

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE PATENT TRIAL AND APPEAL BOARD

In re U.S. Patent No. 6,240,376	Trial No.: IPR 2012-00042
Application No.: 09/127,587	
Filed: July 31, 1998	
Issued: May 29, 2001	
	Atty. Dkt. No. 007121.00004
Inventors: Alain Raynaud Luc M. Burgun	
Patent Owner: Mentor Graphics Corporation	
For: METHOD AND APPARATUS FOR GATE- LEVEL SIMULATION OF SYNTHESIZED REGISTER TRANSFER LEVEL DESIGNS WITH SOURCE-LEVEL DEBUGGING	

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**PATENT OWNER'S REQUEST FOR REHEARING ON DECISION TO
INSTITUTE *INTER PARTES* REVIEW UNDER 37 C.F.R. § 42.71**

TABLE OF CONTENTS

I.	The Standard for Rehearing Is Met	1
II.	Overview of §315(b) Argument With Illustrative Hypothetical	2
III.	Argument	6
A.	As Successor-In-Interest to EVE's Entire Business, Including the ZeBu Line of Emulators That Were Accused of Infringement in 2006, Synopsys Is In §315(b) Privity With EVE	6
B.	Because Synopsys Is a Successor-in-Interest of EVE, a §315(b) Bar Does Not Require That the Privity Relationship Existed at the Time the 2006 Complaint Was Served, Nor That Synopsys Have Had Any Control Over That Lawsuit	14
C.	<i>Inter partes</i> Review Cannot Be Instituted Because Synopsys Is In Privity With EVE	16
D.	Barring Privity Also Existed Between Synopsys and EVE as of the Filing Date of the Petition	19
1.	The Petition Is Entitled to A Filing Date No Earlier Than September 27, 2012	20
2.	Privity Between Synopsys and EVE Also Existed On September 26, 2012, the Filing Date Incorrectly Accorded the Petition.....	23
E.	The Evidence Also Indicates that EVE Is a Real Party-In-Interest to the Petition Filed by Synopsys.....	25
IV.	Conclusion	27

EXHIBIT LIST**Previously Filed**

- MG 2001 First Amended Complaint in *Mentor Graphics Corp. v. EVE-USA, Inc. and Emulation and Verification Engineering, SA*, 6:06-CV-00341-AA (D. OR., filed March 13, 2006)
- MG 2002 Defendants' Unopposed Motion By Special Appearance For Extension Of Time To Respond To Plaintiff's First Amended Complaint in *Mentor Graphics Corp. v. EVE-USA, Inc. and Emulation and Verification Engineering, SA*, 6:06-CV-00341-AA (D. Or., filed May 23, 2006)
- MG 2003 Order of Dismissal in *Mentor Graphics Corp. v. EVE-USA, Inc. and Emulation and Verification Engineering, SA*, 6:06-CV-00341-AA (D. Or., filed November 20, 2006)
- MG 2004 Complaint for Declaratory Judgment and Injunctive Relief in *Synopsys, Inc., EVE-USA, Inc. and Emulation and Verification Engineering, S.A. v. Mentor Graphics Corp.*, 3:12-cv-05025 (N.D. Cal., filed September 27, 2012)
- MG 2005 Banner & Witcoff, Ltd.'s "Messenger Log"
- MG 2006 October 4, 2012 Synopsys Press Release "Synopsys Acquires EVE"
- MG 2007 EVE-USA's Supplemental Corporate Disclosure Statement, Docket No. 7, filed October 26, 2012 in *Synopsys, Inc. et al. v. Mentor Graphics Corp.*, 3:12-CV-05025 (N.D. Cal. filed September 27, 2012)
- MG 2008 Jansen, D., The Electronic Design Automation Handbook, Kluwer Academic Publishers, 2003, Chapter 2
- MG 2009 Bhatnagar, Advanced ASIC Chip Synthesis: Using Synopsys® Design Compiler™ and PrimeTime®, Kluwer Academic Publishers, 1999

