

THE COALITION FOR 21ST CENTURY PATENT REFORM

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A “REASONABLY COULD HAVE RAISED” ESTOPPEL IN LITIGATION FOLLOWING POST-GRANT REVIEW WILL PREVENT THE ENVISIONED BENEFITS OF THE NEW PROCEDURE FROM BEING ACHIEVED

PGR Was Designed to Serve as a Speedy and Fair Alternative to District Court Litigation

In its 2004 report, the National Research Council of the National Academies of Sciences (NAS Report) recommended that Congress adopt a “post-grant review” (PGR) proceeding, noting that the “speed, cost, and design details of this proceeding should make it an attractive alternative to litigation to determine patent validity and be fair to all parties.”

Congress responded by creating PGR – an entirely new procedure for third parties to challenge issued patents, but only during a limited time period after their issuance. These proceedings will take place in the U.S. Patent and Trademark Office (PTO) before administrative patent judges (APJs). They are contained in Section 6 of the Leahy-Smith America Invents Act (AIA).

Congress faithfully implemented the NAS recommendation for an effective, early, quality check of U.S. patents. It created an “all issues” procedure, one that allows any person to challenge an issued patent in the PTO during the first nine months following its grant on any grounds on which the patent could be challenged in federal district court, *i.e.*, all of the grounds on which an accused infringer could assert a patent is invalid under paragraphs (2) or (3) of section 282(b) of title 35. Congress also replaced pre-AIA “inter partes reexamination” with a new and far more efficient and effective “Inter Partes Review” (IPR) procedure. Congress envisioned that PGR and IPR would operate in a sequential, but complementary, fashion.

The new IPR procedure allows a person to challenge a patent at any time after the first nine months following its grant (or completion of any PGR proceeding involving a patent that is still pending nine months after issuance). Thus, the opportunity to seek an IPR procedure arises only after the opportunity to seek a PGR no longer exists.

Reflecting the NAS recommendation to make the PGR procedure an attractive alternative to litigation and one that would be fair to all parties involved, the PGR and IPR procedures include a number of common safeguards protecting the interests of both patent owners and patent challengers such as:

- heightened thresholds to protect patentees against specious challenges,
- using technically and legally trained APJs to ensure quality and expedite proceedings,
- one-year deadlines from initiation to final agency decision,

- limits on discovery to ensure the one-year deadline can be met, and
- estoppels against subsequent PTO proceedings and civil actions and ITC proceedings.

The PGR and IPR estoppel provisions preclude challengers from re-raising in subsequent PTO and court proceedings certain issues that were, or might have been, raised in an earlier PGR or an IPR proceeding. They are intended to protect a patent owner from repeated challenges to the validity of a patent from the same challenger. At the same time, they were carefully calibrated so as not to unduly deter a patent challenger from using PGR and IPR. Thus, particularly for PGR – given the breadth of the patent validity challenges that can be raised – it is of vital importance that the judicial estoppel, *i.e.*, the limitation on issues that a PGR challenger is foreclosed from raising if later sued for patent infringement, be sufficiently narrow so as not to dissuade someone from challenging a patent in a PGR, particularly a patent that on its face appears more likely than not to be invalid.

An All-Encompassing Judicial Estoppel Provision Would Undermine the Goal of PGRs

Congress understood that for PGR to serve a useful purpose it would need to be an attractive alternative compared to district court litigation. However, as indicated above, Congress carefully crafted the PGR provisions, and especially the requisite estoppel, to balance the interests of both patent holders and challengers.

For example, there are some necessary limitations in PGR that pose disincentives for a patent challenger to use the procedure. They include limitations on available discovery, a relatively short duration from initiation to decision, and a deliberately high threshold for initiation. While these hurdles might not completely discourage one from challenging a patent in a PGR, the addition of a “reasonably could have raised” estoppel with respect to later civil actions very likely would dissuade challengers from using PGR – to the detriment of the public interest in having the PTO promptly cancel invalid patent claims that had incorrectly issued.

The barring of all patent invalidity defenses in a later patent infringement lawsuit that “reasonably could have been raised” in a PGR, means that a potential patent challenger must consider raising every possible issue that could later be raised as an invalidity defense in court – and, if the PGR is instituted, to be prepared to live with the outcome. A potential PGR challenger always has the option to wait until confronted with a patent infringement lawsuit to decide whether to seek to invalidate a patent in a civil action or by petitioning to initiate an IPR (based on prior patents and printed publications).

