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Federal Circuit Clarifies Limits of Issue Preclusion Between IPRs and District Courts

The Patent Playbook on **October 27, 2025**

The Federal Circuit's recent decision last week in *Inland Diamond Prods. Co. v. Cherry Optical Inc.*, offers an important reminder for patent litigators: a PTAB's factual finding in an *inter partes review* (IPR) does not automatically bind a district court. The case underscores that issue preclusion has clear boundaries when different forums apply different standards of proof.

Background of the Dispute

The dispute arose after the PTAB found certain independent claims of two lens-related patents unpatentable as obvious while upholding several other dependent claims. Later, in district court litigation over the same patents, the accused infringer sought summary judgment of invalidity, arguing that the PTAB's prior findings should carry preclusive effect against the surviving dependent claims. The district court agreed. Because all asserted claims depended exclusively on the invalidated claims, the district court decided to focus only on the remaining limitations added by the asserted claims. Ultimately, the district court granted summary judgment based largely on the PTAB record.

But on appeal, the Federal Circuit reversed and remanded, finding that the lower court improperly applied collateral estoppel.

The Core Question

The key issue was whether factual findings underlying the PTAB's invalidation of certain claims in an IPR could preclude re-litigation of those same facts in the district court with regards to other claims. The Federal Circuit concluded that they could not. While PTAB judgements are binding as to the claims directly adjudicated, their underlying factual determinations are not automatically preclusive against other claims.

The Federal Circuit's Analysis

The Federal Circuit emphasized the fundamental difference between the PTAB's preponderance of the evidence standard and the district court's clear and convincing evidence standard. Because the PTAB required a lower standard of proof than district courts, the PTAB's factual determinations could not have preclusive effect against claims in district court cases.

Although it is possible that the same evidence presented to the PTAB could also satisfy the district court's higher standard, that determination had to be made independently. Therefore, the district court had to come to its own conclusion based on the evidence and arguments presented to it in court. A fact could not be deemed established simply because the PTAB had previously made a finding. Rather, it was still the patent challenger's burden to prove each fact with clear and convincing evidence.

Accordingly, the Federal Circuit directed the district court to reassess the invalidity arguments independently under the correct standard of proof.

Implications for Patent Litigation

Even when an IPR wipes out key independent claims, dependent claims that survive can't simply be swept away based on the PTAB's reasoning. This gives patent owners renewed leverage to keep meaningful claims alive in litigation—especially if those dependent claims add technical nuances that weren't scrutinized during the IPR.

On the other hand, practitioners defending against infringement should not assume that just because the PTAB found their way on certain facts in an IPR that those facts are already won in the district court. Practitioners can still use the IPR decision as a roadmap, but should remember that they must satisfy a higher evidentiary burden in district courts.

This case underscores the material differences between the PTAB's preponderance standard and the clear-and-convincing standard used in Courts. Practitioners should expect more nuanced arguments over how PTAB records should or should not influence district court validity disputes in the future.

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