MG 2010 Gregory et al. U.S. Patent No. 5,937,190

MG 2011 HDL Compiler™ for VHDL User Guide, Version F-2011.09-SP4, March 2012, SYNOPSYS, Section 4

Currently Filed

MG 2012 Plaintiffs' Opposition to Mentor Graphics Corporation's Motion to Transfer, dated January 25, 2013

MG 2013 Notice of Incomplete Petition, mailed November 30, 2012 in *CMI Corp. v. Yoshiharu, et. al.*, PTAB Case IPR 2013-00066

MG 2014 Response to Notice of Incomplete Petition Issued November 30, 2012, filed November 30, 2012 in *CMI Corp. v. Yoshiharu, et. al.*, PTAB Case IPR 2013-00066

MG 2015 Notice of Filing Date Accorded to Petition and Time for Filing Patent Owner Preliminary Response, mailed December 5, 2012 in *CMI Corp. v. Yoshiharu, et. al.*, PTAB Case IPR 2013-00066

MG 2016 Declaration of Allison Anderson

MG 2017 Notice of Filing Date Accorded to Petition and Notice for Setting the Time Period for Filing Patent Owner Preliminary Response

**PATENT OWNER'S REQUEST FOR REHEARING ON DECISION TO
INSTITUTE *INTER PARTES* REVIEW UNDER 37 C.F.R. § 42.71**

Rehearing of the Board's Decision to institute an *inter partes* review trial over the statutory bar in 35 U.S.C. §315(b) is respectfully requested. The Patent Owner's Preliminary Response asserted that *inter partes* review based on Petitioner Synopsys' Petition was barred by 35 U.S.C. §315(b), because Synopsys is in privity with EVE¹ and EVE was served with a Complaint alleging infringement of the '376 patent more than one year **before** the date on which the Petition was filed. The Board disagreed, finding that Synopsys' Petition was not barred under §315(b).

I. The Standard for Rehearing Is Met

This request is authorized by 37 C.F.R. § 42.71(c) and (d). The standard of review is abuse of discretion, and the burden of showing that a Decision should be modified lies with the party challenging the Decision. *Id.* Here, it is respectfully submitted that the standard for rehearing on the Decision to institute a trial is met on the basis of legal error because, as demonstrated below, the Decision misapprehends the privity requirement of §315(b), including when the privity

¹ EVE-USA, Inc. and Emulation and Verification Engineering, S.A., the defendants in the 2006 litigation, will be referred together as "EVE."

relationship must arise for §315(b) to apply.² Likewise, the Decision misapprehends the statutory nature of the service error that occurred, which requires the September 26, 2012, filing date to be vacated as a matter of law. “[A] prejudicial error of law is never discretionary and so always a basis for reversal under the abuse of discretion standard of review.” *Reg'l Air Inc. v. Canal Ins. Co.*, 639 F.3d 1229, 1234 (10th Cir.2011).

II. Overview of §315(b) Argument With Illustrative Hypothetical

The Decision determined that an *inter partes* review based on Synopsys' Petition was not barred because privity had not been shown to exist “in 2006 when EVE was served with a Complaint alleging infringement of the ‘376 patent” (Decision at 16), and because no persuasive evidence had been presented “that at the time of service of the 2006 complaint Synopsys could have exercised control over EVE's participation in the proceeding, or vice versa.” Decision at 18.

However, as discussed further below, the instant case presents a scenario of successor-in-interest privity, which does not require privity to exist at the time of the legal proceedings giving rise to the bar. Nor does successor-in-interest privity

² The issue of a bar under §315(b) is addressed in Patent Owner's Preliminary Response at 2-9. The Board addresses the issue in its Decision at 15-18.

require that the non-party bound by the outcome of the prior proceeding have had any control over the proceeding.

The Board's Decision dismissed the argument that "it is the property interest in EVE's products, the ZeBu line of emulators that were accused of infringement in 2006, that leads to the alleged bar of *inter partes* review by §315(b)," on the ground that "[a]ny potentially infringing products are irrelevant to the issues raised in the Petition, all of which involve patentability." Decision at 17.

