

TABLE OF CONTENTS

I. INTRODUCTION1

II. BACKGROUND1

III. THE PTO SHOULD ADOPT PROCEDURES FOR THE NEW POST-ISSUANCE
REVIEWS TO ENCOURAGE USE OF THE REVIEWS AND MAKE THEM
VIABLE AND ATTRACTIVE ALTERNATIVES TO LITIGATION.....5

 A. The PTO Should Define the Thresholds for Post-Issuance Reviews as
 Setting Relatively Low Standards for the Initiation of Such Reviews5

 B. The PTO Should Define “Real Party in Interest” and “Privy” Based on
 a Control Test.....11

 C. The PTO Should Provide Adequate Procedural Rights to Petitioners
 During Post-Issuance Reviews20

IV. CONCLUSION.....28

I. INTRODUCTION

To ensure that the new inter partes and post-grant review proceedings (collectively, “post-issuance reviews”) created by the Leahy-Smith America Invents Act (“AIA”)¹ have the greatest possible beneficial “effect . . . on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings,”² the PTO should adopt procedural rules for the reviews that give all would-be petitioners the protections necessary to incentivize them to use the processes in lieu of litigation. Importantly, the rules should provide potential petitioners with clarity *ex ante* about the basic “rules of the road” for the reviews, including the extent to which participation might prejudice their future legal rights. So designed, the reviews can serve as the meaningful and attractive alternatives to litigation that Congress intended them to be. As a result, patent quality will be systematically promoted, and funds that would otherwise have been expended defending patent suits in the federal courts can be put to the higher and better use of innovation for purposes of the productive arts.

Specifically, the PTO should adopt procedural rules that: (1) define relatively low thresholds for the initiation of post-issuance review; (2) define the terms “real party in interest” and “privy” to limit the non-party estoppel effect of such reviews; and (3) provide for relatively broad discovery and participatory rights to match those offered in the litigation context.

II. BACKGROUND

Congress created the post-issuance review proceedings in order to improve the economy and the patent system through higher quality patents.³ Higher quality patents reduce litigation,

¹ Pub. L. 112-29, 125 Stat. 284 (2011).

² AIA §§ 6(a) (amending 35 U.S.C. § 316(b)), 6(d) (amending 35 U.S.C. § 326(b)).

³ *See, e.g.*, H.R. Rep. 112-98 at 48, 87 (2011).

increase certainty regarding intellectual property rights, and free resources for innovation.⁴ And innovation, in turn, leads to economic growth and job creation. Thus, America's competitive advantage depends, in large part, on protecting and increasing patent quality.⁵

To that end, inter partes and post-grant reviews must promise sufficient protection to would-be petitioners so that they will invest the time and resources necessary to petition for, and prosecute, a review. Post-grant review, for example, will provide an essential "check on patent examination" only if the private sector in fact employs the review to challenge patents after their issuance.⁶ The success of the new post-issuance reviews is thus dependent on regulations that incentivize all segments of the private sector – whether large or small entities – to come forward and challenge patent validity at the PTO.

Past experience with inter partes reexamination is the best evidence that the use of an administrative review regime is ultimately dependent on the protections that it offers potential petitioners. Inter partes reexamination was enacted to address concerns with ex parte reexamination, which itself was considered insufficient because, after reexamination began, the petitioner "had no role" in the proceeding.⁷ Congress therefore increased the participatory rights of petitioners in inter partes reexamination, allowing them to respond to pleadings submitted by

⁴ See, e.g., Arti Rai, Stuart Graham, & Mark Doms, *Patent Reform: Unleashing Innovation, Promoting Economic Growth & Producing High-Paying Jobs – A White Paper from the U.S. Department of Commerce*, at 5-6 (Apr. 13, 2010); Federal Trade Commission, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* (2003), available at www.ftc.gov/os/2003/10/innovationrptsummary.pdf (last visited Nov. 6, 2011).

⁵ See Testimony of David J. Kappos, Director, U.S. Patent and Trademark Office, *Hearing on U.S. Patent and Trademark Office Before the House Comm. on the Judiciary*, at 8-9 (May 5, 2010).

⁶ H.R. Rep. 112-98 at 47-48, 87.

⁷ *Id.* at 45.

the patent owner and to appeal adverse decisions.⁸ But, in the end, inter partes reexamination was still insufficiently used to fortify patent quality.⁹

One of the primary reasons that inter partes reexamination was underutilized was its overbroad and undefined estoppel effect. The PTO reported that, during the first five years, the “estoppel provision [wa]s the most frequently identified inequity that deters third parties from filing requests for inter partes reexamination of patents,” especially because it follows a proceeding that does not offer “such procedural mechanisms as discovery and cross-examination that would be available in litigation.”¹⁰ Estoppel can be a particularly strong deterrent with respect post-issuance review because the proceedings depend on the willingness of private parties to voluntarily come forward and identify themselves as a “real party in interest” with respect to a particular patent—with full knowledge that, should the patent survive administrative review, they have identified themselves as possible targets for infringement litigation.¹¹ Considering that if sued, a petitioner’s defense in a litigation for which significant damages may be at stake would be hampered by estoppel from an administrative proceeding that offered few procedural rights, it is not surprising that the vast majority of interested parties apparently waited to see whether they would be sued rather than come forward to test patent validity administratively through the inter partes reexamination regime.¹²

⁸ *Id.* at 46; *see also Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1332-33 (Fed. Cir. 2008).

⁹ H.R. Rep. 112-98 at 46.

¹⁰ U.S. Patent and Trademark Office, *Report to Congress on Inter Partes Reexamination*, at 4, 6 (2004), *available at* www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm (last visited Nov. 6, 2011).

¹¹ *See, e.g.,* David J. Kappos on behalf of AIPLA, *Town Meeting on Patent Reform: Chicago, Ill.*, at 67 (March 4, 2005), *available at* www2.aipla.org/Content/ContentGroups/Meetings_and_Events1/Roadshows/20058/Transcripts_of_Town_Meetings_on_Patent_Reform.htm (last visited Nov. 6, 2011).

¹² *See, e.g.,* H.R. Rep. 112-98 at 46 (pointing to filing of 53 inter partes reexamination requests during five-year period when 900,000 patents were issued).

The new inter partes and post-grant reviews are the culmination of a lengthy effort to reform the patent system through, among other things, improved post-issuance review processes.¹³ Part and parcel of the reviews, therefore, must be “enough of the full participation accorded to parties in litigation that challengers will be willing to risk being bound by the result.”¹⁴ History teaches that only if post-issuance review is robust and meaningful will private parties choose to invest the time and resources necessary to invoke the process as intended by Congress to help the PTO “weed out patents that never should have been issued in the first place.”¹⁵

In exercising its statutory duty to adopt regulations to govern the new inter partes and post grant reviews, it is highly appropriate for the PTO to be guided by Congress’ basic intent to improve upon the existing administrative regime for post-issuance review by creating new processes that provide a truly viable and attractive alternative to litigation.¹⁶ As further set forth below, the PTO should do so by adopting procedural rules: (1) defining relatively low thresholds for the initiation of inter partes and post-grant review; (2) defining the terms “real party in interest” and “privy” to limit the non-party estoppel effect of such reviews; and (3) providing for relatively broad discovery and participatory rights that at least match those offered in the litigation context.

