

October 23, 2009

Hon. David Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
Madison Building West
600 Dulany Building
Suite 10D44
Alexandria, VA 22314

Dear Under Secretary Kappos:

On behalf of the Innovation Alliance, I would like to thank you for taking the time to meet with us last week. We appreciate your strong commitment to the existing Senate compromise on damages, and we were encouraged by your clear desire to create a post-grant review system that protects patent owners against serial attacks and excessive delays.

Your proposals to elevate the threshold test for post-grant opposition and inter partes review (IPR) and to complete IPR proceedings within a statutory deadline are both important steps towards that goal. We also appreciate your desire to make clear that challengers bear an explicit burden of proving invalidity in both post-grant opposition and IPR proceedings. These proceedings will compel the patent owner to defend validity in an adversarial, quasi-judicial setting where a clear burden of proof is essential.

We also appreciate your openness to our ideas about giving the USPTO the authority and mandate to extend the term of a patent beyond its statutory term in cases where the patent owner is subjected to either undue delay or abuse. As you requested, we have developed a detailed proposal for your review and consideration, enclosed with this letter.

In addition, as we discussed at the meeting, we believe strongly that if the overall system is to fulfill its principal mission of providing a fair and efficient alternative to litigation, it must include a robust estoppel mechanism to avoid harassment of valid patents and abuse of the system. Estoppel is a time-honored legal principle of efficiency and fairness that precludes further, serial adjudication of an issue that was or should have been addressed by a challenger. Without estoppel, post-grant opposition is an addition, rather than an alternative, to litigation; by its nature a system without estoppel cannot be faster and less expensive alternative to litigation. As you requested, we have developed a detailed proposal on estoppel for your review and consideration, also enclosed with this letter. We believe we have developed a compromise proposal that should be acceptable to both the USPTO and to other parties in the patent reform debate.

The enclosed proposal would bar a subsequent prior art challenge by the same challenger that (1) was already actually raised in an unsuccessful IPR; (2) was known to

the challenger at the time of the filing of the earlier IPR; or (3) would have been known by the challenger through a reasonable search of the prior art as defined by the USPTO's own procurement guidelines for international searching authorities.

We understand the first prong of this test is not controversial, and that the USPTO already agrees that there should be estoppel for challenges "actually raised."

The second prong is necessary to avoid the gamesmanship the USPTO seeks to avoid: allowing a challenger to keep some arguments in reserve for a later forum clearly invites duplicative adjudication and abuse of the system.

Similarly, the third prong discourages the same form of gamesmanship by addressing the USPTO's concern about any potential ambiguity surrounding the current "could have raised" standard of Section 315 of the Patent Act. The third prong does so by utilizing the USPTO's own language to define a "reasonable search." As we discussed, the USPTO has considerable comfort and experience in defining and enforcing a "reasonable search" standard in other contexts, such as in its detailed procurement guidelines for international searching authorities. Thus, if estoppel were tied to a "reasonable search" standard as defined in accordance with these or other existing USPTO specifications, challengers and courts would have clear guidance on the universe of publicly available prior art that may not be relitigated after a final IPR decision. This standard would give patentholders the quiet title a strong patent system needs while at the same time addressing any concerns over ambiguity about what a "reasonable search" means.

The principle of "one bite at the apple" is a fundamental part of our system of administrative and civil litigation, and a necessary component of any fair and efficient system of dispute resolution. A patent system without this principle would be an anomaly and would invite the abuse all fair-minded stakeholders seek to avoid.

We are quite optimistic that we have struck a fair and workable compromise to which all can and should agree. We welcome the opportunity to discuss this option or other alternatives further with you and your senior staff.

Sincerely,

Brian Pomper
Executive Director
Innovation Alliance