The Board applied the wrong test. It is not the case that the property at issue in the present *inter partes* review proceedings (i.e., the '376 patent) must have been transferred from an *alleged infringer* (like EVE) to a successor-in-interest (like Synopsys) for privity under §315(b) to apply. If this were the proper test, a bar under §315(b) could never arise in a successor-in-interest scenario because the alleged infringer in litigation never owns the asserted patent. Elimination of successor-in-interest privity from the statute is plainly at odds with express statements in the legislative history that privity may adhere in a successor-in-interest situation.³

³The Decision notes (at 17) "[t]he only property right at issue in this proceeding is that of the '376 patent owned by Patent Owner." Decision at 17. Of course, in any *inter partes* review, the property right at issue is the patent for which review is sought. It would be a very unusual situation indeed for *that property* (the

Moreover, by requiring parties to have been in privity at the time of the prior litigation, the Board's interpretation would allow accused infringers to easily evade the one-year bar of § 315(b) merely by creating new alter egos to file for *inter partes* review, long after service of an infringement complaint on the original company. This would effectively make § 315(b) meaningless. This result can be

patent) to have transferred to a successor-in-interest seeking *inter partes* review of the patent. And an *inter partes* review initiated by the patent owner is not even permitted under 35 U.S.C. § 311(a). Thus, under the Board's reasoning, successor-in-interest privity could never form the basis of a §315(b) bar. Additionally, while it is true that the issue before the Board is the patentability of the '376 patent, that is not the only issue for the Board to decide. The Board must also determine whether the petitioner has standing to file the *inter partes* review in the first place. § 315(b) creates a statutory bar for certain petitioners that would eliminate the petitioner's standing if satisfied. By barring petitioners or privies of the petitioner who have been "served with a complaint alleging infringement of the patent" more than one year before the filing of the petition, §315(b) requires the Board to consider whether the property interest at stake in the earlier infringement action is now part of a common interest with a privy or owned by a successor-in-interest privy.

illustrated with a hypothetical.

The Board's interpretation would allow accused infringers to easily evade the one-year bar of § 315(b) merely by creating new alter egos to file for *inter partes* review, long after service of an infringement complaint on the original company. This would effectively make § 315(b) meaningless. This is effectively illustrated with a hypothetical.

Consider a situation where "Original Company" is served with a complaint asserting patent infringement in 2010. Under the Board's ruling, Original Company may create a new company ("Child Company") and file, more than a year later, an *inter partes* review Petition to challenge the asserted patent, in the name of Child Company. Child Company would be a privy (and likely also a real party-in-interest) with Original Company at the time the IPR Petition is decided. But, according to the Board's reasoning, that would not present a §315(b) bar. Instead, according to the Board's interpretation, in order to be barred, Child Company must have been a privy of Original Company at the time the complaint was served in 2010. Because Child Company did not exist in 2010, however, it cannot possibly have been a privy of Original Company in 2010 and, therefore, under the Board's reasoning, §315(b) would not apply. This is clearly not what Congress intended.

III. Argument

A. As Succesor-In-Interest to EVE's Entire Business, Including the ZeBu Line of Emulators That Were Accused of Infringement in 2006, Synposys Is In §315(b) Privity With EVE

Under §315(b), “[a]n *inter partes* review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the . . . privity of the petitioner is served with a complaint alleging infringement of the patent.” The legal question thus presented is the scope of “privity” for §315(b) purposes. “Privity” is an equitable rule that takes into account the “*practical situation*,” and extends to parties to transactions and other activities relating to the *property in question*. OPTPG, Fed. Reg., Vol.77, No. 157 (August 14, 2012) at 48759) (emphasis added).

The case law addressing *res judicata* and collateral estoppel, the Board's Office Patent Trial Practice Guide (OPTPG), and the legislative history are illuminating.

The word “privity” has acquired an expanded meaning. The courts, in the interest of justice and to prevent expensive litigation, are striving to give effect of judgments by extending “privies” beyond the classical description. The emphasis is not on the concept of identity of parties, but on the practical situation. Privity is essentially a shorthand statement that collateral estoppel is to be applied in a given case; there is no universally applicable definition of privity. The concept refers to a relationship between the party to be estopped and

the unsuccessful party in the prior litigation which is sufficiently close so as to justify application of the doctrine of collateral estoppel.