¹³ *Id.* at 46-48, 57; *see also* U.S. Patent and Trademark Office, *Action Paper: Post-Grant Review of Patent Claims*, at 2 (2003) available at www.uspto.gov/web/offices/com/strat21/action/sr2.htm (last visited Nov. 6, 2011).

¹⁴ Prepared Testimony, U.S. Patent and Trademark Office, *Hearing on Post-Grant Opposition before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the House Comm. on the Judiciary*, at 10 (June 24, 2004).

¹⁵ 157 Cong. Rec. S5353, 5354 (Sept. 7, 2011) (Statement of Sen. Leahy).

¹⁶ H.R. Rep. 112-98 at 47-48.

III. THE PTO SHOULD ADOPT PROCEDURES FOR THE NEW POST-ISSUANCE REVIEWS TO ENCOURAGE USE OF THE REVIEWS AND MAKE THEM VIABLE AND ATTRACTIVE ALTERNATIVES TO LITIGATION.

A. The PTO Should Define the Thresholds for Post-Issuance Reviews as Setting Relatively Low Standards for the Initiation of Such Reviews.

The AIA provides that the threshold for triggering an inter partes review requires that “the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”¹⁷ The statutory threshold for post-grant review is phrased slightly differently, requiring review where “the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable” or that “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”¹⁸ The AIA requires the PTO to define “the[se] standards for the showing of sufficient grounds to institute” post-grant and inter partes reviews.¹⁹

In so doing, the PTO should promulgate definitions that assure would-be petitioners that review is a viable, timely, and readily available alternative for challenging and improving patent quality, in furtherance of Congress’ basic goals for these new proceedings. Congress created the reviews so that they “will provide a meaningful opportunity to improve patent quality.”²⁰ But if the threshold standards are set too high, parties will be deterred from investing the time and resources required to prepare and file a petition in the first place. In this regard, it bears emphasis that the thresholds are just that: *initial* standards of review that merely determine

¹⁷ AIA § 6(a) (amending 35 U.S.C. § 314(a)).

¹⁸ *Id.* § 6(d) (amending 35 U.S.C. § 324(a)-(b)).

¹⁹ *Id.* §§ 6(a) (amending 35 U.S.C. § 316(a)(2)), 6(d) (amending 35 U.S.C. § 326(a)(2)).

²⁰ H.R. Rep. 112-98 at 48.

whether a post-issuance review will be commenced, not whether the petition is ultimately meritorious. Thresholds that are too onerous will nip the new processes in the bud.

As a practical matter, the new thresholds should not necessarily produce a higher rejection rate than that which resulted under the “substantial new question” threshold for inter partes reexamination. Although some have described the new thresholds as “elevated,”²¹ the difference is one of kind and not of degree. Under the “substantial new question” inquiry, the PTO looked for the existence of a new question that had not previously been addressed by the Office. If “a patent or printed publication . . . present[ed] a new, non-cumulative technological teaching that was not previously considered and discussed on the record” during the initial examination, the petition met the threshold for review.²² The new thresholds focus on a different purpose—one of improving patent quality across the wide spectrum of issued patents. No longer is the identification of a new question the critical factor; rather, the focus is on whether review could improve patent quality by altering “at least 1 of the claims challenged in the petition”²³ or by resolving “a novel or unsettled legal question that is important to other patents or patent applications.”²⁴ Indeed, under this latter standard, no new question need be presented at all.

In practice, the “substantial new question” inquiry worked to identify those petitions for which patent quality was at issue. It allowed 95 percent of inter partes reexamination requests to be granted,²⁵ but it also resulted in reexamination certificates that, 87 percent of the time, either

²¹ *Id.* at 47.

²² *See* MPEP § 2616.

²³ AIA §§ 6(a) (amending 35 U.S.C. § 314(a)); 6(d) (amending 35 U.S.C. § 324(a)).

²⁴ *Id.* § 6(d) (amending 35 U.S.C. § 324(b)).

²⁵ H.R. Rep. 112-98 at 47.

amended or cancelled claims.²⁶ Given these statistics, it is apparent that a more stringent threshold would have denied reexamination of patents that required a patent-quality check. Moving forward, the PTO should be careful not to foist such a result on inter partes and post-grant review, as it would be directly contrary to the congressional purpose of creating reviews ultimately aimed at improving patent quality.²⁷ For all these reasons, the regulatory definitions of the two threshold standards should reflect the relatively low standard they impose in order not to discourage use of the new procedures.

The PTO should also expressly recognize that the thresholds, as noted above, merely serve an initial gating function for administrative review, not as an allocation of the ultimate burden of proof. Otherwise, the thresholds would erect a significant barrier for potential petitioners who must seek review under tight time restrictions. Indeed, Congress could not have required the Office to shoulder the responsibility of deciding the merits of the challenge twice—once based on preliminary evidence and once after development of the record—because Congress intentionally streamlined post-issuance review to eliminate the “two rounds of administrative review” that were previously part of the inter partes reexamination process.²⁸

Accordingly, neither standard should be interpreted to require the petitioner to establish invalidity by a preponderance of the evidence, as that is the burden that the petitioner will ultimately bear on review of the merits of its filing.²⁹ Similarly, neither standard should be construed to require clear and convincing evidence of invalidity because that is the ultimate burden that would attach in litigation where, unlike the review proceedings, a presumption of

²⁶ U.S. Patent and Trademark Office, *Inter Partes Reexamination Filing Data – June 30, 2011*, available at www.uspto.gov/patents/IP_quarterly_report_June_2011.pdf (last visited Nov. 6, 2011).

²⁷ H.R. Rep. 112-98 at 48, 87.

²⁸ *Id.* at 45.

²⁹ AIA §§ 6(a) (amending 35 U.S.C. § 316(e)); 6(d) (amending 35 U.S.C. § 326(e)).

validity applies.³⁰ Finally, neither standard requires a showing of a prima facie case as defined under existing PTO regulations.³¹ Congress is presumed to have acted knowledgeably against the backdrop of existing PTO regulations employing that term,³² but it instead chose different language when providing the threshold standards at issue here, which, as explained above, carry forward the proven success of the past threshold as adjusted to focus on patent quality. Indeed, in order to avoid any confusion on this score, the PTO should affirmatively make clear that, although a prima facie case as defined under current PTO rules would be more than *sufficient* to trigger either an inter partes or post-grant review, there is no prima facie *requirement* under either threshold. This is so because the statutory thresholds for post-issuance review (a “reasonable likelihood” and “more likely than not”) do not, by their plain terms, require the level of certainty of ultimate success on the merits that a “compelled conclusion” standard does.

