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An Analysis of Post-Grant Review and Inter Partes Review: *Who is a "Privy" or a "Real Party in Interest" and What Constitutes "Reasonably Could Have Raised" Estoppel?*

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ABSTRACT

The estoppel provisions related to post-grant review (PGR) and inter partes review (IPR) before the PTAB raise interesting concerns where real parties in interest and privies are involved.

One of the critical questions in evaluating the preclusive effects of a final determination at the PTAB is — who qualifies as a real party in interest or a privy of the petitioner? The PTAB has applied a control test for assessing this question that apparently merges the definition of real party in interest and privy. In multi-defendant litigations, some Federal district courts have tackled the ambiguity of these terms by conditioning litigation stays (pending the outcome of PGR or IPR) on an agreement that non-petitioner defendants be bound by such an outcome. Other courts have recognized it may be unfair to hold a non-petitioner defendant to the same statutory estoppel provisions as a petitioner defendant.

Another critical question is — what is the scope of "reasonably could have been raised" estoppel? This estoppel provision creates some uncertainty that potentially undercuts the value of relying on the PTAB as an effective forum to resolve disputes on validity. Limiting the preclusive effects of a final determination to grounds that were actually raised would eliminate such concerns.

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I. INTRODUCTION

The Leahy-Smith America Invents Act (AIA) was signed into law on September 16, 2011 and established four new proceedings before a newly formed (or at least newly named) Patent Trial and Appeals Board (PTAB). Of the four new proceedings – the post-grant review (PGR) proceeding, the inter partes review (IPR) proceeding, the transitional post-grant review proceedings for covered business method patents, and the derivation proceeding – the former two are the focus of this paper. As discussed in greater detail below, both post-grant review and inter partes review were designed as adversarial proceedings where both the patent owner and a petitioner participate in arguments before the PTAB.

Generally, the post-grant review and inter partes review proceedings were developed to serve as efficient, low cost alternatives to litigation in federal courts and before the International Trade Commission.[1] The legislators believed that the new proceedings would "provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents."[2] Moreover, these proceedings were instituted to address the criticism of the lengthy inter partes reexamination proceedings

[1] H.R. REP. NO. 112-98, pt. 1, at 45 (2011), *as reprinted in* 2011 U.S.C.C.A.N. 67, 75 (citing H.R. REP. NO. 96-1307, pt. 1, at 3 (1980), *reprinted in* 1978 U.S.C.C.A.N. 6460, 6462–63).
[2] H.R. REP. NO. 112-98, pt. 1, at 48 (2011), *as reprinted in* 2011 U.S.C.C.A.N. 67, 78.

which these new dispute resolution mechanisms would ultimately replace.[3]

This paper examines some of the questions raised by the estoppel provisions of the post-grant review and inter partes review proceedings. To provide some context for this discussion, the relevant statutory and regulatory provisions of post-grant review and inter partes review are introduced in the following section.

II. POST-GRANT REVIEW AND INTER PARTES REVIEW: LEGISLATIVE HISTORY AND RELEVANT PROVISIONS

The post-grant review and inter partes review proceedings allow third party petitioners (anyone other than the patent owner) to file a petition before the PTAB arguing that a claim of a patent should be cancelled as unpatentable.[4] A third party petitioner may file a PGR petition only during the first nine months after a patent grants or a reissue patent issues.[5] A petition for IPR may only be filed after the later of nine months after a patent grants or a reissue patent issues, or if a PGR is instituted, the date of termination of that PGR proceeding.[6] Accordingly, an IPR proceeding can only be instituted after the opportunity for or the completion of a PGR proceeding.

PGR only applies to patents issued from applications

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[3] *See* H.R. REP. NO. 112-98, pt. 1, at 45 (2011), *as reprinted in* 2011 U.S.C.C.A.N. 67, 75 (citing H.R. REP. NO. 96-1307, pt. 1, at 3 (1980), *reprinted in* 1978 U.S.C.C.A.N. 6460, 6462–63).
[4] 35 U.S.C. §§ 321(b), 311(b) (2012).
[5] 35 U.S.C. § 321(c).
[6] 35 U.S.C. § 311(c).

subject to the first-inventor-to-file provisions of the AIA.[7] These first-to-file provisions took effect on March 16, 2013.[8] This means that PGR is only available for those patents with effective filing dates on or after this date. By contrast, subject to the filing requirements and deadlines of the AIA, IPR is available for all patents regardless of when they were filed.

In order to institute PGR, the Director of the United States Patent and Trademark Office (USPTO) must first determine "that the information presented in the petition . . . if such information is not rebutted, would demonstrate that it is more likely than not that at least [one] of the claims . . . is unpatentable" or "that the petition raises a novel or unsettled legal question that is important to other patents or patent applications."[9] By contrast, to institute IPR, the Director must make a threshold determination that the information presented in the petition, and in the patent owner's response to the petition, show "that there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition."[10] The legislative history indicates that the standard for initiating IPR was intended to be higher than the "substantial new question of patentability" standard applied in reexamination proceedings.[11] The

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[7] Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 46860 (Aug. 14, 2012) (amending 37 C.F.R. § 42).

[8] United States Patent and Trademark Office, *America Invents Act: Effective Dates* (Oct. 5, 2011), http://www.uspto.gov/sites/default/files/aia_implementation/aia-effective-dates.pdf.

[9] 35 U.S.C. § 324(a)–(b) (2012).

[10] 35 U.S.C. § 314(a) (2012).

[11] 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

significant new question of patentability standard had allowed 95% of requests for reexamination to be granted.[12] The legislators intended that the standard for instituting IPR would be easier to meet than the standard for instituting PGR.[13] But both statutory standards for filing petitions are considerably elevated compared to pleading standards for access to federal court, even in light of *Bell Atlantic Corp. v. Twombly*.[14]

If a patent owner sues for infringement in civil court within three months of a patent's issue, a court may not stay its consideration of the patent owner's motion for a preliminary injunction based on the fact that a petition for PGR has been filed or instituted.[15] If a patent owner initiates a suit alleging infringement, IPR of a patent must be sought by a petitioner within 12 months of the date when the complaint was served.[16] On the other hand, if a petitioner or real party in interest of the petitioner filed a civil declaratory judgment action challenging the validity of any claim of the patent[17] *before* filing a petition for PGR or IPR, the PGR or IPR proceeding will not be instituted.[18] The petitioner may file a civil action challenging the validity of a claim *on or after* the date on which a petition for PGR or IPR is filed, in which case the statute requires that the civil action be stayed barring certain actions by the patent

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[12] *Id*.
[13] *Id*.
[14] Bell Atlantic Corp. v. Twombly 550 U.S. 544 (2007) (Which heightened the pleading requirement for Federal civil cases to require that a complaint contain sufficient facts, accepted as true, to state a claim to relief that is plausible on its face.).
[15] 35 U.S.C. § 325(b) (2012).
[16] 35 U.S.C. § 315(b) (2012).
[17] 35 U.S.C. § 315(a)(3) (A counterclaim challenging the validity of a claim does not constitute a civil action challenging validity for these purposes.).
[18] 35 U.S.C. §§ 325(a)(1), 315(a)(1).

owner in court or a motion for dismissal of the civil action by the petitioner.[19] Under this law, a third party must choose between the PTAB and civil court for the purposes of challenging certain issues of invalidity.