154 Cong. Rec. S9987 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl.) (citing *Cal. Physicians Serv. v. Aoki Diabetes Research Inst.*, 163 Cal. App. 4th 1506 (Cal. App. 2008)) (quoted in OPTPG, Fed. Reg., Vol.77, No. 157 (August 14, 2012) at 48759).

The case law referenced in the legislative history of the AIA specifically addresses privity and *res judicata* in the successor-in-interest context. And, as noted in the OPTPG, “many of the same considerations that apply in the context of ‘*res judicata*’ will likely apply in the ‘real-party-in-interest’ or ‘privity’ contexts.” Fed. Reg., Vol.77, No. 157 (August 14, 2012) at 48759-60.

One situation in which parties have frequently been held to be in privity is when they hold successive interests in the same property. See, e.g., *Litchfield v. Crane*, 123 U.S. 549, 551, 8 S.Ct. 210, 31 L.Ed. 199 (1887) (defining privity to include a “mutual or successive relationship to the same rights of property”). Thus, a judgment with respect to a particular property interest may be binding on a third party based on a transfer of the property in issue to the third party after judgment. See Restatement (Second) of Judgments Sec. 43 (1982) (“A judgment in an action that determines interests in real or personal property . . . [h]as preclusive effects upon a person who succeeds to the interest of a party to the same extent as upon the party himself.”).

Horphag, 220 F.3d at 1329 (quoted in 154 Cong. Rec. S9987 (daily ed. September 27, 2008) (statement of Sen. Kyl) (emphasis added).

Here, contrary to the Board's Decision, the "property in question" is not confined to the property in question in the present *inter partes* review proceeding, i.e., the patent sought to be reviewed.⁴ Rather, in a §315(b) context, the "property in question" necessarily encompasses the property at issue in the action initiated by the complaint alleging infringement served more than 1 year prior to the filing of the petition. Thus, the "property in question" is the alleged infringer's business of importing, making, using, and selling the products accused of infringement (including all associated rights, profits, and products).

The *Horphag* case cited in the Decision (at 17) suggests no differently. In *Int'l Nutrition Co. v. Horphag Research, Ltd.*, 220 F.3d 1325 (Fed. Cir. 2000), the privity issue arose in the context of a trademark cancellation proceeding and a *res judicata* (claim preclusion) defense. The Trademark Trial and Appeal Board (TTAB) dismissed the cancellation proceeding as being barred by *res judicata*. The petitioner was a successor-in-interest to the prior owner of a French trademark, and that prior owner had previously filed an opposition to the U.S. trademark

⁴ This would only be the case when the bar under consideration is a bar to a further proceeding following a final written decision in an *inter partes* review, as mandated by 35 U.S.C. §315(e).

registration at issue. The Federal Circuit reversed the TTAB, holding that the property transferred, the French trademark for PYCNOGENOLS, “was not the subject of [the predecessor’s] opposition to the United States registration of PYCNOGENOL, and it is not the subject of the instant cancellation proceeding.” *Id.* at 1329. Hence, the successor-in-interest to the French trademark was not barred by *res judicata* from opposing a U.S. registration of the mark.

In *Horphag*, although the claims presented in the earlier and subsequent proceedings were deemed to be the same (as would be required for *res judicata* to apply), because the property (the French trademark) that had transferred to the petitioner was deemed a property distinct from the property (U.S. trademark) at issue in the earlier and later proceedings, the successor-in-interest to the French trademark was not deemed to be in privity with its predecessor for U.S. trademark *res judicata* purposes.