There is a fundamental difference between the two statutory provisions addressing the thresholds. Although the inter partes review threshold looks to the petition and any preliminary response to determine whether a challenge is reasonably likely to succeed,³³ the post-grant review threshold looks to the petition and accepts it as “not rebutted” for purposes of the analysis.³⁴ In this way, the post-grant review threshold reflects the greater role that evidence is expected to play in post-grant review, making it an even closer analogue to the requirements to sustain a complaint in district court litigation. In litigation, where discovery is the tool for developing a full record to support and adjudicate the stated claims, the determination of whether

³⁰ 35 U.S.C. § 282; *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2242 (2011).

³¹ *See, e.g.*, 37 C.F.R. § 1.56 (defining “prima facie case” as one that “compels a conclusion that a claim is unpatentable”).

³² *See, e.g.*, *Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 184-85 (1988).

³³ AIA § 6(a) (amending 35 U.S.C. § 314(a)).

³⁴ *Id.* § 6(d) (amending 35 U.S.C. § 324(a)).

the claim should proceed past the initial filing of the complaint is made taking the allegations of that document to be “accepted as true.”³⁵ So too in post-grant review—if the petition, accepted as true, presents a legitimate case for reviewing the validity of a patent, post-grant review must proceed and allow for further development of the record as needed.³⁶

The AIA also makes clear that the scope of arguments that can be raised in a post-grant review process is far broader than that in an inter partes review.³⁷ The PTO should therefore also confirm that a post-grant review petition may be based on any ground that could be raised under 35 U.S.C. § 282(b)(2) or (3), including any ground relating to invalidity that may be raised under 35 U.S.C. §§ 102, 103, and 112, or 251. This is so because the post-grant review scope provision explicitly cross-references paragraphs (2) and (3) of Section 282(b).³⁸ Section 282(b)(2), in turn, authorizes challenges based on “[i]nvalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability,” including Sections 102 and 103. And Section 282(b)(3) authorizes challenges based on “[i]nvalidity of the patent or any claim . . . for failure to comply with any requirement of section 112” (except for its best mode requirement) and “any requirement of section 251.”³⁹

³⁵ *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949 (2009).

³⁶ The preliminary response of the patent owner under section 323 remains an important aspect of review prior to the threshold determination, as it provides the patent owner with an opportunity to present the PTO with non-merits-based or other procedural or technical reasons why the post-grant review should not proceed, such as whether the petition meets basic filing requirements. *See, e.g.*, AIA § 6(d) (amending 35 U.S.C. § 322).

³⁷ *Compare id.* (amending 35 U.S.C. § 321(b) (“A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim.”) *with* AIA § 6(a) (amending 35 U.S.C. § 311(b) (“A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.”)).

³⁸ *See id.* § 6(d) (amending 35 U.S.C. § 321(b)).

³⁹ 35 U.S.C. § 282(b)(2), (3); *see also* AIA § 15(a) (amending 35 U.S.C. § 282(b)).

Thus, the best administrative construction of the statute with respect to post-grant review is one that makes clear that at the threshold stage the question is whether, under a relatively lenient standard, review should proceed on any question relevant to validity and the door to discovery for ultimately proving up the claim on the merits thus be opened. This is the practical understanding of the statutory threshold that will best serve the congressional goal of making the new post-grant review process user-friendly and ultimately improving patent quality.

The definition of the post-grant review threshold must also confirm the breadth of the systematically significant second basis for review, which exists where “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”⁴⁰ This standard is not dependent on *any* likelihood of success;⁴¹ it instead looks to whether patent quality and certainty would be furthered through development of the law on a particular issue. It should, therefore, be broadly construed to provide review wherever a legitimate question exists that will benefit from resolution by the expertise of the Office.

Properly defined, the new thresholds for post-grant and inter partes review should render review readily available to the patent validity challenges that are needed to strengthen the integrity of the patent system. The PTO, accordingly, should ensure in its upcoming regulations that the thresholds are defined to encourage—and not to deter—requests for post-issuance review.

⁴⁰ *Id.* § 6(d) (amending 35 U.S.C. § 324(b)).

⁴¹ By its terms, the “novel or unsettled legal question” provision does not require any showing with respect to the likelihood of success. This follows from general federal law, which considers “serious legal questions” as an independent basis for relief. *See, e.g., Diouf v. Mukasey*, 542 F.3d 1222, 1232 (9th Cir. 2008); *Abbassi v. I.N.S.*, 143 F.3d 513, 514 (9th Cir. 1998).

B. The PTO Should Define “Real Party in Interest” and “Privy” Based on a Control Test.

In its upcoming rulemaking, it is vitally important that the PTO define the “real party in interest” that must be identified on petitions for post-issuance review⁴² and the “privy of the petitioner” that could be estopped should such administrative review proceed.⁴³ In particular, the PTO should confirm that control of the post-issuance review is required to qualify as a “real party in interest” or a “privy”; any other definition would, as the PTO has recognized, inequitably “result in attaching estoppel against parties who had no control over the request for [review]” or its prosecution.⁴⁴

A definition of “real party in interest” is needed to guide would-be petitioners about the petition filing requirements, which require that all real parties in interest be identified.⁴⁵ By adopting such a definition, the PTO will also further “the ability of the Office to timely complete” post-grant and inter partes review proceedings⁴⁶ by reducing the number of disputes over any listed “real party in interest.” Such challenges have been described as “anchors” that can bring post-issuance review to “a standstill.”⁴⁷ And often, they are based on “an injury. . . [that] has not yet occurred, and may never occur,” as such challenges are typically filed in an

⁴² AIA §§ 6(a) (amending 35 U.S.C. § 312(a)(2)), 6(d) (amending 35 U.S.C. § 322(a)(2)).

⁴³ *Id.* §§ 6(a) (amending 35 U.S.C. § 315(e)), 6(d) (amending 35 U.S.C. § 325(e)).

⁴⁴ See *In re Arviv Reexamination Proceeding*, Control No. 95/001,526, Decision Dismissing §1.182 and §1.183 Petitions, at 6 (Apr. 18, 2011); *In re Beierbach Reexamination Proceeding*, Control No. 95/000,407, Decision on §1.182 and 1.183 Petitions, at 6 (July 28, 2010); *In re Schlecht Inter Partes Reexamination Proceeding*, Control No. 95/001,206, Decision Dismissing Petition, at 5 (June 22, 2010).

⁴⁵ AIA §§ 6(a) (amending 35 U.S.C. § 312(a)(2)); 6(d) (amending 35 U.S.C. § 322(a)(2)).