Petitions must identify all real parties in interest and must identify, with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim including copies of patents and printed publications and, if relied upon, affidavits or declarations of supporting evidence and opinions.[20] As is readily apparent, this is more than is required of litigants up front in declaratory judgment actions in litigation. A petitioner may file a PGR petition to invalidate one or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b).[21] This means that a PGR petition can challenge the validity of a claim based on prior art grounds under 35 U.S.C. § 102 (anticipation) or 35 U.S.C. § 103 (obviousness), or based on indefiniteness, lack of written description or lack of enablement under 35 U.S.C. § 112[22], and finally, based on lack of utility or subject matter ineligibility under 35 U.S.C. § 101. This significantly increases the number of arguments at a petitioner's disposal compared to past USPTO proceedings in which only written prior art challenges were available. Moreover, it facilitates more comprehensive review of patentability issues by the PTAB.[23] By allowing a broader

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[19] 35 U.S.C. §§ 325(a)(2), 315(a)(2).
[20] 35 U.S.C. §§ 312(a)(3), 322(a)(3) (2012); 37 C.F.R. § 42.22(a) (2012).
[21] 35 U.S.C. § 321(b) (2012).
[22] Arguments regarding best mode are not available under the statute. *Cf.* 35 U.S.C. § 112(a) (2012).
[23] H.R. REP. NO. 112-98, pt. 1, at 45–48, 75–77 (2011).

swath of challenges and arguments to become meaningfully available to petitioners arguing the invalidity of a patent, the framers hoped to make these administrative proceedings a more attractive alternative (in addition to being less expensive and more expedited) to litigation in court.[24] As discussed below, it remains to be seen whether this will indeed be the case given the estoppel provisions attached to final determinations made by the PTAB. By contrast, a petitioner of IPR may only argue the invalidity of a claim on the basis of prior art grounds under 35 U.S.C. § 102 (anticipation), or 35 U.S.C. § 103 (obviousness).[25] Furthermore, any available evidence may be considered in PGR proceedings including evidence of prior patents, printed publications, affidavits, declarations, and evidence of prior public use or prior sale.[26] Evidentiary support for IPR challenges is limited to patents, printed publications, affidavits, and declarations.[27]

As part of the rollout of the new patent law, the Director of the USPTO was required to prescribe regulations concerning various aspects of trial practice in front of the PTAB.[28] To overcome one of the biggest criticisms of the old inter partes reexamination proceeding, an expedited schedule of trial was instituted for PGR and IPR. Once a decision is made to institute review, the PTAB is required to issue a final

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[24] *Id*.
[25] 35 U.S.C. § 311(b) (2012).
[26] *See* Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 46860, at 46884-5 (Aug. 14, 2012) (amending 37 C.F.R. § 42).
[27] 35 U.S.C. §§ 282(c), 321(b) (2012).
[28] Office Patent Trial Practice Guide, 77 Fed. Reg. 48756 (Aug. 14, 2012) (amending 37 C.F.R. § 42).

determination within 12 months (extendable another 6 months for good cause).[29] Under this scheduling order, once PGR or IPR has been instituted, the patent owner generally is given 3 months to conduct discovery and file a patent owner response and motion to amend.[30] This is followed by a 3 month period in which petitioner is given an opportunity to conduct discovery and file a petitioner's reply and optional opposition to the amendment.[31] The patent owner may additionally be given one month for additional discovery and for filing an additional reply.[32] After these initial filings, an oral hearing may be conducted upon request and motions may be filed for exclusion of evidence (governed by the Federal Rules of Evidence).[33] Finally, within the 12-18 month deadline, a final written decision will be issued.[34] This is the expected sequence and procedure before the PTAB "absent special circumstances."[35]

In either a PGR or IPR proceeding, a patent owner may file one motion to amend the patent as a matter of right by either cancelling a challenged patent claim, or for each challenged claim, propose a reasonable number of substitute claims.[36] Additional motions to amend require authorization by the PTAB which may permit such amendments for good cause, or if both parties jointly file motions to amend to advance

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[29] 37 C.F.R. §§ 42.100(c), 42.200(c) (2012).
[30] 37 C.F.R. §§ 42.120(b), 42.121(a)(1), 42.220(b), 42.221(a)(1) (2012).
[31] Office Patent Trial Practice Guide, 77 Fed. Reg., at 48757.
[32] *Id*.
[33] *Id*. at 48758.
[34] *Id*. at 48768.
[35] *Id*.
[36] 35 U.S.C. §§ 326(d)(1), 316(d)(1) (2012).

settlement.[37] The statute includes an important limitation on the patentee's ability to amend claims: an amendment may not enlarge the scope of the claim or introduce new matter.[38] Moreover, a motion to amend may be denied where the amendment does not respond to a ground of unpatentability involved in the trial.[39]

For both types of proceeding, petitioners bear the burden of proving that a patent claim is unpatentable by a preponderance of the evidence.[40] This is a lower burden of proof than a petitioner would have in litigation, where the petitioner would be required to prove invalidity by clear and convincing evidence.

When the PTAB issues a final written decision with respect to a claim under PGR or IPR[41], *the petitioner, all real parties in interest, and all privies of the petitioner* are estopped from requesting or maintaining a proceeding before the USPTO (e.g. an inter partes or ex parte reexamination proceeding) with respect to that claim on any ground that the petitioner *raised or reasonably could have raised* during that PGR or IPR proceeding.[42] In addition, the petitioner and these related entities are estopped from asserting in a civil action or in a proceeding before the ITC that the claim is invalid on any ground that the petitioner *raised or reasonably could have raised* during PGR or IPR.[43] In addition, because estoppel

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[37] 35 U.S.C. §§ 326(d)(2), 316(d)(2).
[38] 35 U.S.C. §§ 326(d)(3), 316(d)(3).
[39] 37 C.F.R. §§ 42.121(a)(2), 42.221(a)(2).
[40] 35 U.S.C. §§ 326(e), 316(e).
[41] 35 U.S.C. §§ 328(a), 318(a) (2012).
[42] 35 U.S.C. §§ 325(e)(1), 315(e)(1).
[43] 35 U.S.C. §§ 325(e)(2), 315(e)(2).

attaches at the moment the PTAB issues a final written decision, estoppel applies early in the process and during the interim between the final decision and appellate review by the Federal Circuit (assuming the decision is appealed).[44]

This paper focuses on the estoppel effects of the post-grant review and inter partes review proceedings applied to petitioners, real parties in interest, and privies as set forth in 35 U.S.C. § 315(e) and § 325(e).

