

“REASONABLY COULD HAVE RAISED” ESTOPPEL

A Technical Error That Should Be Corrected

In the patent reform bills reported by the Senate Judiciary in the 111th and 112th Congresses, the estoppel effect of decisions made in post-grant review (PGR) proceedings in the PTO regarding subsequent validity challenges in district courts and the ITC (judicial estoppel) was limited to grounds that the challenger “raised” in these proceedings. This more limited estoppel was intentionally chosen to encourage the use of PGR to promptly eliminate any invalid patents and correct overly broad patents. The inadvertent inclusion of the more sweeping IPR judicial estoppel into PGR in the Leahy-Smith America Invents Act (AIA) to also cover grounds a challenger “reasonably could have raised” was clearly a technical error made in the House which should be corrected according to the Chairmen of the House¹ and Senate² Judiciary Committees after whom the AIA is named. This inadvertent “scriveners error”³ would be corrected by the deletion of that phrase by Section 9(b) of the Discussion Draft published by Chairman Goodlatte on May 23, 2013.

Joe Matal, then Judiciary Committee Counsel to Senator Jon Kyl, who was intimately involved in the passage of this legislation, had earlier offered the following observation:

“Nothing in the record explains or even mentions this marked shift. This is because the change appears to have been made in error by staff charged with making technical corrections to the bill when it was reported by the House Judiciary Committee. Unfortunately, no one caught the error during the three and a half months between the time when the bill was reported by the committee and when it was signed by the President.”⁴ (citations omitted)

¹ “Other technical corrections and improvements may arise in the future, for example, the issue surrounding the correction of the post-grant review estoppel provision in the Leahy-Smith AIA. This was the result of an inadvertent scrivener’s error, an error that was made by legislative counsel. That technical error has resulted in an estoppel provision with a higher threshold than was intended by either House of Congress.” 158 Cong. Rec. H6843 (daily ed. December 18, 2012) (statement of Rep. Smith).

² “Regrettably, the legislation passed today does not include one technical correction that would improve the law by restoring Congress’s intent for the post-grant estoppel provision of the America Invents Act. Chairman *Smith* recently described certain language contained in that provision as an “inadvertent scrivener’s error.” As written, it unintentionally creates a higher threshold of estoppel than was in the legislation that passed the Senate 95-5, or that was intended by the House, according to Chairman *Smith*’s statement. I hope we will soon address this issue so that the law accurately reflects Congress’s intent.” 158 Cong. Rec. S8517 (daily ed. December 28, 2012) (statement of Sen. Leahy).

³ *Id.*

⁴ Joseph D. Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 618 (2012).

The AIA introduces two new post-grant procedures to allow the public to participate in the USPTO in reviewing the validity of patents. These procedures are important to the open, transparent patent system fostered by the AIA. PGR is available during the first nine months after patent grant and allows a third-party to challenge a patent on any ground relating to invalidity of the patent that could be raised in a district court. PGR is primarily a tool to enhance patent quality through early public participation.⁵ After the nine-month period (and the conclusion of any PRG proceeding that may be initiated), a third party can challenge a patent in an Inter Partes Review (IPR) proceeding, but only on the basis of a ground that could be raised under section 102 (novelty) or 103 (obviousness) on the basis of prior patents and printed publications. IPR and PGR are primarily alternatives to litigation.

To ensure that these procedures would not subject patent owners to the possibility of harassment, both PGR and IPR included estoppel provisions to prevent repetitive challenges from the same or related challengers. The early comprehensive patent reform bills would have limited the estoppel effect, both in subsequent proceedings in the PTO and in civil actions, to issues actually raised.

The estoppel provisions in H.R. 2795, the first comprehensive patent reform bill in the series of bills that resulted in the AIA, were modeled after the estoppel provisions in a proposal for an opposition procedure nine-months from patent grant proposed by the American Intellectual Property Law Association in 2004. A Senate bill in the same Congress, S. 3818 also limited the estoppel effect to any ground raised. Bills in subsequent Congresses extended this estoppel to proceedings before the International Trade Commission (ITC) under section 337 of the Tariff Act of 1930.