⁴⁶ *Id.* §§ 6(a) (amending 35 U.S.C. § 316(b)); 6(d) (amending 35 U.S.C. § 326(b)).

⁴⁷ See Robert Greene Sterne, et al., *Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations*, 2009 The Sedona Conference Journal 115, 127 (2009).

attempt to estop a non-party as a “real party in interest” in a “hypothetical” future proceeding.⁴⁸ Such challenges, on a side issue that may never ripen, are especially disruptive to PTO proceedings that are statutorily time-limited.⁴⁹ Advance guidance, accordingly, will further the interests of clarity with respect to basic filing requirements and the efficiency of administrative review.

“Privy,” together with “real party in interest,” should also be defined in order to provide guidance *ex ante* to would-be petitioners considering whether to participate in the process. As experience with inter partes reexamination teaches, estoppel provisions in the context of post-issuance review have an extraordinary ability to deter voluntary participation.⁵⁰ This is especially so when the terms are left undefined and thus vague. To lessen this deterrent effect, the PTO should define the terms and, in doing so, provide as much clarity as possible.

Definitions of both “real party in interest” and “privy” will thus serve both the patent community and the PTO. They will not deprive the PTO of the ability to confront estoppel issues “on a case-by-case basis, evaluating all the facts and circumstances of each individual situation.”⁵¹ Rather, definitions of these critical terms will provide those in the private sector with appropriate guidance to *ex ante* weigh and consider the risks associated with proceeding in the administrative process.

Properly limited definitions will also reduce the potential deterrent effect of the process and ensure its constitutional application. A proper definition of “real party in interest” will limit the required disclosure, furthering consistency with the First Amendment by ensuring that those

⁴⁸ See *Arviv* at 11; *Beierbach* at 10; *Schlecht* at 9.

⁴⁹ See AIA §§ 6(a) (amending 35 U.S.C. §§ 314(b), 316(a)(11)); 6(d) (amending 35 U.S.C. §§ 324(c), 326(a)(11)).

⁵⁰ See *supra*, p. 3.

⁵¹ *Rules to Implement Optional Inter Partes Reexamination Proceedings*, 65 Fed. Reg. 76,756, 76759 (2000) (privy); see also MPEP § 2612 (real party in interest).

who merely support the review are not subject to compelled disclosure.⁵² As the PTO has acknowledged, a mere supporter of a patent invalidation effort should not be branded a “real party in interest” based solely on an ancillary connection to the PTO proceeding.⁵³ For all these reasons, there is a clear need to define these terms, rather than leaving them open-ended and waiting for the courts to construe them in the first instance.

Substantively, the PTO should adopt definitions of “real party in interest” and “privy” that are based on a control test. Such definitions follow directly from existing federal law, which protects the due process rights of non-parties by ensuring that estoppel, which operates to deprive potential litigants of their day in court, does not extend beyond those entities that have had the full opportunity to litigate an issue.⁵⁴ The AIA incorporates this well-established meaning by using the terms in the context of subsequent litigation, allowing offensive non-party estoppel (that is, the use of estoppel as a sword by a plaintiff to prevent the defendant from raising certain claims as a defense) in district court to extend to the “real party in interest” and “privy of the petitioner.”⁵⁵

⁵² See *Beinin v. Center for Study of Popular Culture*, 2007 WL 1795693, at *3 (N.D. Cal. 2007) (citing *NAACP v. Button*, 371 U.S. 415, 428-29 (1963)); see also *Buckley v. Valeo*, 424 U.S. 1, 64 (1976) (per curiam).

⁵³ *Arviv* at 6; *Beierbach* at 6; *Schlecht* at 5.

⁵⁴ See *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 327 n. 7 (1979) (“It is a violation of due process for a judgment to be binding on a litigant who was not a party nor a privy and therefore has never had an opportunity to be heard.”).

⁵⁵ The availability of offensive non-party estoppel in subsequent litigation is especially limited because, among other things, it is “unfair to apply offensive estoppel where the second action affords the defendant procedural opportunities unavailable in the first action that could readily cause a different result.” *Parklane Hosiery*, 439 U.S. at 331. Because the AIA now extends offensive non-party estoppel to the “real party in interest or privy of the petitioner” in subsequent litigation, it is essential that the definitions of “real party in interest” and “privy of the petitioner” reflect federal law’s strict limitations on non-party estoppel. Compare AIA §§ 6(a) (amending 35 U.S.C. § 315(e)(2)), 6(d) (amending 35 U.S.C. § 315(e)(2)) with 35 U.S.C. § 315(c).

In particular, current federal law defines “real party in interest” as the entity that: (1) directed the filing of the action; and (2) “actually possess[es], under the substantive law, the right sought to be enforced.”⁵⁶ And privity analysis under federal law authorizes non-party estoppel only if the non-party falls within a “discrete and limited exception” to the “general rule that only parties can be bound by prior judgments” by “assum[ing] control” of the first proceeding.⁵⁷

⁵⁶ See *United HealthCare Corp. v. American Trade Ins. Co., Ltd.*, 88 F.3d 563, 569 (8th Cir. 1996); see also Wright and Miller, Fed. Practice and Proc. § 1543; *Rawoof v. Texor Petroleum Co.*, 521 F.3d 750, 756 (7th Cir. 2008) (The “real party in interest” is the party who “brought . . . the complaint” and “who ‘according to the governing substantive law, is entitled to enforce the right.’”) (citations omitted); *Feriozzi Co. v. Ashworks, Inc.*, 130 Fed. App’x 535, 539 (3d Cir. 2005) (The “real party in interest” is the party bringing the action “that under the governing substantive law, [is] entitled to enforce the claim at issue”); *Oscar Gruss & Son, Inc. v. Hollander*, 337 F.3d 186, 193 (2d Cir. 2003) (The “real party in interest” is “the person who, according to the governing substantive law, is entitled to enforce the right.”); *Greer v. O’Dell*, 305 F.3d 1297, 1303 (11th Cir. 2002) (“The real party interest principle is a means to identify the person who possesses the rights sought to be enforced.”); *Marina Mgmt. Servs., Inc. v. Vessel My Girls*, 202 F.3d 315, 318-19 (D.C. Cir. 2000) (In determining whether the plaintiff is the “real party in interest, . . . the operative question is whether the plaintiff possesses the right to be enforced.”) (citation omitted). The second requirement in the “real party in interest” inquiry regarding entitlement to seek review should not generally be an issue in post-issuance reviews because the AIA broadly extends the right to seek review to any “person who is not the owner of a patent” for which review is sought, AIA §§ 6(a) (amending 35 U.S.C. § 311(a)); 6(d) (amending 35 U.S.C. § 321(a)), with “person” defined to “include corporations, companies, associations, firms, partnerships, societies, and joint stock companies, [and] individuals,” 1 U.S.C. § 1.