In contrast to the *Horphag* facts, the property interest that petitioner Synopsys succeeded to, EVE’s entire business and products, including the ZeBu line of emulators that were accused of infringement in 2006, are indisputably directly related to the 2006 patent infringement action. Given this successor-in-interest relationship, petitioner Synopsys must be deemed a privy of EVE for §315(b) bar purposes. “What constitutes ‘privity’ varies, depending on the purpose

for which privity is asserted. *Shamrock Techs., Inc. v. Medical Sterilization, Inc.*, 903 F.2d 789, 793 (Fed. Cir. 1990) (cited in Decision at 17).

Other federal case law clearly and persuasively describes the application of successor-in-interest privity in similar contexts. In particular, *Brunswick Corp. v. Chrysler Corp.*, 408 F.2d 335 (7th Cir. 1969) presents a scenario much like the present in salient respects. In a patent infringement action, the patentee Brunswick moved “to strike a designated defense and for judgment based on *res judicata* with respect to an earlier decree of the same Court as to validity and infringement of two of the patents in suit.” *Id.* at 336. The defendant Chrysler was not a party to the earlier action and settlement, but rather only later acquired, from the defendant The West Bend Company, the business that was responsible for making and selling the products (boat motors and stern drives) decreed to be an infringement in the earlier action. More specifically, after the first suit against West Bend was settled,

the engine division of The West Bend Company was sold and transferred to defendants-appellees (Chrysler). The sale included the manufacturing plant at Hartford, Wisconsin, and West Bend's entire business relating to the manufacture and sale of outboard motors and stern drives.

Id. The Court in *Brunswick* framed the issues of law before it as follows:

1) Does the decree . . . in the previous suit between [the patent owner] and The West Bend Company give rise to *res judicata* in the instant

suit, and 2) whether on the admitted facts in this record, Chrysler stands in the shoes of The West Bend Company so as to be in privity with that Company.

Id. at 337. The Court answered both questions in the affirmative.

In the case at bar, Chrysler purchased from The West Bend Company the entire business that was devoted to the production of “Tiger Shark 800” outboard motors and the inboard-outboard stern drives used with such motors. Furthermore, The West Bend Company, having ceased all operations in the field of outboard motors, transferred both its manufacturing and sales facilities and also its personnel to Chrysler. It follows that Chrysler does stand in the shoes of The West Bend Company with respect to the decree in [the prior action].

We hold that *as the proof establishes Chrysler succeeded in interest to the subject matter of the prior decree, it is in privity with The West Bend Company*, and is bound by the provisions of the decree entered in [the prior action].

Id. at 338 (emphasis added).

Brunswick is cited with approval in a number of subsequent cases. *See, e.g.:*

- *American Equipment Corp. v. Wikomi Mfg. Co.*, 630 F.2d 544 (7th Cir. 1980) (prior consent judgment adjudicating infringement as well as validity of patent bars party that was in privity with the earlier defendant; privity arose by virtue of a post-consent judgment acquisition of the business that manufactured the equipment adjudicated to be an infringement);

- *Crossroads Systems (Texas), Inc. v. DOT Fill Systems Corp.*, 82 U.S.P.Q. 2d 1517, 2006 WL 1544621,*6 (W.D. Tex. 2006) (“The result in [*Brunswick*] seems eminently fair and sets a good policy. A party should not be able to evade an adverse judgment on the issues of validity and infringement simply by transferring its assets.”); and
- *Arco Polymers, Inc. v. Studiengesellschaft Kohle mbH*, 555 F. Sup. 547 (E.D. Penn. 1982) (declaratory judgment plaintiff, that succeeded to ownership of an entire manufacturing facility and polypropylene business whose operations were earlier adjudged to be infringing a valid patent, was barred from relitigating the patent’s validity).

The instant set of facts present a case at least as compelling on the privity issue as was presented in *Brunswick*, *Wikomi*, and *Arco Polymers*. As the Patent Owner set forth in its Preliminary Response, Synopsys is the corporate successor-in-interest to EVE, including its business engaged in:

“using, importing, selling, offering for sale and/or supporting the ZeBu Products in the United States, which line of products was previously accused by Mentor Graphics of infringing the . . . [‘376 patent] and which products share structures and functionality that Mentor Graphics alleged are relevant to the claims of the . . . [‘376 patent].”