III. WHO IS BOUND BY THE OUTCOME OF A FINAL DETERMINATION BY PTAB?

A. Scope of Estoppel

35 U.S.C. § 315(e) and § 325(e) apply to preclude a petitioner from raising in a future USPTO, civil court, or ITC proceeding any invalidity grounds that were raised or

[44] Estoppel applies to some degree against a patent owner in PGR or IPR as well. The patent applicant or owner is precluded from taking action "inconsistent with the adverse judgment" including obtaining claims that are not patentably distinct from a finally refused or cancelled claim or obtaining an amendment of a specification or drawing that was denied during the proceeding (assuming the amendment is to an application or patent with the same written description). 37 C.F.R. § 42.73(d)(3) (2012). Presumably, this estoppel also can be applied to counter arguments by the patent owner that offer differing interpretations or constructions of claim terms or prior art in different proceedings. *See id.* Additionally, the wording of the statutes indicates that estoppel applies on a claim-by-claim basis, meaning that estoppel should not apply to claims of a patent not challenged in the proceeding. However, it is not clear at this time whether this will be true in practice. Moreover, the scope of estoppel might in practice extend to arguments that the PTAB chooses not to consider for a variety of reasons, arguments for which it does not reach a final decision.

reasonably could have been raised before the PTAB during PGR or IPR proceedings.

Legislators of the AIA determined that, in order for the estoppel effects attached to a final determination by the PTAB to be meaningful for their intended purposes, they would have to attach to both the petitioner and parties related to the petitioner. The notions of real parties in interest or privies of a petitioner were designed as equitable principles that would allow courts and the USPTO to determine on a case-by-case basis whether estoppel should extend to such non-parties in the interest of justice. The USPTO Trial Practice Guide points to several reasons for designing the estoppel provisions in this manner. For one, there was a concern that without broad estoppel provisions, third parties with substantial resources would initiate repeat challenges to a patent as a strategy to restrict market entry.[45] Even if a petitioner is estopped from reasserting challenges of unpatentability, this provision was argued to be necessary to protect patent owners from the costs of successive petitions or suits by related parties.[46] Additionally, there was a concern that parties related to the petitioner would get a "second bite at the apple" by suing repetitively on the same issue.[47]

The goal was to make the PTAB a meaningful place to resolve issues, promote the legislative goals of providing an efficient and inexpensive alternative to litigation, and encourage the raising and vetting of issues up front for final determination. However, the problem with the provisions

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[45] Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48759 (Aug. 14, 2012).
[46] *Id.*
[47] *Id.*

implemented to pursue these goals is that they are based on the traditional justifications for collateral estoppel and res judicata. In other words, these provisions operate under the assumption that there is no reason to believe that different proceedings should result in different outcomes. As discussed below, such rationales may not have much place in a system where preclusive effects encompass grounds that reasonably could have been raised in addition to grounds that were actually raised.

One congressional statement regarding the AIA suggests that legislators may have considered whether it would be appropriate to extend notions of privity to co-defendants in litigation. Senator Kyl stated:

> Whether equity allows extending privity estoppel to codefendants in litigation, however, will depend in large measure upon the actions of the patent owner, and whether he has made it reasonably and reliably clear which patent claims he is asserting and what they mean. If one defendant has instituted an inter partes review, but other defendants do not have an opportunity to join that review before it becomes reasonably clear which claims will be litigated and how they will be construed, it would be manifestly unfair to extend privity estoppel to the codefendants.[48]

[48] 157 CONG. REC. S1326, S1376 (daily ed. Mar. 7, 2011) (statement of Sen. Kyl).

However, as noted in the subsequent sections, the notion that privity should depend "largely" on the actions of the patent owner has not struck a chord with federal courts and the PTAB.

Ultimately, the USPTO and the legislative history of the AIA offers limited guidance as to what "real parties in interest" and "privies of a petitioner" mean in practice. The Trial Practice Guide indicates that the determination of this issue is highly fact dependent and should be handled by the USPTO on a case-by-case basis with an eye to how courts handle this issue.[49] This guide indicates that real parties in interest may include parties that desire the review of a patent or parties on behalf of which the petition was filed.[50] The privity relationship is defined more expansively, meaning one that is "sufficiently close such that both [the petitioner and the privy] should be bound by the trial outcome and related estoppels."[51] The guide suggests multiple factors that may influence this determination. One of these is whether a non-petitioner exercised or could have exercised control over the petitioner's participation in a proceeding. Related to this question is whether the non-petitioner in some way funded or controlled the proceeding, although this factor includes the caveat that less than complete funding and control may suffice to relegate a party to this category.[52] Moreover, while mere association with another party, (i.e., by way of membership in a trade association or joint defense group) is not sufficient as a basis for either "privy" or "real party in interest" status, it may be a

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[49] Office Patent Trial Practice Guide, 77 Fed. Reg. at 48759.
[50] *Id*.
[51] *Id*. at 48759.
[52] *Id*. at 48760.

factor.[53] In short, these labels are vaguely defined, and the court is given a good deal of discretion in deciding whether or not they apply to third parties.

B. PTAB Treatment

As advised in the Trial Practice Guide, it may be more illuminating to look at how this issue has been handled in practice. In the brief time since the institution of PGR and IPR proceedings, the issue of whether a petitioner before PTAB is estopped from challenging a claim has arisen frequently. In *Chi Mei Innolux Corp. v. Semiconductor Energy Lab. Co., Ltd.*, the patent owner, SEL, argued that IPR should not be instituted because the petitioner, CMI, was barred by its relationship to another party as a real party in interest or privy. SEL had filed an action for infringement of its patent against several defendants including CMI in federal district court.[54] The defendants filed a motion to stay that litigation pending the outcome of the IPR at issue. The PTAB struck down arguments by the patent owner that the petitioner-defendant[55] and the non-petitioner-defendant[56] were necessarily real parties in interest in the IPR proceeding solely because they were co-defendants

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[53] *Id.*

[54] Chi Mei Innolux Corp. v. Semiconductor Energy Lab. Co., Ltd., 2013 WL 5970145, at *3 (P.T.A.B. March 21,2013).

[55] In this paper, "petitioner-defendant" refers to an entity that has been named a defendant in an infringement action in civil court and has filed a petition at the PTAB for IPR or PGR.