⁵⁷ *Taylor v. Sturgell*, 553 U.S. 880, 895 (2008). The five other exceptions to the rule against non-party estoppel are unlikely to arise with any real frequency in the post-issuance review context and thus do not appear to warrant special regulatory treatment. They allow for a non-party to be bound by a prior judgment if: (1) the non-party and all parties to the first action agreed in writing that “liability w[ould] be definitely determined, one way or the other, in a ‘test case,’” *id.* at 893; (2) the non-party acquired a property interest in the property adjudicated in the first action, such as “preceding and succeeding owners of property, bailee and bailor, and assignee and assignor,” *id.* at 894; (3) the non-party was represented by another as a member of a certified class or in a “suit[] brought by trustees, guardians, and other fiduciaries,” *id.*, (4) the non-party filed the subsequent “suit as the designated representative of a person who was a party to the prior adjudication” or “as an agent for a party who is bound by a judgment,” *id.* at 895, or (5) the case falls within one of a few “special statutory scheme[s]” that “expressly foreclose[s] successive litigation,” such as “bankruptcy and probate proceedings,” *id.*

More specifically, the control that turns a non-party to a proceeding into a “real party in interest” or a “privy” is control of such a degree that the non-party “has already had his day in court even though [it] was not a formal party.”⁵⁸ The non-party must have had *determinative* control over “the legal theories and proofs to be advanced” and strategic decisions made.⁵⁹ It is not enough if the entity “merely contributed funds or advice in support of the party, supplied counsel to the party, or appeared as amicus curiae” because “an interest in the litigation, cooperation and discussions between individuals/entities, is not the same as control.”⁶⁰ Similarly, “mere membership in a trade association” or similar group, “without more, will not make a member privy to all federal litigation undertaken by the association.”⁶¹ Control of the proceeding is the touchstone.

The PTO has confirmed that this “control” standard applies to the “real party in interest” analysis in a series of decisions from the Office of Patent Legal Administration. As it explained, any other definition would inequitably “result in attaching estoppel against parties who had no control over the request for reexamination.”⁶² Specifically, the PTO held that “[t]he common

⁵⁸ *See id.*

⁵⁹ *See* Restatement 2d Judgments § 39 cmt. c.

⁶⁰ *Id.*; *Grondal v. United States*, 682 F. Supp. 2d 1203, 1228 (E.D. Wash. 2010); *see also United States v. Bhatia*, 545 F.3d 757, 761 (9th Cir. 2008) (“‘control’ . . . requires something beyond the cooperation and sharing of witness interviews”); *Headwaters Inc. v. U.S. Forest Serv.*, 399 F.3d 1047, 1054 (9th Cir. 2005) (“[P]arallel legal interests alone, identical or otherwise, are not sufficient to establish privity.”); *Virginia Hosp. Ass’n v. Baliles*, 830 F.2d 1308, 1313 (4th Cir. 1987) (citation omitted) (“[A] nonparty’s academic interest in the determination of a question of law, or even a substantial interest in establishing favorable precedent under the doctrine of stare decisis cannot preclude the nonparty from later relitigating issues determined in the prior suit.”).

⁶¹ 50 C.J.S. Judgments § 1099; *see also Coors Brewing Co. v. Mendez-Torres*, 562 F.3d 3, 21 (1st Cir. 2009), *abrogated on other grounds by Levin v. Commerce Energy, Inc.*, 130 S. Ct. 2323 (2010); *Cal. Cosmetology Coal. v. Riley*, 871 F. Supp. 1263, 1267 (C.D. Cal. 1994), *aff’d*, 110 F.3d 1454 (9th Cir. 1997).

⁶² *Arviv* at 6; *Beierbach* at 6; *Schlecht* at 5.

interest among litigation defendants seeking to invalidate or defend against enforcement of a patent” can “*not* translate *ipso facto* into each defendant being a real party in interest where a request for reexamination is filed by only one of the defendants in the litigation.”⁶³ “It may be that a particular defendant has decided to proceed with a request for reexamination in the face of hostile opposition by one or more other defendants (who would rather settle the matter in court, than before the Office, based on the nature of the case).”⁶⁴ Such defendants “should therefore *not* be embraced as a real party in interest in the request for reexamination” because they had no control over the arguments or the prior art relied upon in seeking review.⁶⁵

The PTO has further confirmed that mere assistance in a patent challenge effort is not enough to saddle a non-party with estoppel. “[E]ven a search for prior art, review of possibly useful prior art with respect to the patent claims, preparation of an invalidity defense based on found and evaluated prior art to support a litigation defense, and financial support to carry out a litigation defense” does not rise to the level of “control” required to render a non-party a “real party in interest.”⁶⁶ “The fact that a first party participated in a joint defense, or utilized the same counsel, and a second party later filed a request for reexamination, should not doom the first party to life as a real party in interest for any request for reexamination that may later be filed by another defendant in the joint litigation defense or who utilized joint counsel.”⁶⁷

The Supreme Court has affirmed that the same “control” analysis applies to the “privity” question.⁶⁸ A non-party’s connection to a litigating party, whether as another member of an

⁶³ *Arviv* at 5; *Beierbach* at 6; *Schlecht* at 4.

⁶⁴ *Arviv* at 6; *Beierbach* at 6; *Schlecht* at 5.

⁶⁵ *Arviv* at 6; *Beierbach* at 6; *Schlecht* at 5 (emphasis added).

⁶⁶ *Arviv* at 5; *Beierbach* at 6.

⁶⁷ *Beierbach* at 6; *Schlecht* at 5.

⁶⁸ *Taylor*, 553 U.S. at 895.

association or joint defense group, cannot bind the non-party to the judgment over which it had no control.⁶⁹ Any other result would “create *de facto* class actions at will” and “authorize preclusion based on identity of interests and some kind of relationship between parties and nonparties, shorn of the procedural protections” that due process requires for class actions.⁷⁰ Similarly, a non-party’s contribution of funds or advice to a patent invalidation effort, even for “reasons of business and indirect interest,” does not rise to the level of control necessary.⁷¹ Non-party companies may seek to have the same “patent declared void,” and may be “willing to pay something to that end,” but if that is “all, that did not make them privies.”⁷²

In light of this well established federal law, the PTO, in defining “real party in interest,” might consider the following language.⁷³

Real party in interest means an entity who controlled the filing of the petition for post-grant review or inter partes review, provided the entity is eligible to file a petition for post-grant review under 35 U.S.C. § 321(a) or inter partes review under 35 U.S.C. § 311(a). Mere contribution of funds or advice regarding the petition is not sufficient to become a real party in interest, nor is mere connection to the petitioner through mutual membership in a joint defense group or other association.

And in defining “privy of the petitioner,” the PTO might consider the following:

⁶⁹ *Id.* at 901.