Preliminary Response at 6 (quoting the September 27, 2012 Declaratory Judgment Complaint (MG 2004) filed jointly by EVE and Synopsys, at ¶13).

Subsequent to the Patent Owner filing its Preliminary Response, Synopsys and EVE made further filings in their declaratory judgment action (Case No. 3:12-cv-05025) that leave no doubt that petitioner Synopsys is in agreement regarding its privity with EVE. In opposing the Patent Owner's motion to transfer the case to Oregon, plaintiffs Synopsys and EVE argued:

Synopsys is not suing for breach of the 2006 Settlement Agreement. It seeks to shield itself from litigation threats from a party who dismissed the exact same claims against the exact same parties (***or their privies, as Mentor Graphics concedes***) with prejudice more than six years ago. . . . Synopsys' and EVE's position that Mentor Graphics cannot maintain this suit [alleging, *inter alia*, infringement of the '376 patent] rests on the doctrine of res judicata, because Mentor Graphics dismissed the same claim with prejudice more than six years ago.

Plaintiffs' Opposition to Mentor Graphics Corporation's motion to transfer, dated January 25, 2013 (MG 2012) at 22-23 (original pp.17-18) (emphasis added).

B. Because Synopsys Is a Successor-in-Interest of EVE, a §315(b) Bar Does Not Require That the Privy Relationship Existed at the Time the 2006 Complaint Was Served, Nor That Synopsys Have Had Any Control Over That Lawsuit

The Board's Decision on the §315(b) bar issue hinged on its reading of the statute to require a privy relationship "in 2006 when EVE was served with a complaint alleging infringement of the '376 patent." Decision at 15-16.

The plain language of 35 U.S.C. §315(b) does not, however, set forth any such requirement. A reading of the statute to require privy at the time of service of the complaint giving rise to the bar leads to an unjust result clearly at odds with Congressional intent. Successor-in-interest privy, well recognized in the case law, and cited in the legislative history, would be substantially excluded. And as a result, a patent litigation defendant would always have a simple way to avoid a §315(b) bar and be able to have an *inter partes* review Petition granted.⁵

Such an interpretation would be at odds with how privy is interpreted by the courts in the context of collateral estoppel and *res judicata*, especially in those instances where the privy is based on a successor-in-interest relationship. According to traditional canons of statutory interpretation, constructions that lead to an unjust result at odds with Congressional intent are to be avoided (even when

⁵ This is effectively illustrated by the hypothetical presented in the Summary of Argument section above.

the language of the statute might suggest such a result). *See, e.g., Public Citizen v. Department of Justice*, 491 U.S. 440 (1989).

In the successor-in-interest scenario, there typically is no privity existing at the time of the earlier proceeding, nor any right to control the earlier proceeding by the party who became a privy. For example, in *Horphag*, the earlier proceeding was dismissed in October of 1992, and the assignment of the French trademark to the alleged privy (a company called “INK”) occurred in March of 1994. *Horphag* 220 F.3d at 1327. As previously explained, the holding of no *res judicata* in that case was due to the lack of relation of the transferred French trademark to the U.S. trademark cancellation proceedings, **not** a lack of privity at the time of the earlier proceeding or a right to control that proceeding. To the contrary, successor-in-interest privity requires the transfer of rights to be after the earlier proceeding was filed. Addressing an allegation that successor INK obtained from its predecessor (SCERPA) its rights to the U.S. trademark, in addition to the French trademark, the *Horphag* Court noted:

[T]he Board made no finding that any transfer of rights in the trademark occurred after the adverse judgment in the opposition proceeding or while the opposition was pending. ***For res judicata to be based on sucessionship***, the Board would have to find that INK obtained its rights in the trademark directly or indirectly from

SCERPA and that it did so *after the unsuccessful opposition was filed*.

Horphag, 220 F.3d at 1330 (emphasis added). In *Brunswick*, presented with Chrysler's argument that "it was not a corporate successor to The West Bend Company; [and] that it *had no interest or control in the prior suit*," the Court nonetheless determined that privity existed for *res judicata* purposes. 408 F.2d at 338 (emphasis added).