[56] In this paper, "non-petitioner-defendant" refers to an entity that has been named a defendant in an infringement action in civil court but is not a petitioner in a PTAB proceeding. This non-petitioner-defendant might nevertheless be a real party in interest or privy of the petitioner – however, it did not actually file a petition for IPR or PGR.

in the related infringement action, had collectively filed a motion to stay the litigation, and had agreed to be bound by the estoppel provisions of the IPR proceedings.[57] Rather, the board stated that the relevant inquiry for joining the petitioner and a related party together as real parties in interest is whether evidence has been introduced that tends to show that the related party is able to or actually exercises some form of control over the petitioner's participation in the inter partes proceeding or is in some way funding such participation.[58] The introduced evidence taken individually or together did not necessarily indicate joint control over the IPR petition.[59]

The PTAB determined that SEL ultimately failed to show that the non-petitioner defendants "co-authored the petition or exerted control over its contents, or [would] exert any control over the remaining portions of [the] proceeding."[60] In addition, the PTAB determined that the non-petitioner-defendants were not necessarily privies simply because they produced similar products and shared an interest in the outcome of the proceedings.[61] But the PTAB failed to clarify what facts were sufficient to establish a relationship in privity for the purposes of these proceedings. Moreover, although this case did not mention how the PTAB would handle the same issue in a PGR proceeding, it is highly likely given the similar treatment of "real parties in interest" and "privies" in the parallel PGR statute that the same rule would govern.

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[57] *Id*. at 5.
[58] *Id*.
[59] *Id*.
[60] *Id*.
[61] *Id*. at 4.

The PTAB confronted a similar question in *Zoll Lifecor Corp. v. Philips Electronics North America Corp*, where the petitioner argued that its parent company, Zoll Medical, was not a real party in interest or privy of the petitioner.[62] The PTAB applied a similar test to that used in *Chi Mei Innolux* and confirmed that the potential for or actual exercise of control over a petitioner's involvement in the proceeding is the overriding consideration in assessing this issue.[63] Considerations such as the "the non-party's relationship with the petitioner; the non-party's relationship to the petition itself, including the nature and/or degree of involvement in the filing; and the nature of the entity filing the petition" may be probative of such actual control or opportunity to control.[64] Accordingly, even if a subsidiary funds the PGR or IPR proceeding on its own, other factors such as the close relationship and aligned interests of the parent and the wholly owned subsidiary petitioner and the ability of the parent to control the petitioner in all aspects of its business, weighed in favor of finding that the parent was a real party in interest.[65] Thus, although this case treated the issue of whether the parent was a real party in interest as separate from the question of whether the parent was a privy. The PTAB used the same analysis to decide whether a party was a privy as it did when determining whether a party is a real party in interest. Although the order in *Zoll* mentions that, as closely related entities, the parent and petitioner should enjoy the benefits and burdens of being in privity, it is doubtful given the way the PTAB applied

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[62] Zoll Lifecor Corp. v. Philips Electronics North America Corp., 2014 WL 1253109, at *5 (P.T.A.B. Mar. 20, 2014).
[63] *Id*.
[64] *Id*.
[65] *Id*. at 7.

the facts that the consideration of benefits or burdens did much work in influencing the outcome.[66]

Accordingly, the cases before the PTAB suggest that the PTAB has in practice merged its assessment of whether a non-petitioner is a real party in interest or privy of the petitioner. On its face this would seem to contravene legislative intent. After all, if Congress had intended for a "real party in interest" to be equivalent to a "privy" it would not have labeled these concepts differently. Moreover, the patent statutes place greater restrictions on real parties in interest of petitioners than they do on privies. This is apparent in the fact that, as discussed above, a petitioner for PGR or IPR is required to identify real parties in interest. Also, petitioners and real parties in interest are barred from PGR and IPR if either group files a civil action challenging the validity of a patent before filing a petition for such review. The term "privy" is notably absent from these provisions. On the other hand, petitioners, real parties in interest, and privies are all subject to the estoppel provisions of PGR and IPR. As discussed above, the USPTO Trial Practice Guide indicates that the notion of privity is more expansive than that of a real party in interest, and potentially encompasses a greater segment of non-parties related to the petitioner. However, the USPTO arguably backtracks from this position when it subsequently merges the consideration of these concepts by applying the same multifactor test to the resolution of both.

Without question, due to the disparity in the statutory treatment of these concepts as patent law stands today, the PTAB and courts are going to have to develop fine grain

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[66] *Id.*

distinctions between real parties in interest and privies. Not all privies of a petitioner can also be real parties in interest of the petitioner (although there is no such concern of inconsistency in treatment if every real party in interest is also treated as a privy). Nevertheless, there is some sense in applying similar tests to resolve the question of whether a party is a real party in interest or a privy of a petitioner. Any test must strike the proper balance between protecting patent owners from harassment and preserving the integrity of the PTAB as a meaningful setting to resolve disputes and respecting the due process rights of entities that are not parties to a petition. In order to apply equitable principles in the interests of justice to estop a related party from later raising challenges that the petitioner raised or reasonably could have raised in an earlier proceeding, it is only fair that the related party should have been able to exert some measure of control over the earlier proceeding. Accordingly, to qualify as a privy, some threshold level of actual or potential control over a petition or petitioner should be required. A comparatively higher level of control should be required for a party to constitute a real party in interest of a petitioner.

C. Federal Court Treatment

When the question of whether a non-petitioner is a real party in interest or a privy of the PTAB petitioner has arisen in federal court, it has generally come up in the context of whether the court should grant a stay of litigation to a group of co-defendants pending the outcome of a PTAB proceeding.

The idea of 35 U.S.C. § 325(a)(1) and § 315(a)(1) may have been to reduce the incidence of conflicting determinations of validity and limiting the potential for harassment of patent owners by permitting only one bite at the apple. But the law is

imperfect for these purposes. A stay of litigation pending the outcome of a PGR or IPR proceeding is mandated by statute where a petitioner or real party in interest files a civil action challenging the validity of a patent (counterclaims challenging validity do not count for this purpose) on or after the date the petitioner files a petition. Yet, usually such a petitioner or real party in interest would have filed a counterclaim challenging validity or argued invalidity as a defense in response to a patentee's claim of infringement. In such cases the decision to stay litigation pending the outcome of a PGR or IPR petition is left to the discretion of the presiding court. In *PersonalWeb Technologies, LLC v. Facebook, Inc.*,[67] the court sets forth the three factors traditionally used to determine whether to stay a case pending review of the claims at the USPTO: "(1) whether discovery is complete and whether a trial date has been set; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party."