⁷⁰ *Id.*; see also *Smith v. Bayer Corp.*, 131 S. Ct. 2368, 2381 (2011) (“We could hardly have been more clear that a ‘properly conducted class action,’ with binding effect on nonparties, can come about in federal courts in just one way—through the procedure set out in Rule 23.”).

⁷¹ *Rumford Chem. Works v. Hygienic Chem. Co. of N.J.*, 215 U.S. 156, 160 (1909).

⁷² *Id.*; see also *Bigelow v. Old Dominion Copper Mining & Smelting Co.*, 225 U.S. 111, 126 (1912) (“Nor would assistance in the defense of the suit, because of interest in the decision as a judicial precedent which might influence the decision in his own case, create an estoppel.”).

⁷³ The language of the regulations proposed in these preliminary comments is suggested for the PTO’s consideration as a starting point in understanding the essential elements of any final proposed regulations and is, accordingly, intended to be subject to refinement and further discussion during the course of this rulemaking.

***Privity of the petitioner* means an entity who assumed control of the post-grant review or *inter partes* review by unilaterally making the petitioner’s strategic decisions, including which prior art to submit, what legal theories to advance, and whether to seek further review. Mere contribution of funds or advice is not sufficient to become a privity of the petitioner, nor is mere connection to the petitioner through mutual membership in a joint defense group or other association.**

Importantly, each proposed definition focuses on “control,” and thus ensures, consistent with existing federal law, that estoppel is *not* later applied to an entity who did not direct the strategy in attaining the first decision.⁷⁴ In other words, a “real party in interest” can later be estopped because it controlled the filing of the first petition,⁷⁵ and a “privity” can be estopped because it controlled strategic decisions during its prosecution.⁷⁶ But all others retain the right to prosecute or defend their own subsequent action or petition as they see fit.

The proper control-focused definitions of “real party in interest” and “privity” do not leave other non-parties unaffected by the result of a post-grant or *inter partes* review. Although such non-parties will not formally be estopped, the fact that a patent’s validity was upheld by the Office in a post-issuance review will create “a tremendous disincentive” for anyone to bring another, subsequent challenge to that patent.⁷⁷ There will, therefore, be “significant advantages for patentees who successfully go through the post grant system” that extend to the patent

⁷⁴ Accordingly, mere joinder of petitioners in a post-issuance review process would not, under a control test, render the petitioners each other’s real party in interest or privity. They would simply be parties to a consolidated proceeding, which does not involve the relinquishment of any legal rights on the part of any petitioner to make their own strategic and other legal decisions.

⁷⁵ Fed. R. Civ. P. 17(a)(1); *see also* AIA §§ 6(a) (amending 35 U.S.C. § 312(a)(2)), 6(d) (amending 35 U.S.C. § 322(a)(2)).

⁷⁶ *Smith*, 131 S. Ct. at 2379; *see also* AIA §§ 6(a) (amending 35 U.S.C. § 315(e)), 6(d) (amending 35 U.S.C. § 325(e)).

⁷⁷ Testimony of David J. Kappos, Director, U.S. Patent and Trademark Office, *Hearing on the America Invents Act Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the House Comm. on the Judiciary*, at 52-53 (March 30, 2011).

owner's relationship with all non-parties and prevent duplicative challenges as a matter of precedent.⁷⁸

Nonetheless, should there be a second post-issuance challenge to a patent where the patent owner claims that the challenge is precluded because it is brought by a real party in interest to the prior proceeding or a privy of the prior petitioner, the PTO may, of course, reject the petition if it is, in fact, brought by an estopped party under the proper legal definition of those statutory terms.⁷⁹ But the PTO should confirm that, as before the AIA, the Office will not “question the accuracy of a [petitioner]’s facially accurate and unambiguous identification of the real party in interest” or “conduct an investigation of the matter.”⁸⁰ Thus, the PTO will not “look beyond the required certification in the request for [review], except for the rare instance where a challenge to the sufficiency of the certification facially establishes that the identified real party in interest is not accurate.”⁸¹ Also as before, the burden should remain on the patent owner to “facially establish” any facial ambiguity with the identification of the “real party in interest” or a basis for applying estoppel.⁸² Indeed, with appropriate definitions, the PTO will be backed by an

⁷⁸ *Id.*

⁷⁹ AIA §§ 6(a) (amending 35 U.S.C. § 315(e)(1)); 6(d) (amending 35 U.S.C. § 325(e)(1)).

⁸⁰ *Arviv* at 7; *Beierbach* at 7; *Shlecht* at 5.

⁸¹ See MPEP § 2612. The PTO’s decision in the *Guan Inter Partes Reexamination Proceeding*, also known as “*Troll Busters*,” involved the extraordinary situation where the identification of the “real party in interest” was facially ambiguous. See Control No. 95/001,045, Decision Vacating Filing Date (Aug. 25, 2008). The “ambiguity concerning the real party in interest” was “gleaned” from a website which indicated that an entity other than the identified “real party in interest” “directed or controlled . . . the manner in which the request for inter partes reexamination [was] filed for a given patent.” *Id.* at 7-8. The petitioner did not resolve the ambiguity when ordered to do so—it neither represented that it paid the filing fee or denied that another entity may have “direct[ed] or control[led] the content . . . of the request.” *Id.* at 8. *Troll Busters*, thus, is fully consistent with the “control” standard contained in the *Arviv*, *Beierbach*, and *Schlecht* decisions.

⁸² MPEP § 2612.

even stronger presumption that the certified real party in interest was properly identified and has the right to pursue post-issuance review.

For all these reasons, definitions of “real party in interest” and “privy” based upon a control test, consistent with fundamental principles of due process, should be essential items in the PTO’s forthcoming regulations in order to provide clarity to the private sector and to further the efficiency, integrity, and use of the new post-issuance processes.

C. The PTO Should Provide Adequate Procedural Rights to Petitioners During Post-Grant and Inter Partes Review.

The AIA requires the PTO to prescribe regulations governing the conduct of inter partes and post-grant review, including regulations that:

- establish procedures for the submission of supplemental information after the petition is filed,
- set forth standards and procedures for discovery of relevant evidence,
- provide the petitioner with at least one opportunity to file written comments, and
- set forth standards and procedures for allowing the patent owner to amend the patent claims.⁸³

As explained above, it is important that these regulations, like the others promulgated under the AIA, advance Congress’ intent that the new post-issuance reviews serve as widely-used substitutes for litigation as a means to weed out invalid patents that might otherwise stifle innovation.⁸⁴ In order to achieve that basic goal, it is essential that would-be petitioners enjoy broad procedural rights in post-issuance reviews, including rules that would allow them to develop a full record to support their claims and otherwise to have clear rules of the road. This is

⁸³ AIA §§ 6(a) (amending 35 U.S.C. § 316(a)), 6(d) (amending 35 U.S.C. § 326(a)). The PTO also has authority to issue such regulations that “govern the conduct of proceedings in the Office.” 35 U.S.C. § 2(b)(2)(A).