C. *Inter partes* Review Cannot Be Instituted Because Synopsys Is In Privity With EVE

The Board's Decision also commented (at 16): "Furthermore, Patent Owner does not provide persuasive evidence that Synopsys and EVE were in privity on the filing date of the Petition." There is, however, no requirement in §315(b) that the relied upon privity relationship have existed as of the filing date of the petition. §315(b) states:

An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.

The facts of the current situation satisfy all of the statutory requirements for the bar to apply. The statute precludes institution of a review if more than one year has passed since a complaint alleging infringement was served on a privy of

the Petitioner. There is no question that this condition exists for the current Petition. Synopsys is in privity with EVE: Synopsys's acquisition of EVE was completed on October 4, 2012.⁶ Preliminary Response at 4; MG 2006. The Petition was filed by Synopsys in 2012, more than one year after the complaint against EVE was filed in 2006. These facts were all presented to the Board prior to the Board's Decision.

Section 315(b) sets no time limit on when the statutory conditions may be satisfied. The Patent Office comments and rules that were promulgated in connection with the new *inter partes* review statute are consistent with the Patent Owner's interpretation of § 315(b), not the Board's limitation of the time that § 315(b) is applied. These comments and rules were based on the plain language of § 315(b) as well as the legislative history, further reinforcing the Patent Owner's interpretation.

For example, 37 C.F.R. §§ 42.8(a)(3) and 42.8(b)(1) require a petitioner to identify each real party in interest, and ***to update*** any changes in the real parties in interest within 21 days of the change. The updating requirement of Rule 42.8(b)(1)

⁶ Privity in fact adhered before October 4, 2012, as explained in subsequent sections. Institution of an *inter partes* review is barred beginning with the first date on which Synopsys and EVE were in privity.

is consistent with the Patent Owner's interpretation of § 315(b) and shows that an *inter partes* review may not be instituted when a party barred by § 315(b) is identified as a real party in interest, even though an update is filed after the filing date of the *inter partes* review petition.

The Patent Office recognized the consistency between the mandatory disclosure rules (including the updating provisions) and § 315(b) when promulgating the current disclosure rules:

Section 42.8 provides for certain mandatory notices to be provided by the parties, including identification of the real parties in interest, related matters, lead and back-up counsel, and service information. The rule requires the identification of lead and back-up counsel and service information. ***The mandatory notices concerning real parties in interest and related matters are consistent with the requirements of 35 U.S.C. 315, as amended, and 35 U.S.C. 325. These statutes describe the relationship between the trial and other related matters and authorize, among other things, suspension of other proceedings before the Office on the same patent and lack of standing for real parties in interest that previously have filed civil actions against a patent for which a trial is requested. Mandatory notices are also needed to judge any subject matter estoppel triggered by a prior Board, district court, or U.S. International Trade Commission proceeding.***

Fed. Reg. Vol. 77, No. 157 (August 14, 2012) at 48617 (emphasis added).

Although the identity of “privies” is not included in the mandatory disclosure rules, such omission does not change the fact that 35 U.S.C. § 315(b) applies to a “real party in interest” and that there is an ongoing obligation under Rule 42.8 to inform the Patent Office of any change to the “real party in interest” so that the Patent Office can properly apply §315. Further, 35 U.S.C. §315(b) makes no distinction between a statutorily barred “real party in interest” and a statutorily barred “privy” of the petitioner. Consequently, just as the statute bars a petition filed by an entity that becomes a “real party in interest” to prior litigation after the filing date of the *inter partes* review petition, the same must be true of a petitioner that becomes a “privy” to a party to previously filed litigation after the petition is filed.