Thus, application of a “could have raised” judicial estoppel to PGR would create a powerful disincentive to its use, and, at least with respect to challenges based on prior patents and publications, provide a reverse incentive to use IPRs instead. This reverse incentive would arise because, as noted above, a patent can only be challenged on the basis of patents and publications in an IPR – the other grounds for challenging validity

that are available under section 282(b) in a PGR cannot be raised in an IPR. Accordingly, initiating an IPR would not result in an estoppel of the other defenses that are available under 35 USC 282(b) because a challenger could not reasonably have raised these other defenses.

If a patent issues with invalid claims, everyone will benefit if such claims are promptly challenged in a PGR. After a successful challenge, the patent challenger and others will be able to invest in bringing new products to market with greater certainty that patent infringement litigation will not ensue once the new product reaches the market. The patent owner benefits by knowing, sooner rather than later, that the scope of the patent is limited and can avoid making investments in reliance on a patent that does not merit such reliance. The public benefits by having greater access to products and services through fair and unfettered competition. The result of applying a far-reaching judicial estoppel to PGR means that everyone loses – the public, competitors, and even the patentee – and the benefits that the NAS envisioned will not be achieved.¹

The Optimal Judicial Estoppel Provision Would Only Preclude Issues Actually Raised in a PGR from Being Re-litigated in Court or the ITC

Given the limits imposed on a challenger seeking a PGR and the broad sweep of invalidity issues that could be raised, Congress reached a consensus that the estoppel applicable to PGR should be less stringent than the estoppel applicable to IPR. Thus, with respect to later civil actions and ITC proceedings, the Chairs of both the House and Senate Judiciary Committees introduced bills early in the 112th Congress providing that a challenger should only be judicially precluded from asserting that a claim in a patent is invalid on a ground that was actually “raised” during a PGR once the PTO issues a final written decision.

As noted, IPR has a limited range of grounds on which patent validity may be challenged – lack of novelty and/or obviousness on the basis of patents and printed publications. Also, a challenger can wait until sued for patent infringement before seeking to initiate a proceeding, allowing the challenger years to uncover any relevant documentary evidence. Accordingly, Congress determined that the challenger in an IPR should be estopped in later civil actions and ITC proceedings from asserting that a claim in a patent is invalid – not only on the basis of the patents or printed publications that the challenger “raised” in the IPR in asserting invalidity – but also on the basis of any other patents or printed publications that the challenger “reasonably could have raised” in the IPR. This more comprehensive estoppel is both fair to challengers and protects patent owners from harassment by challengers presenting some evidence of invalidity in an IPR and other evidence in a subsequent civil action or ITC proceeding, essentially preventing multiple, serial attacks on a patent from the same party, essentially preventing multiple, serial attacks on a patent from the same party.

¹ See Testimony of Robert A. Armitage, Hearing of May 16, 2012, Committee on the Judiciary, U.S. House of Representatives (“The provision now in [the AIA] threatens to turn PGR into a dead letter, with an estoppel so draconian in character that it would be highly problematic for a patent challenger to use.”)

Unfortunately, an undetected error was made by the staff charged with making (what were supposed to be merely) technical corrections to the AIA when it was reported by the House Judiciary Committee. Presumably thinking that the estoppels in PGRs and IPRs should be identical and that the absence of the phrase “or reasonably could have raised” in the judicial estoppel of PGR was an oversight, the staff added it. Failure to detect this error before enactment meant that this more sweeping judicial estoppel was made applicable not just to IPR challengers, but to the PGR challengers as well. Unlike the patent reform bill introduced in the Senate and reported out by Senate Judiciary Committee and the patent reform bill introduced in the House and which the House Judiciary intended to report out (and thought it had according to its report on the bill), this broad estoppel now applies to civil actions and ITC proceedings following PGRs. This oversight would be corrected by Section 9(b) of the “Discussion Draft” published by Chairman Goodlatte on May 23, 2013 by deleting the phrase “or reasonably could have raised” from 35 U.S.C. §325(e)(2).

Conclusion

In order to ensure that the PGR system that the PTO currently is implementing does not become an underused artifact of the AIA, and to ensure that PGR will be used as the NAS recommended and Congress intended – as an early check on the quality of recently issued patents – the “reasonably could have raised” estoppel that was inadvertently applied to such proceedings must be deleted as proposed in the “Discussion Draft”.

The Coalition has approximately 50 members from 18 diverse industry sectors and includes many of the nation’s leading manufacturers and researchers. The coalition’s steering committee includes 3M, Caterpillar, General Electric, Johnson & Johnson, Eli Lilly and Procter & Gamble. Visit <http://www.patentsmatter.com> for more information.