⁸⁴ H.R. Rep. 112-98 at 45-48.

especially true to the extent that the petitioner will be estopped from challenging the patent in subsequent litigation. Absent such rules, the new review processes will fail to achieve their full potential and intended result, leaving invalid patents in place to the detriment of the economy and the integrity of the patent system.

1. Petitioners in Post-Issuance Proceedings Should Be Allowed To Reply to a Patent Owner's Opposition to the Petition.

Under the AIA, patent owners may file a preliminary response to a petition for post-issuance review. The PTO must consider both the petition and the response in deciding whether to institute an inter partes review procedure.⁸⁵ (As explained above, the statute does not require the PTO to consider the response, at least with regards to validity issues, when deciding whether to institute a post-grant review procedure.⁸⁶) The rules governing this process should allow petitioners to supplement their petition after receiving the patent owner's response and to file a reply to that response. The AIA clearly grants the PTO the discretion to issue such a rule.⁸⁷ Both procedural fairness and the goals of the statute require it.

It will not be possible for the petitioner to anticipate in its initial filing every argument that the patentee might make. Moreover, on reply, the petitioner can sharpen its argument based on the response and provide a more fully developed analysis to the PTO, as occurs in most litigation. Thus, obtaining the petitioner's reply will allow the PTO to make a better-informed decision on whether to institute the proceeding. Without a reply, some arguments would go unanswered and could result in an unwarranted rejection of a petition that leaves an invalid

⁸⁵ AIA §§ 6(a) (amending 35 U.S.C. §§ 312-14), 6(d) (amending 35 U.S.C. §§ 322-24).

⁸⁶ *See infra*, pp. 8-9. Of course, if the PTO were to afford petitioners a right of reply, as requested herein, that document should be considered together with the petition in both the inter partes and post grant review processes.

⁸⁷ AIA §§ 6(a) (amending 35 U.S.C. § 316(a)(3)), 6(d) (amending 35 U.S.C. § 326(a)(3)).

patent standing. This is especially problematic because there is no appeal of the Office's decision to reject a petition.

Indeed, it is standard practice in contested cases before the PTO to allow a motion, an opposition, and a reply to that opposition.⁸⁸ Allowing a reply, which could be submitted in a short time frame would not delay a decision on the petition or burden the Office. The AIA gives the PTO three months following the patent owner's submission to determine whether to institute a post-issuance review, which leaves ample time to accept the petitioner's reply.⁸⁹ As explained above, a reply will help crystallize the issues for decision by the PTO and ultimately result in more efficient, better decision making.

2. Petitioners in Post-Issuance Proceedings Should Be Able To Seek Reconsideration of the PTO's Rejection of the Petition.

The AIA provides that the PTO's decision to reject a petition and refuse to institute an inter partes or post-grant review "shall be final and nonappealable."⁹⁰ To ensure oversight of the decision-making process and the application of the threshold standards for instituting a post-issuance challenge, the PTO should adopt regulations that establish a procedure by which petitioners can seek reconsideration of a denial within the PTO. Such a practice would be consistent with other circumstances in which petitioners are allowed to seek reconsideration of adverse decisions. For instance, a petitioner seeking inter partes reexamination can seek reconsideration by filing a petition with the Director if an examiner denies review.⁹¹ And, like the right of reply, petitions for reconsideration are widely used in the litigation context (as well as at other administrative agencies). The right to seek reconsideration, along with the right to

⁸⁸ See 37 CFR §§ 41.121-23 (allowing motions, oppositions, and replies in interference proceedings).

⁸⁹ AIA §§ 6(a) (amending 35 U.S.C. § 314(b)), 6(d) (amending 35 U.S.C. § 324(b)).

⁹⁰ *Id.* §§ 6(a) (amending 35 U.S.C. § 314(d)), 6(d) (amending 35 U.S.C. § 324(e)).

⁹¹ 37 C.F.R. § 1.927.

reply, will encourage parties to use the post-issuance procedures. By assuring potential petitioners that their petition will receive thorough consideration, the PTO will decrease the risk that petitioners will unnecessarily file a petition that identifies themselves as interested in a particular patent in a manner that could trigger an infringement suit.

3. Claim Substitution Should Be Allowed Only for Cancelled Claims and Must Be Done Early in the Post-Issuance Review Proceeding.

The AIA allows patent owners to cancel and submit substitute claims during inter partes and post-grant reviews. The Act imposes several limitations on this action, including:

- the patent owner may file only one motion to amend its claims, absent agreement of the petitioner (or for good cause shown);
- only challenged claims may be cancelled and substituted;
- the number of substitute claims must be “reasonable;”
- substitute claims may not be broader than the original claims; and
- substitute claims may not add new matter.⁹²

The regulations should require that the patent owner submit any substitute claims as early as possible—ideally, within thirty days after the PTO institutes review. It is crucial that any substitute claims be submitted no later than the time when the patent owner submits its response and evidence (*i.e.*, affidavits and declarations), so that the petitioner’s reply can properly focus on the substitute, rather than the original, superseded claims. In this regard, the petitioner must be given sufficient time to conduct full discovery of the patent owner’s evidence supporting the validity of the substitute claims, to craft a reply to the patent owner’s arguments in support of the substitute claims, and to raise any grounds of invalidity relating to the substitute claims. For this reason, then, the deadline for substitute claims must be early in the review process. Were the

⁹² AIA §§ 6(a) (amending 35 U.S.C. § 316(d)), 6(d) (amending 35 U.S.C. § 326(d)).

PTO to accept substitute claims late in the process, the integrity and efficiency of the process would suffer. A late deadline would require petitioners to devote significant time and resources to original claims later abandoned. It would also give patent owners the opportunity to “sandbag” petitioners by deferring the submission of substitute claims until a time when the petitioner could not mount a full response in time for its deadline. The quality of filings received by the PTO would also consequently diminish. And, because an extension would be warranted in such a situation, the ability of the Office to timely conclude the review within the statutorily required one-year period would suffer as well.

Regulations implementing the supplemental claims provisions of the AIA should also treat the requirement that the number of substitute new claims be “reasonable” as a meaningful limitation establishing a presumption that allows only one substitute claim to replace each challenged claim. Such a presumption, which could be rebutted by a demonstration of compelling need to substitute more than one claim for each challenged claim, comports with the basic purposes of the post-issuance review processes, particularly the one-year timeline for final decision. A presumption of a single substitute claim also would give patent owners the incentive to come forward with their best substitute claim, thereby presenting the strongest arguments for and against validity to the PTO. In addition, because the patent owner’s submission of substitute claims can trigger additional discovery and invalidity arguments by the petitioner, the number of substitute claims should remain small to keep the issues focused and the proceedings efficient, rather than allowing the substitution process to be used to enlarge the scope of the claims at issue. Enabling the patentee to expand the number of claims at issue during the inter partes and post-grant review, by contrast, would unnecessarily slow and complicate those proceedings, making it more difficult for the PTO to meet the expedited timetable. Moreover, post-issuance review is not the appropriate forum for patent owners to freely craft claims and obtain new

rights. It is not an initial examination. It is a proceeding intended to test the validity of patent claims and should, therefore, allow substitutions only to the extent necessary to respond to particular invalidity arguments presented therein. For these reasons, it would be well within the PTO's discretion in implementing the substitute claims provision to establish a rebuttable presumption that the "reasonable" number of substitute claims for each challenged claim is one.

