018 WL 313065, at *1. IPR may be instituted on anticipation and obviousness challenges based on prior art consisting of patents or printed publications. *See Milwaukee Elec. Tool Corp. v. Snap-On Inc.*, ___ F.Supp. 3d ___, No. 14-CV-1296-JPS, 2017 WL 4220457, at *26 (E.D. Wis. Sept. 22, 2017). After receiving a petition, the Patent Trial and Appeal Board (“PTAB”) must decide whether to institute IPR by determining whether there is a reasonable likelihood that the petitioner will succeed with respect to at least one of the claims challenged in the petition. *Wi-Fi One*, 2018 WL 313065, at *1; *see also* 35 U.S.C. § 314(a). When the PTAB issues a final decision, the IPR petitioner is estopped from arguing in a civil action that a “claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” 35 U.S.C. § 315(e)(2). If a party is dissatisfied with the PTAB’s decision, it may request rehearing within 30 days. 37 C.F.R. § 42.71(d). Under 35 U.S.C. § 319, a party may appeal the PTAB’s final written decision to the Federal Circuit. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1273 (Fed. Cir. 2015).

B. Purina’s IPR

Approximately two weeks after Oil-Dri filed the current lawsuit, Purina filed an IPR petition before the PTAB. In its petition, Purina relied on two patents as prior art in support of its IPR petition, namely, U.S. Patent No. 5,386,803 (“Hughes”) and U.S. Patent No. 5,458,091 (“Pattengill”). The PTAB instituted IPR on the ground of “[w]hether claims 1–13, 30, and 32 are unpatentable under 35 U.S.C. § 103(a) as obvious over the combination of Hughes and Pattengill.” On June 20, 2015, the PTAB issued a final written decision in which it concluded that Purina had failed to show by a preponderance of the evidence that any of the claims in question were invalid. Purina filed a request for rehearing, which the PTAB denied in February 2017. Thereafter, Purina appealed the PTAB’s decision to the Federal Circuit, where the case is now pending. *Nestlé Purina Petcare Co. v. Oil-Dri Corp. of Am.*, No. 17-1744 (Fed. Cir. 2017).

ANALYSIS

In its renewed estoppel motion, Oil-Dri seeks to preclude Purina from using the Akiyama, Shinohara, and Banschick references in the current litigation based on § 315(e)(2). Specifically, Oil-Dri argues that because Purina was aware of this prior art, but chose not to assert it in its IPR, it is estopped from using these prior art references in the present litigation. As Third Circuit Judge Kent Jordan, sitting by designation, explained, “[t]he PTAB has recognized that estoppel under § 315(e) is broad, and that the prior art references (or combinations) a petitioner ‘could have raised’ includes any references that were known to the petitioner or that could reasonably have been discovered by ‘a skilled searcher conducting a

diligent search.” *Parallel Networks Licensing, LLC v. IBM Corp.*, No. 13-2072, 2017 WL 1045912, at *11 (D. Del. Feb. 22, 2017) (citations omitted). In Oil-Dri’s first § 315(e) estoppel motion, it surmised that Purina was aware of the three prior art references at issue, but it did not have evidence of such, thus the Court did not consider Purina’s knowledge of the prior art references in its August 2, 2017 ruling.¹ In ruling on Oil-Dri’s first motion, the Court explained that § 315(e)(2) estoppel extends to non-petitioned grounds if a skilled searcher conducting a diligent search reasonably could have expected to discover the prior art. *See also Network-1 Techs., Inc. v. Alcatel-Lucent USA, Inc.*, No. 6:11-CV-00492-RWS, 2017 WL 4856473, at *2 (E.D. Tex. Oct. 27, 2017); *Douglas Dynamics, LLC v. Meyer Prods. LLC*, No. 14-cv-886-JDP, 2017 WL 1382556, at *4 (W.D. Wis. Apr. 18, 2017); *Clearlamp, LLC v. LKQ Corp.*, No. 12 C 2533, 2016 WL 4734389, at *7–8 (N.D. Ill. Mar. 18, 2016).

