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### *The Precedent: The Federal Circuit Clarifies When Collateral Estoppel Applies Following Inter Partes Review Proceedings in Kroy IP Holdings, LLC*

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In this edition of *The Precedent*, we outline the Federal Circuit's decision in *Kroy IP Holdings, LLC v. Groupon, Inc.*

#### Overview

The Federal Circuit held that the Patent Trial and Appeal Board's (PTAB) finding of unpatentability in an *inter partes* review (IPR) did not collaterally estop a patent holder from alleging infringement in district court based on other claims that were closely related to the claims in the IPR petition.

#### Issue

Whether a patent holder is collaterally estopped in district court from alleging patent infringement of claims that are closely related to claims previously found unpatentable by the PTAB.

#### Holding

A prior final written decision of the PTAB on unpatentability on separate patent claims (reached under a preponderance of the evidence standard) cannot collaterally estop a patentee from asserting other, unadjudicated patent claims in district court litigation (which applies a clear and convincing evidence standard) because of the different legal standards involved.

#### Background and Reasoning

Kroy IP Holdings, LLC (Kroy) sued Groupon, Inc. (Groupon) in district court for infringement of Kroy's 6,061,660 patent, which relates to providing incentive programs over a computer network. Groupon then filed two IPR petitions challenging 21 claims of the '660 patent. Before the PTAB ruled on the IPR petitions, Kroy amended its complaint in

district court to allege that Groupon infringed on additional claims. The PTAB found that all 21 claims that Groupon challenged in the IPR petition were unpatentable.

Kroy then amended its complaint again to allege infringement of 14 additional claims that were not included in the IPR petitions. Groupon filed a motion to dismiss the amended complaint, arguing that Kroy was collaterally estopped from asserting the new claims based on the PTAB's finding of unpatentability on closely related claims. The district court agreed and dismissed the complaint, reasoning that IPR findings of unpatentability have preclusive effects on pending district court actions involving the same claims or claims that are immaterially different for purposes of invalidity.

The Federal Circuit reversed. The court began its analysis by reviewing the four requirements for collateral estoppel under the law of the Federal Circuit: (1) the identical issue was previously adjudicated; (2) the issue was actually litigated; (3) the previous determination was necessary to the decision; and (4) the party facing preclusion was fully represented in the prior action. Even when these requirements are satisfied, however, the court recognized that there are various exceptions, with one being that collateral estoppel does not apply when the second legal action involves application of a different legal standard, such as a different burden of proof. As relevant here, the court recognized that IPR petitions apply only a preponderance of the evidence standard whereas district court proceedings apply a clear and convincing evidence standard. As a result of those different standards, collateral estoppel does not apply.