The second of these factors bears on the question of who is estopped by the final decision in a PGR or IPR proceeding. In assessing whether a stay will simplify the litigation, courts have generally operated under the assumption that an IPR proceeding is likely to successfully narrow and simplify the issues in question. In the event that the PTAB cancels the patent owner's asserted claims, the infringement case would be rendered moot.[68] Even if the PTAB narrows any of the asserted claims, the scope of litigation has the potential

[67] PersonalWeb Technologies, LLC v. Facebook, Inc., No. 5:13-CV-01356-EJD, 2014 WL 116340 (N.D. Cal. Jan. 13, 2014).
[68] *Id.* at *4. (N.D. Cal. Jan. 13, 2014).

to be simplified.[69] This assumes that the same patent claims that are at issue in the litigation are pending for review in front of the PTAB. Where there is not sufficient overlap in the claims at issue in the proceedings, courts may determine that there is a low likelihood that granting a stay will simplify the issues.[70] Moreover, courts may decide that where the defendants in the infringement action have asserted several defenses that the PTAB will not review in an IPR proceeding (e.g., laches, waiver, standing, and invalidity under 35 U.S.C. § 112 and § 101) a stay is unlikely to streamline the issues at trial.[71] These concerns would not be as compelling where a court is deciding whether to stay litigation pending PGR where such issues are fair game for review.

Nevertheless, courts repeatedly cite statistics that demonstrate that the USPTO has granted approximately 82% of IPR petitions.[72] This, taken together with the fact that 42% of the old inter partes reexamination proceedings resulted in all the claims being cancelled or disclaimed, suggests a high likelihood that the number of claims at issue in trial will be whittled down.[73] The higher burden of proof required for instituting IPR (a reasonable likelihood of success) is also cited

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[69] Evolutionary Intelligence LLC v. Yelp Inc., No. C-13-03587 DMR, 2013 WL 6672451, at *6 (N.D. Cal. Dec. 18, 2013).
[70] P&G Co. v. Team Techs., Inc., No. 1:12-CV-552, 2014 U.S. Dist. LEXIS 17112, at *11–12 (S.D. Ohio Feb. 11, 2014).
[71] *Id.* at *12–13.
[72] *PersonalWeb*, 2014 WL 116340, at *4; Evolutionary Intelligence, LLC v. Sprint Nextel Corp., No. C-13-4513-RMW, 2014 WL 819277, at *3 (N.D. Cal. Feb. 28, 2014).
[73] *Sprint*, 2014 WL 819277, at *3.

as increasing the likelihood that challenged claims will be invalidated if the PTAB institutes the petition.[74]

Even if the PTAB does not strike down any of the claims as invalid, the issues are believed to be simplified as "this is strong evidence that the court must consider in assessing whether the party asserting invalidity has met its burden of clear and convincing evidence."[75] Moreover, the USPTO's specialized expertise in matters of "technology, patentability, and claim scope" are believed to streamline proceedings through its expert guidance on pertinent issues like claim construction.[76] Stays also reduce the incidence of conflicting judgments regarding validity, decreasing the likelihood that issues will become further complicated by a decision not to stay. If validity of a claim is simultaneously disputed in both federal court and the USPTO, based on the expedited timeline of review at the USPTO, it is highly likely that the PTAB will arrive at a final decision well before a court does. Where a court and the USPTO reach inconsistent conclusions on validity, the issues at trial unquestionably become more complex. After all, while the patent statute mandates that certain estoppel effects attach to petitioners upon a final determination by the PTAB, the federal court ultimately has control over the litigation and is not bound by such estoppel.

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[74] *PersonalWeb*, 2014 WL 116340, at *4; *Sprint*, 2014 WL 819277, at *4.
[75] *Yelp*, 2013 WL 6672451, at *6.
[76] Hill-Rom Services, Inc. v. Stryker Corp., No. 1:11-CV-1120-JMS-DKL, 2012 WL 5878087, at *4 (S.D. Ind. Nov. 20, 2012); *Evolutionary Intelligence v. Yelp*, 2013 WL 6672451, at *6.

Given all these considerations as well as the liberal policy of courts in granting stays,[77] an assessment of the second factor generally weighs in favor of a stay pending PGR or IPR. Yet the issues are only narrowed if statutory estoppel can be applied to prevent the defendants from relitigating the same validity questions in court. Where the petitioners for IPR or PGR are a subset of the co-defendants that are party to an infringement action, patent owners often raise the argument that those defendants who were not one of the petitioners or real parties in interest would not be subject to the statutory estoppel provisions. Courts have come up with a fairly straightforward solution to this—conditioning the granting of a stay upon an agreement by all the co-defendants to be bound by the outcome of the petition. Specifically, the court will grant the stay if the defendant agrees to be bound as though they were a petitioner.[78] This would mean defendants in litigation that are not party to the IPR or PGR petition would be precluded from relitigating any grounds that were actually raised or reasonably could have been raised under 35 U.S.C. § 315(e) or § 325(e).[79]

Alternatively, courts might fashion a more limited form of estoppel. In *Evolutionary Intelligence v. Sprint*, the district court considered whether it would be proper to require that defendant Sprint agrees to be estopped from reasserting any grounds that the IPR petitioners raised or reasonably could have raised.[80] The inquiry turned on the level of involvement that Sprint had over the IPR proceedings. Sprint represented

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[77] *Evolutionary Intelligence v. Yelp*, 2013 WL 6672451, at *7.
[78] *PersonalWeb*, 2014 WL 116340, at *5; *Evolutionary Intelligence v. Yelp*, 2013 WL 6672451, at *10.
[79] *PersonalWeb*, 2014 WL 116340, at *5.
[80] *Sprint*, 2014 WL 819277, at *5–6 (N.D. Cal. Feb. 28, 2014).

that it did not assist the IPR petitioners with prior art searches, that it was not involved in drafting the IPR petitions, and that it was not in communication with the IPR petitioners concerning the IPR.[81] Additionally the court noted that Sprint was not a real party in interest or privy to the IPR petitioners.[82] It is not clear from the opinion whether Sprint's level of involvement in the IPR proceedings had anything to do with this determination. If it did, it appears that Sprint was being subject to a similar "control" test for assessing whether a non-petitioner is a real party in interest or privy as that applied by the PTAB. The court indicated that if Sprint had any input on the IPR strategy, it should be bound by the full statutory estoppel provision.[83] Since this was not found to be the case, the court conditioned the stay on Sprint's agreement to be estopped from asserting any invalidity grounds that were actually raised and finally adjudicated in the IPR proceedings.[84] Other courts have followed this approach, recognizing that it would be unfair to hold a defendant in litigation to the full scope of the statutory estoppel provisions, where the defendant has no control over the raising or abandoning of invalidity grounds presented to the PTAB.[85]

The ability of federal courts to limit the scope of estoppel for non-petitioner-defendants to an IPR or PGR petition by inducing these estoppel agreements raises

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[81] *Id.*
[82] *Id.*
[83] *Id.*
[84] *Id.*
[85] e-Watch Inc., v. Aviglon Corp., No. H-13-0347, 2013 WL 6633936, at *2 (S.D. Tex. Dec. 17, 2013); Pi-Net International, Inc. v. Focus Business Bank, No. C-12-4958 PSG, 2013 WL 5513333, at *2 (N.D. Cal. Oct. 3, 2013).

interesting questions. To get here, a court might begin by applying a control test similar to that used by the PTAB to determine whether such a non-petitioner-defendant is a real party in interest or privy to the IPR or PGR petitioners. In practice, a non-petitioner-defendant is going to have very limited control over the actions of a petitioner. Accordingly, where a court determines that a non-petitioner-defendant does not have sufficient control, actual or potential, over a petition to be considered a real party in interest or a privy of the petitioner, the court may nevertheless condition a stay of litigation on a stipulation by the co-defendant that it agrees to be precluded from relitigating issues that were actually raised by the petitioner.