4. Petitioners Should Be Allowed Adequate Discovery To Fully Develop Their Claims.

The AIA requires that the PTO "set forth standards and procedures for discovery of relevant evidence," including what is "necessary in the interest of justice."⁹³ When defining appropriate discovery standards, it is critical that the PTO consider whether its discovery rules advance the statutory goal of providing a meaningful and, indeed, preferable alternative to litigation for weeding invalid patents out of the patent system. This goal takes on added weight when viewed in light of the estoppel provisions of the AIA, which, even if "real party and interest" and "privity" are properly interpreted to require control of a proceeding, as argued above, still may bar the petitioner itself from raising certain grounds for a patent's invalidity in subsequent litigation.⁹⁴

Proper discovery rules in this context should have several features.⁹⁵ Foremost, the PTO should make clear that inter partes and post-grant review proceedings are "contested cases" for

⁹³ *Id.* §§ 6(a) (amending 35 U.S.C. § 316(a)(5)), 6(d) (amending 35 U.S.C. § 326(a)(5)). Although the portion of the AIA establishing the post-grant review procedure does not include the phrase "in the interest of justice," a similar goal can be properly drawn from the statute's urging that the regulations preserve "the integrity of the patent system." AIA § 6(d) (amending 35 U.S.C. § 326(b)). Moreover, the delegation of authority contained in Section 6(d) is broad, and nothing in this provision unambiguously prohibits the PTO from considering the interests of justice in fashioning discovery rules thereunder.

⁹⁴ *Id.* §§ 6(a) (amending 35 U.S.C. § 315(e)), 6(d) (amending 35 U.S.C. § 325(e)) (emphasis added).

⁹⁵ *See* 37 CFR § 41.150-158 (describing discovery allowed in contested cases before the PTO such as depositions of witnesses submitting declarations, affidavits and expert reports).

which third party discovery can be taken under 35 U.S.C. § 24.⁹⁶ This would allow the patent owner and petitioner to get discovery from third parties that have relevant information about the invention or the prior art. In addition, the time frame for discovery should provide petitioners adequate to time to investigate any substitute claims submitted by the patent owner before the petitioner must reply.

5. Petitioners Should Be Allowed To Fully Reply to Evidence and Claim Amendments Submitted by Patent Owners with Additional Evidence and Expert Opinion.

After the PTO institutes an inter partes or post-grant review, a patent owner will have the opportunity to respond by submitting factual evidence and expert opinions.⁹⁷ A patent owner may also respond by cancelling any challenged patent claims and proposing “a reasonable number of substitute claims.”⁹⁸ As explained above, the patent owner’s opportunity to amend its claims is limited. Even as to permitted amendments, however, the regulations should clearly provide petitioners with the right to reply to these submissions, as the AIA makes clear.⁹⁹ Moreover, to ensure that the validity issues are fully developed for decision by the Patent Trial and Appeal Board, petitioners should be allowed to submit additional factual evidence and expert opinions in reply. This is especially important where the patent owner has submitted substitute claims such that the arguments and evidence in the petition directed at the original claims are no longer relevant. Limiting the petitioner’s ability to fully reply would serve neither the Board’s

⁹⁶ 35 U.S.C. § 24 provides: “The clerk of any United States court for the district wherein testimony is to be taken for use in any contested case in the Patent and Trademark Office, shall, upon the application of any party thereto, issue a subpoena for any witness residing or being within such district, commanding him to appear and testify before an officer in such district authorized to take depositions and affidavits, at the time and place stated in the subpoena.”

⁹⁷ AIA §§ 6(a) (amending 35 U.S.C. § 316(a)(8)), 6(d) (amending 35 U.S.C. § 326(a)(8)).

⁹⁸ *Id.* §§ 6(a) (amending 35 U.S.C. § 316(d)), 6(d) (amending 35 U.S.C. § 326(d)).

⁹⁹ The AIA gives petitioners “at least 1 opportunity to file written comments.” *Id.* §§ 6(a) (amending 35 U.S.C. § 316(a)(13)), 6(d) (amending 35 U.S.C. § 326(a)(12)).

ability to evaluate validity, nor the intent of the statute to provide a substitution for litigation that eliminates invalid patents. Parties challenging patent validity in litigation are able to rebut a patentee's arguments through expert testimony and relevant evidence.¹⁰⁰ Denying them the same opportunity during inter partes and post-grant review, especially considering the potential estoppel effect of those reviews on a petitioner's later legal rights, will deter use of these procedures.

6. Petitioners Should Be Allowed To Raise Newly Discovered Validity Arguments During Inter Partes and Post-Grant Review.

The AIA allows for "the submission of supplemental information after the petition is filed."¹⁰¹ Regulations implementing this provision should recognize the goals of the statute and the risk of estoppel by clarifying that this provision allows petitioners to raise newly discovered grounds of invalidity following institution of an inter partes or post-grant review.

The discovery process may reveal a new ground of invalidity that the petitioner did not know about prior to filing the petition. This may be especially true where the patent owner has submitted substitute claims. Allowing petitioners to raise the new ground serves the PTO's interest in bringing all important issues to the fore for decision in the same proceeding, and even serves the patent owner's interest in minimizing multiple challenges to one patent. Excluding it undermines the public's interest in preserving the legitimacy of the Board's decisions and the AIA's goal of eliminating invalid patents and their drag on innovation. Moreover, potential petitioners may be unwilling to use inter partes and post-grant review if doing so risks estoppel on issues that the regulations prevent them from raising. The regulations can best address

¹⁰⁰ See, e.g., Fed. R. Civ. P. 56(c).

¹⁰¹ AIA §§ 6(a) (amending 35 U.S.C. § 316(a)(3)), 6(d) (amending 35 U.S.C. § 326(a)(3)).

concerns about fairness to patent owners by prescribing appropriate time limitations and thresholds for raising any new invalidity grounds.

IV. CONCLUSION

For all these reasons, we respectfully urge the PTO to adopt procedural rules as described above for the new post-issuance reviews. Such rules will provide would-be filers with the clarity and procedural rights necessary to make these administrative processes the viable and attractive alternation to litigation that Congress intended them to be. In turn, this approach will advance Congress' ultimate goal of increasing patent quality by focusing the time and resources of America's patent community on productive innovation and strengthening the national economy.