The underlying purposes of PGR and IPR, the differing grounds on which patents may be challenged in these proceedings, and the differing times for seeking them dictate the estoppel that attaches to each. PGRs are available immediately upon patent grant, for all grounds of invalidity available under 35 USC 282(b), to weed-out any invalid or overly broad patents. It is in the public interest that potential challengers not be discouraged from making such challenges early in the life of the patent (after all, the public ultimately bears the cost of any overly broad or invalid patents). Given the timing of PGRs (necessarily limiting the time available to prepare a challenge) and the breadth of the grounds available, a “reasonably could have raised” estoppel may fatally undermine the ability of PRGs to achieve their purpose – prompt challenges to enhance patent quality. Further, it must be recognized that, in seeking a PGR, a challenger must identify itself, thus exposing the challenger as a potential infringer and therefore a prime target for a patentee. If such a challenger faces the risk that it will have to forego the opportunity to later raise a ground of invalidity (that, for example, might be uncovered only following an extensive search of the prior art), perhaps rendering it defenseless in any infringement litigation involving the challenged patent should it survive, the challenger will likely wait and challenge the patent in any later court proceeding. This delay not only imposes an unnecessary

⁵See statement of Gary Griswold, Past President, American Intellectual Property Law Association, *Hearing on H.R. 2795: Patent Act of 2005*, House Subcommittee on Courts, the Internet, and Intellectual Property, (109th Congress 2005).

burden on the court, but subjects the public to a possibly invalid patent, thus defeating the purpose of PGR to promptly correct or eliminate any overly broad patents. The limitation of the judicial estoppels in PGR to issues raised was widely supported.⁶

It would be inapposite to import IPR's "reasonably could have raised" estoppel for subsequent civil actions into PGR. As explained above, IPR and PGR serve very different purposes. IPR is intended to allow an entity facing litigation or planning to commercialize a product that might infringe a patent to seek to mitigate its exposure and possibly avoid expensive litigation by limiting or eliminating such patent. An IPR is not limited to a 9-month period following patent grant; challengers will generally have the freedom to decide when to seek an IPR and can take the time needed to carefully prepare their case – a task which is simplified by the fact that the grounds in IPR are limited to only novelty and obviousness on the basis of patents and printed publications. Accordingly, while a "reasonably could have raised" estoppel precluding a later court challenge to a patent on the limited grounds available in an IPR may be appropriate, it is clearly not appropriate for PGR, and if imposed on PGRs may all but ensure that PGR will very seldom be used.

We recognize that there was increasing use of inter partes reexamination up until the end of that procedure on Sept. 16, 2012, notwithstanding the fact that it included a sweeping "could have raised" estoppel. The increased use of inter partes reexamination, however, took place once defendants' attorneys discovered how to strategically use the procedure to their advantage in litigation.⁷

Relevant History of PGR Estoppel

111th Congress – S. 515

In the 111th Congress, Senator Leahy introduced S. 515 on 3/3/2009. The PGR estoppel provisions in this bill precluded any subsequent proceeding in the PTO (administrative estoppel) and in the courts and the ITC (judicial estoppel) on the basis of any "any ground that the cancellation petitioner raised during the post-grant review proceeding." S. 515 also modified the judicial estoppel provision in § 315(c) of the existing inter partes reexamination provision (which precluded a third party from later challenging in any civil action the validity of any claim finally determined to be valid on any ground which the third-party had "raised or could have raised") by striking "or could have raised."

The Senate Judiciary Committee began consideration of S. 515 on 3/26/2009 and concluded on 4/2/2009. Among the amendments offered was one by Senator Coburn to remove the PTO from the regular budget process which was tabled by a vote of 10 to 9, with

⁶See statement of Mark Chandler, Senior Vice President and General Counsel, Cisco Systems, Inc., *Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms*, Senate Judiciary Committee, (109th Congress 2006); Anthony Peterman, Director, Patent Counsel, Dell Inc., *Hearing on H.R. 1908: Patent Reform Act of 2007*, House Subcommittee on Courts, the Internet, and Intellectual Property, (110th Congress 2007).

⁷According to USPTO statistics, as of June 30, 2006, 26% of inter partes reexaminations were known to be in litigation (http://www.schmoller.net/documents/inter_partes_to_20060630.pdf); as of June 30, 2012, 67% of inter partes reexaminations were known to be in litigation (http://www.uspto.gov/patents/stats/IP_quarterly_report_June_30_2012.pdf).

both Senators Grassley and Coburn voting against tabling. After considering other amendments, the Committee voted 15 to 4 to report S. 515, Senator Grassley voting in favor and Senator Coburn voting against. The PGR estoppel provisions were not changed – judicial and administrative estoppels remained limited to those grounds actually raised for both post-grant review and for inter partes reexamination.