On the one hand, requiring such an agreement might be the only way to meaningfully simplify issues in litigation. By law, a petitioner-defendant remains bound by the IPR and PGR estoppel provisions, so this would simplify issues at trial. But if a non-petitioner-defendant is not estopped in some form from re-raising grounds, it is likely that such a non-petitioner-defendant will raise the same or substantially similar invalidity grounds to those raised in the PTAB proceedings. If the court must contend with these issues regardless, granting a stay was a largely a waste of everybody's time. Moreover, if the court makes a finding of validity that is inconsistent with that of the PTAB, different defendants will be faced with entirely different prospects of success in litigation based on whether or not they filed a petition for review. Such a possibility encourages a wait-and-see approach for defendants considering filing an IPR or PGR petition that detracts from the goal of making the PTAB an attractive forum to resolve disputes. This logic cuts in favor of binding non-petitioner-defendants to some form of estoppel. Yet even if a non-petitioner-defendant is bound by "grounds that are actually raised" estoppel,

inconsistent determinations of validity are still possible. A petitioner-defendant is estopped from raising in the future any grounds it could have reasonably raised in the PTAB proceeding, whereas the non-petitioner-defendant is not bound by any such restriction. A federal court might make a determination of invalidity on the basis of grounds that reasonably could have been raised in the PTAB decision but were not in fact raised by the petitioner.

To resolve these issues, this paper advocates scaling back the scope of estoppel for petitioners of IPR or PGR to only those issues that were actually raised in the proceedings. This eliminates the concern that a federal court would rule differently for a non-petitioner-defendant who is bound by "grounds that are actually raised" estoppel but not by "reasonably could have raised" estoppel. The argument for limiting PTAB estoppel to "grounds that are actually raised" is discussed in greater depth below.

Returning now to the issue of how federal courts have responded to requests for stays, there are several reasons why it might not be sound policy for courts to be permitted to draft their own ad-hoc estoppel provisions. Those non-petitioner-defendants that are not sufficiently related to a petitioner to constitute real parties in interest or privies are being subject to estoppel provisions simply on the basis of being named co-defendants of the petitioner in an infringement action. This raises significant fairness concerns, because entities that are not party to a petition and which do not exert any control over the PTAB proceedings are being bound by the outcome of those proceedings.

Generally speaking, a plaintiff in infringement litigation has strong pecuniary incentives to be as inclusive as possible in defining the pool of defendants. From a judicial efficiency

standpoint, this practice should be encouraged because it consolidates multiple potential disputes into a single proceeding. But the ad hoc estoppel provisions discussed already lead courts to unduly reward a plaintiff's choice of "defendants" by uniformly precluding the entire group from raising later any arguments already raised by a subset of the group. Generally, a defendant has no more control over the actions of its co-defendants in a civil proceeding in than it does over its co-defendants in a PTAB proceeding. Yet in contrast to civil proceedings, non-petitioner-defendants are limited in their ability to raise arguments before the PTAB except as permitted by petitioner-defendants. Cooperation on such issues is unlikely where a petitioner-defendant's interests are not perfectly aligned with those of a non-petitioner-defendant.[86] Accordingly, the application of preclusive effects to these non-petitioner-defendants based on the outcome of the PTAB proceedings is not justified in the same way it is when res judicata and collateral estoppel are applied in the parallel civil proceedings.

On the other hand, non-petitioner-defendants might decline the terms offered by the court and allow the litigation to proceed. Barring this, they could attempt to actively participate in the petitioner-defendant's IPR or PGR proceeding or file their own IPR or PGR petitions. In either case, the non-petitioner-defendant would then be bound by the

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[86] *See e.g.*, BRIAN M. BUROKER, MULTIPLE DEFENDANT PATENT INFRINGEMENT CASES: COMPLEXITIES, COMPLICATIONS AND ADVANTAGES, *available at* http://www.hunton.com/files/Publication/e7e49e13-2327-4d36-a04c-1dcc301527c4/Presentation/PublicationAttachment/b2cc8f60-eb07-41f7-8949-787a644f1cff/Multiple_Defendant_Paper_AIPLA.pdf; JAMES K. HORSTMAN & LORI E. IWAN, DEFENDANTS, CAN'T WE ALL JUST GET ALONG?, *available at* http://www.crayhuber.com/articles/jtdefense.pdf.

full scope of the statutory estoppel provisions. But the goal of avoiding inconsistent determinations should not depend on a defendant forfeiting its right to argue invalidity issues and conduct its own investigation.

Scorched earth patent litigation is the norm. Where there are multiple defendants, district courts will likely invoke their inherent powers to conditionally grant stays of litigation. To address the concern of inconsistent determinations between different forums that circumscribe the value of having invalidity proceedings in front of the PTAB in the first place, stays should uniformly be conditioned on a non-petitioner-defendant agreeing to be bound by issues that are actually raised in the petition. Estoppel should not extend to issues that reasonably could have been raised, as this is unwarranted and excessively penalizes non-petitioner-defendants. Moreover, courts should be cautious of granting stays where there is reason to believe that non-petitioner-defendants are unlikely to gain permission to exert control over the pending petition in question and do not have the means to file their own petition.[87]

D. Comparisons to Notions of Privity in the Contexts of Issue and Claim Preclusion

Under the common law doctrine of res judicata or claim preclusion, "a final judgment on the merits, rendered by a court of competent jurisdiction, is conclusive as to the rights of the parties and their privies."[88] After a final judgment on the merits parties and their privies are prohibited from reasserting or

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[87] At this point the Director is likely to join these petitions under 35 U.S.C. § 315(c)–(d) or § 325(c)–(d) (2012).
[88] 47 AM. JUR. 2D *Judgments* § 473 (2014).