Thereafter, on August 14, 2017, the Court directed the parties to confer and choose an independent expert to offer an opinion on whether a skilled searcher conducting a diligent search reasonably would have discovered the Akiyama, Shinohara, and Banschick references. The parties agreed on David Nickelson at Cardinal IP to be the independent expert. Nickelson then provided a “Skilled Searcher Report for IPR Estoppel” stating that after conducting the requisite invalidity searches, neither the Shinohara nor Banschick references would have been located by a skilled patent searcher performing a diligent search focused on the claim language of the ‘019 patent. (R. 177-6, Ex. E, Nickelson Report, at 7.) In the present motion, Oil-Dri argues that the Court should ignore Nickelson’s report because he failed to follow the parties’ instructions set forth in a September 26, 2017 letter to Cardinal IP. On the other hand, Purina argues that – although Nickelson identified the Akiyama reference – this identification does not necessarily mean that the reference is relevant to whether it could have been reasonably raised in the IPR under § 315(e)(2).

Oil-Dri’s better argument is that Purina should be estopped from using Akiyama, Shinohara, and Banschick because Purina knew about these references prior to filing its IPR petition, but decided not to use them in its IPR proceedings. More specifically, in Purina’s September 2017 responses to Oil-Dri’s Third Set of Requests for Admission, it admitted that it had a copy of each reference prior to its filing the IPR petition. (R. 151-1, Resp. Nos. 27, 29, 30.) Under these circumstances, and for the sake of completeness, the Court will look to Purina’s explanation that it was not reasonable to cite Shinohara, Akiyama, and Banschick as references because they were not relevant to its IPR petition. *See, e.g., Parallel Networks Licensing, LLC*, 2017 WL 1045912, at *11-12.

Here, Purina explains that although it was aware of the Akiyama and Shinohara references, these references were not relevant to the IPR proceeding because they are not directed to separate particulates of swelling and non-swelling clays as claimed in the ‘019 Patent.² In making this argument, Purina is asking the Court to adopt its claim construction that

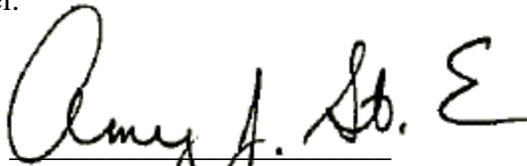
¹ The Court presumes familiarity with its August 2, 2017 Memorandum Opinion and Order.

² Purina’s argument concerning the Banschick reference is that it was subject to an interference proceeding over twenty years ago and that counsel considered it, but chose not to cite it as a reference in the IPR petition. Purina does not explain why counsel chose not to cite Banschick in the IPR petition.

it made to the PTAB, although the PTAB construes claims under a different standard than district courts, *see* 37 C.F.R. § 42.100(b), and the parties have yet to brief their claim construction arguments to the Court. Moreover, Purina’s argument that the Akiyama and Shinohara references are directed to a completely different product than what is claimed in the ‘019 Patent is inconsistent with its Final Invalidity Contentions listing all three references at issue in this motion. As such, Purina’s rationale is unavailing.

As the Court explained in its earlier ruling, the Supreme Court and Federal Circuit have indicated that the IPR procedures provide an efficient alternative to litigation in terms of both time and costs. *See Cuozzo*, 136 S. Ct. at 2144 (“Inter partes review is an efficient system for challenging patents that should not have issued.”) (quotation omitted). In addition, “for IPR to fulfill its mission of streamlining patent litigation in the district courts and promoting efficient dispute resolution, a petitioner cannot be left with the option to institute a few grounds for IPR while holding some others in reserve for a second bite at the invalidity apple once in the district court.” *Milwaukee Elec. Tool Corp.*, 2017 WL 4220457, at *26; *see also Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 2:15CV21, 2017 WL 2605977, at *3 (E.D. Va. June 5, 2017) (IPR estoppel provisions would be meaningless if parties could “pursue two rounds of invalidity arguments as long as they carefully craft their IPR petition.”). Here, two weeks after Oil-Dri filed the current lawsuit, Purina decided to file an IPR petition before the PTAB, and it is no secret that “petitioners stand to lose significant rights in an instituted IPR proceeding because of the estoppel effects that trigger against them if the Board issues a final written decision.” *SAS Inst., Inc. v. ComplementSoft, LLC.*, 825 F.3d 1341, 1351 (Fed. Cir. 2016). Under the circumstances – and consistent with the purpose of IPR proceedings and the AIA – the Court grants Oil-Dri’s renewed motion for estoppel.

Dated: January 16, 2018


AMY J. ST. EVE
United States District Court Judge