In the report that accompanied S. 515, Senate Report 111-18, Senators Kyl, Coburn and Feingold offered Minority Views addressing certain features of post grant review procedures. While noting that the bill’s elimination of the “could-have-raised estoppel” standard that governed the existing inter partes reexamination would increase the use of the procedure, they did not suggest that it be retained in either the inter partes reexamination procedure or added in the new post-grant procedure. Rather, they suggested increasing the threshold for initiating post-grant reviews, making the inter partes reexamination an oppositional proceeding (rather than an examinational proceeding), restricting use of ex parte reexamination, and authorizing the Director to delay implementation of post-grant review if resources were insufficient. In fact, these changes were made to the patent reform bill, S. 23, introduced in the 112th Congress.

112th Congress – S.23

S. 23 was introduced on 1/25/2011 by Senator Leahy. Senator Grassley was an original cosponsor. Responding to concerns expressed by some patent owners, S. 23, and its companion bill introduced in the House, H.R. 1249, amended the estoppel provisions of both IPR and PGR with respect to later challenges in the PTO. These bills precluded a person from challenging a claim of a patent in a subsequent PTO proceeding, not only on a ground which that person had previously “raised” in a PGR or IPR proceeding, but also on a ground which that person “reasonably could have raised.” This change was made because it was believed that fairness to patentees dictated that multiple attacks on a patent not be available in the PTO to ensure that successive proceedings could not be initiated by a challenger.

With respect to subsequent civil actions and ITC proceedings, however, the PGR estoppel provision was not changed in either S. 23 or H.R. 1249 as introduced. It remained the same as it had been continuously since H.R. 2795 in 2005: – a challenger would only be precluded from asserting invalidity of a claim in a civil action or ITC proceeding on the basis of a ground actually raised in a PGR. These estoppel provisions were not changed when S. 23 was reported by the Senate Judiciary Committee on 2/3/2011 nor were they changed when S. 23 was approved by the Senate on 3/8/2011 by a vote of 95 to 5. Senators Grassley and Coburn both voted for S. 23.

S. 23 was received in the House on 3/9/2011 and held at the desk. H.R. 1249, which incorporated most of S. 23, was introduced on 3/30/2011. The estoppel provisions in H.R. 1249 as introduced were identical to those in S. 23 as it was passed by the Senate.

The House Judiciary Committee held a mark-up session on 4/14/2011. Neither the Manager’s Amendment offered by Chairman Smith nor any of the 22 other proposed

amendments (not all of which were actually offered) dealt with the estoppel provisions for PGR and IPR. H.R. 1249 was favorably reported by the Committee by a vote of 32 to 3.

Even though the estoppel provisions were not changed during the Judiciary Committee mark-up, the version of H.R. 1249 that was sent to the House floor did have a change – the judicial estoppel for PGR was amended to apply an estoppel to any “ground that the petitioner raised or reasonably could have raised during a post-grant review.” While the text of H.R. 1249 reprinted in House Report (House Rept.112-98 Part 1) that accompanied the bill to the House floor on 6/1/2011 also contained this error, the report itself, on page 76 states:

“(e) Inter partes and post-grant petitioners are estopped from raising in a subsequent Office proceeding any issue that they raised or reasonably could have raised in the inter partes or post grant review, and inter partes petitioners are also estopped from raising in civil litigation or an ITC proceeding any issue that they raised or could have raised in the inter partes review. Post-grant petitioners are only estopped from raising in civil litigation or ITC proceedings those issues that they actually raised in the post-grant review.” (Emphasis added)

When H.R. 1249 was considered by the House on 6/22/2011, no amendments were offered that would have confirmed or in any manner changed the technical error made in the judicial estoppel provision. The amendments debated and voted upon focused on those provisions that had always received the most attention – first-inventor-to-file and PTO funding. Unfortunately, since the PGR judicial estoppel had not been an issue, this erroneous change in the judicial estoppel provision did not surface as noted above. The House passed H.R. 1249 on 6/23/2011 by a vote of 304 to 117 and forwarded it to the Senate.

H.R. 1249 was received in the Senate on 6/27/2011 and considered by the Senate on 9/8/2011. It was passed by the Senate, without amendment (including one offered by Senator Coburn that would have strengthened the PTO funding authority), on 9/8/2011, by a vote of 89 to 9. Senator Grassley voted in favor; Senator Coburn voted against. The American Inventors Act was signed into law by the President on 9/16/2011.

Against this background, it is clear that no Senator expressed concerns regarding the judicial estoppel in PGR being limited to issues actually raised during a PGR. To the extent that either voted against any aspect of the patent reform bills in either the 111th or 112th Congresses, it had to do with issues other than their judicial estoppel provisions.

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