"relitigating a previously adjudicated cause of action."[89] Moreover, parties and their privies are barred from relitigating matters that they had an earlier opportunity to litigate even if they were not actually litigated. For claim preclusion to be applied in this manner to a subsequent suit, the following elements must be satisfied: "(1) the parties or their privies in prior and present suits must be identical; (2) the causes of action in two suits must be identical or be based on the same set of operative facts; and (3) there must have been a final judgment on the merits in a court of competent jurisdiction."[90]

The common law doctrine of collateral estoppel or issue preclusion, "refer[s] to the effect of a prior judgment in preventing, foreclosing, limiting, or precluding relitigation of issues that have been actually litigated in a previous action, regardless of whether it was based on the same cause of action as a second suit."[91] The application of issue preclusion requires the following: "(1) the issue decided in the prior adjudication was identical with the issue in the present action; (2) the prior adjudication resulted in a final judgment on the merits; (3) the party against whom collateral estoppel or issue preclusion is asserted was a party or in privity with a party to the prior adjudication; and (4) the party against whom collateral estoppel is asserted had a full and fair opportunity to litigate the issue in the prior proceeding."[92]

Accordingly, both issue preclusion and claim preclusion bind both the parties and their privies to the

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[89] *Id*.
[90] 47 AM. JUR. 2D *Judgments* § 474 (2014).
[91] 47 AM. JUR. 2D *Judgments* § 487 (2014).
[92] 47 AM. JUR. 2D *Judgments* § 489 (2014).

outcome of the proceedings.[93] But it is generally prohibited to apply either doctrine to bind strangers to the prior action. Fairness and due process requirements mandate that for a party to be affected by a judgment,[94] it must have had a full and fair opportunity to litigate the issue.[95] This means that a party cannot be estopped unless it has had "reasonable notice of the claim against [it] and opportunity to be heard in opposition to that claim."[96] Thus in order to be considered a privy subject to estoppel in these contexts, there is a minimum due process requirement that the party had a full and fair opportunity to litigate the relevant issue in the prior proceeding.[97] This determination is made on an ad-hoc basis with an examination of the facts of the particular case.[98] Factors for determining whether a party had a full and fair opportunity to litigate an issue include assessing the party's incentive to litigate in the first action, the foreseeability of the second action, the extent of the prior litigation and the party's participation in it, the competence of counsel, the availability of new evidence, the ability of the party to raise arguments in the prior action, and whether the party was deprived of crucial evidence or witnesses in the prior litigation through no fault of its own.[99] In essence, the court is assessing the party's interest in the subject matter of the action and its ability to control the proceedings including the ability to appeal.[100] This is a very similar analysis

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[93] 47 AM. JUR. 2D *Judgments* § 565 (2014).
[94] 47 AM. JUR. 2D *Judgments* § 577 (2014) (assuming that non-mutual res judicata or collateral estoppel is allowed by the presiding court).
[95] 47 AM. JUR. 2D *Judgments* § 566 (2014).
[96] 47 AM. JUR. 2D *Judgments* § 574 (2014).
[97] *Id*.
[98] 47 AM. JUR. 2D *Judgments* § 575 (2014).
[99] *Id*.
[100] 47 AM. JUR. 2D *Judgments* § 582 (2014).

to that applied by courts and the PTAB in determining whether a party is a real party in interest or privy of a petitioner in the prior IPR or PGR proceeding. Accordingly, courts and the PTAB should draw from this body of law in adjudicating these issues.

E. Considerations in Support of Limiting Estoppel

As discussed above, if different forms of estoppel apply to non-petitioner-defendants versus petitioner-defendants, there is a concern that a federal court might arrive at a different set of conclusions as to validity than those reached by the PTAB, particularly where only a subset of defendants decide to file some kind of post-grant petition before the PTAB. This might occur because the non-petitioner-defendant was not estopped from raising grounds that the petitioner-defendant failed to raise in the proceedings before the PTAB. In other words, this might occur because the non-petitioner-defendant was subject only to estoppel on issues actually raised by the petitioner-defendant rather than issues that reasonably could have been raised. Depending on how much deference a civil court gives to a PTAB determination of validity, the non-petitioner-defendant might find itself fighting an uphill battle in raising new grounds regarding invalidity. Yet the potential for inconsistent determinations might cause civil courts to hesitate to grant stays in the first place out of a concern that the issues are not truly being simplified for litigation.

A relatively straightforward solution to this would be to apply the same form of estoppel to non-petitioner-defendants as a court would to petitioner-defendants. One possibility is to hold non-petitioner-defendants to the full measure of the

estoppel provisions applied to petitioner-defendants by law[101] in exchange for granting a stay of litigation. The above discussion highlights some concerns of unfairness that arise in placing such a high burden on non-petitioners. It may be preferable to instead reduce the burden on petitioners by holding them only to grounds that were actually in the PTAB proceedings. This serves to diminish the possibility of inconsistent determinations of validity without needing to resort to placing unreasonable burdens on non-petitioners.

But applying the appropriate level of estoppel is a complex consideration and must be viewed through more than one lens. The legislators of the AIA sought to strike a balance between the costs and benefits of applying estoppel provisions. As discussed above, the commonly agreed benefits of estoppel provisions include the prevention of multiple bites at the apple, harassment of patentees through repeat challenges, inconsistent judgments, waste of judicial resources, and rent-seeking behavior.[102] The benefits of applying the estoppel provisions only accrue if parties actually use the PTAB to resolve validity disputes.[103] But estoppel provisions have the potential to reduce the attractiveness of resorting to this forum. These concerns are mitigated by other aspects of the laws and regulations governing the IPR and PGR proceedings that confer various advantages upon parties who decide to take

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[101] 35 U.S.C. §§ 315(e), 325(e) (2012).

[102] *See Patent Quality Improvement: Post-Grant Opposition: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 108th Cong. 33–34 (2004) (statement of Michael Kirk, Executive Director, AIPLA) ("If the estoppel provision is too harsh, no one will use the procedure . . . . If it is too lenient, patentees may be subject to needless repetitive challenges by the same party.").

[103] *See id*. at 1-2.

advantage of them. These proceedings were set up to provide considerable benefits to petitioners such as significant reductions in time and money expended. They also provide additional certainty to the patent system by attracting petitioners to proceedings where to accrue the benefits, challenges must be raised soon after the patent issues and petitioners must accept the estoppel effects.[104]

The application of estoppel to parties related to the petitioner including real parties in interest, privies, and even co-defendants in litigation imposes these costs and uncertainty on parties who are not in fact taking advantage of the PTAB proceedings. This is problematic if the legislature did not fully consider the ramifications of the laws and regulations governing IPR and PGR in ascertaining the appropriate level of estoppel to impose.[105] The following considerations inform the argument that the post-grant estoppel provisions should be limited to issues that were actually raised.

As noted above, 35 U.S.C. § 311(b) and § 321(b) serve as an upper bound on the scope of validity arguments available to petitioners in IPR and PGR proceedings. But the scope of grounds that reasonably could have been raised is something less than any and all issues that possibly could have been raised in these proceedings. The modifier "reasonably" might mean a

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[104] H.R. REP. NO. 112-98, pt. 1, at 45–48, 75–77 (2011).

[105] *See* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 617 (2011) (There is some reason to believe that this is the case given the sparse and relatively superficial treatment of estoppel in the legislative discussions. Joe Matal, Judiciary Committee Counsel to Senator Jon Kyl and one of the staff involved in the drafting of the AIA, argues that there is nothing to explain the addition of could-have-raised estoppel and that this was in fact a technical error.).

number of things. For one, it might be treated as involving a cost calculation under which the efforts expended by the petitioner to raise arguments must have been commensurate with the potential stakes of the case. Senator Kyl's statements regarding this modifier arguably suggest that courts should also be considering the skill and diligence of a searcher in assessing whether additional prior art might reasonably have been used as the basis of invalidity arguments raised.[106] Such assessments are complex and lend themselves to widely divergent standards depending on the particular court deciding this issue. Moreover, several features of trial before the PTAB add complexity to the determination of the scope of reasonableness that could have raised estoppel. For example, the short time frame under which a petition must be filed (9 months for PGR and 12 months for IPR) and the rigid 12 month schedule of the PTAB proceedings (extendable by up to 6 months for good cause) raises the question of whether these stringent time limits might have constrained a petitioner's ability to put forth validity arguments.

The legislative history of these proceedings indicates that the threshold for instituting review was intended to compel petitioners to present all their evidence up front and avoid relying on discovery to build their cases.[107] The idea was to prevent petitioners from raising new arguments employing different prior art once review was instituted or attacking claims other than the ones initially identified.[108] Although discovery in these proceedings is generally treated as no

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[106] *See* 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011)(statement of Sen. Kyl).
[107] *Id*.
[108] *Id*. at S1376.

different from that available under the Federal Rules of Civil Procedure, this process is going to be limited to what the parties reasonably need to respond to the grounds raised by an opponent.[109] With this umbrella restriction in mind, discovery under IPR includes the deposition of witnesses submitting affidavits or declarations and what is otherwise necessary in the interests of justice. Discovery under PGR is governed by a more liberal good cause standard but limited to evidence directly related to factual assertions advanced by either party in the proceeding.[110] The traditional discovery schedule in PTAB trials is limited to 3 months for petitioners followed by a 1 month discovery period for patent owners (with extensions and additional periods permitted upon a showing of good cause).[111]

Furthermore, these proceedings impose constraints on the ability of petitioners to amend arguments made at the outset. Generally a motion is not entered without prior authorization from the board[112] and the general outlook that a petitioner should be presenting its complete case up front reduces the likelihood that such motions will be granted. Additionally, limitations on the ability of petitioners to file motions to submit supplemental information beyond the first month after trial is instituted[113] further complicate the determination of the scope of arguments that reasonably could have been raised. As noted above, the patent owner is permitted to file one motion to amend as a matter of right, with

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[109] Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48761 (Aug. 14, 2012).
[110] 37 C.F.R. § 42.224 (2012).
[111] Office Patent Trial Practice Guide, 77 Fed. Reg. at 48757.
[112] 37 C.F.R. § 42.20(b) (2012).
[113] Office Patent Trial Practice Guide, 77 Fed. Reg. at 48757.

certain limitations.[114] Such an amendment might be entered up to three months into the trial and has the potential to complicate the issues in trial and require petitioners to amend or raise new arguments under significant time constraints.

In sum, various aspects of PTAB trial practice add complexity to the question of what a petitioner reasonably could have raised in the IPR or PGR proceedings. This is problematic because it adds to the costs of determining the proper scope of estoppel in any given case; creates a risk that different courts facing this question will rule differently on this issue; fails to create a relatively clear and uniform standard of conduct for petitioners and related parties in these proceedings; leaves room in litigation for petitioners and related parties to subsequently raise arguments that do not fall within the scope of the estoppel provisions; and limits the value of resorting to the PTAB to resolve validity disputes.

These considerations inform the argument that PGR and IPR estoppel should be limited to arguments that were actually raised in the proceedings.[115] There is some legislative support for this view. The currently pending Innovation Act has passed in the House and proposes to limit the preclusive effects of final determinations in PGR proceedings only to grounds that were actually raised.[116]

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[114] *Id*. at 48764.
[115] Or at least that the modifier "reasonably" should be eliminated from these provisions.
[116] H.R. 3309, 113th Cong. § 9(b) (2013) (amendments to 35 U.S.C. § 325(e)(2)).

IV. CONCLUSION

The estoppel provisions of the new post-grant review and inter partes review proceedings before the PTAB preclude petitioners, real parties in interest, and privies from raising in future USPTO proceedings and civil actions any issues that were raised or reasonably could have been raised before the PTAB. One question these estoppel provisions raise is which parties related to the petitioners qualify as real parties in interest or privies? The PTAB has applied a "control" test for assessing this question. Under this test, an entity that is not a party to the petition may be a real party in interest or privy to the petitioner if it is able to or actually exercises control over the IPR or PGR proceeding. This is in line with the treatment of privies under the common law doctrines of issue and claim preclusion. The PTAB appears to have merged its consideration of whether a party is a real party in interest with whether a party is a privy, applying the same control test to resolve both questions. This is a problem given the disparate treatment of these concepts in the patent statute and the legislative history of the AIA. Both questions should turn on the level of control that a party is able to exert over a post grant proceeding. But given the elevated restrictions that attach to a real party in interest, a greater level of control, potential or actual, should be required to classify an entity as such a party.

In federal court, the question of whether a party is a real party in interest or a privy of a petitioner has arisen in the context of decisions to grant stays of litigation pending a review of invalidity questions at the USPTO. Where there are multiple defendants to an infringement litigation and only a subset of those have petitioned for IPR or PGR, there is a concern that a final determination by the PTAB will not simplify the issues for trial unless non-petitioner defendants agree to be estopped in some capacity from relitigating issues

that their co-defendants raised as petitioners before the PTAB. Some civil courts have attempted to resolve this problem by conditioning stays on an agreement by defendants who are not petitioners in IPR or PGR to be bound by the full statutory estoppel provisions. This means they would agree to refrain from raising in the future any issues that were raised or reasonably could have been raised in the petition. Other courts have limited the scope of estoppel for these non-petitioner defendants to only issues that were actually raised in the petition. On the one hand, such estoppel agreements are necessary for PTAB decisions to meaningfully narrow the issues at trial. On the other hand, it is unfair to subject non-petitioner defendants who are not capable of exerting control over the outcome of the PTAB proceedings to any form of estoppel. To resolve this dilemma, courts should condition stays on a non-petitioner-defendant agreeing to be bound by issues that are actually raised in the petition. Estoppel should not extend to issues that reasonably could have been raised and courts should be cautious of granting stays where there is reason to believe that non-petitioner-defendants are unlikely to gain permission to exert control over the pending petition in question and do not have the means to file their own petition.

This paper also advocates scaling back the estoppel provisions such that petitioners and their real parties in interest or privies are only precluded from raising in future proceedings grounds that were actually raised before the PTAB. Various aspects of the PTAB proceedings add complexity to the analysis of what qualifies as grounds that reasonably could have been raised. The resulting uncertainty reduces the value of relying on the PTAB as an effective forum to resolve disputes on validity.