D. Barring Privy Also Existed Between Synopsys and EVE as of the Filing Date of the Petition

While not necessary for a bar to arise under §315, privity between Synopsys and EVE existed at least as of September 27, 2012, the date on which Synopsys and EVE signed an agreement by which Synopsys would acquire EVE. Preliminary Response at 3; MG 2004 at ¶ 13. Synopsys’ agreement to acquire EVE establishes privity both because Synopsys agreed to step into EVE’s shoes as its successor in interest (*see, e.g., Taylor v. Sturgell*, 553 U.S. 880, 894 (2008); *Brunswick Corp. v. Chrysler Corp.*, 408 F.2d 335, 338 (7th Cir. 1969)) and because

the transaction resulted in EVE becoming a wholly-owned subsidiary of Synopsys. *See, e.g., In re Imperial Corp. of America*, 92 F.3d 1503, 1507-1508 (9th Cir. 1996); *Mars Inc. v. Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 619 (Fed. Cir. 1995). Obviously nothing prevented Synopsys and EVE from pursuing their common interest and consummating the transaction, which closed just one week later, on October 4, 2012. (Preliminary Response at 3; MG 2006.)

1. The Petition Is Entitled to A Filing Date No Earlier Than September 27, 2012

In its Preliminary Response, Mentor Graphics argued that September 26, 2012 was not the filing date of the petition because Synopsys did not properly serve the petition on that date. Patent Owner's counsel of record were only served on September 27, 2012. Preliminary Response at 4, n.2. The Board's decision dismissed Mentor Graphics' argument without reasoning. Decision at 15, n.1. Reconsideration on this point is respectfully requested.

35 U.S.C. § 312(a) is entitled "REQUIREMENTS OF PETITION" and states (emphasis added) that "[a] petition filed under section 311 may be considered **only if-- . . . (5) the petitioner provides copies of any of the documents** required under paragraphs (2), (3), and (4) **to the patent owner or, if applicable, the designated representative of the patent owner.**"

Rule 42.106 recognizes that proper service is a statutory requirement by stating that “A petition to institute *inter partes* review will not be accorded a filing date until” the petitioner “[e]ffects service of the petition on the correspondence address of record”.

IPR 2013-00066 confirms the statutory nature of the service requirement in 35 U.S.C. § 312(a). In IPR 2013-00066, an *inter partes* petition was filed on November 28, 2012, but the petition was served to the wrong address. The Patent Office rejected the petition and issued a “Notice of Incomplete Petition” on November 30, 2012. MG 2013. The notice stated that the petition **“has not been accorded a filing date due to the following deficiency(ies): - Service was not properly made upon the Patent Owner. . . If the statutory deficiency is corrected (and no other deficiency is introduced) within one month, the petition will be accorded the filing date of the supplemental submission.”** *Id.* (emphasis added)

In response to the Notice of Incomplete Petition, the petitioner in IPR 2013-00066 served the petition at the proper address on November 30, 2012, and submitted a response that included the proper certificate of service. MG 2014. The response also argued that the original service had actually been to the patent owner because it was to a different law firm that also represented the patent owner. *Id.*

The Patent Office rejected the petitioner's argument and instead accorded a filing date of November 30, 2012 – the later date on which proper service had occurred. MG 2015.

Thus, IPR 2013-00066 illustrates that the failure to properly serve an *inter partes* petition is a statutory deficiency that affects the petition's filing date. The statutory requirements for an *inter partes* petition cannot be waived by Board.

In this case, the statutorily compliant petition did not exist on September 26, 2012. The original service was attempted on the wrong address. The papers were only received by Patent Owner's counsel of record on September 27, 2012, as evidenced by the mail log of the undersigned counsel, which indicates service on September 27, 2012. MG 2005 (see 5th entry dated September 27, 2012). Furthermore, to the extent that the Board believes the mail log is unclear, the undersigned is submitting a Declaration to explain the entry. MG 2016.

The Notice of Filing Date Accorded to Petition in this proceeding does not rebut this evidence. MG 2017. That notice was mailed on September 28, 2012, and actually recognizes that the original Certificate of Service was incorrect. *Id.* According to that notice, Anita Chou (apparently a legal assistant for the Orrick firm) confirmed that “the messenger was able to deliver to the correct service address and a signature was obtained,” but the notice does **not** specify the date that this service occurred, specify which address Ms. Chou confirmed was the “correct

service address,” or provide evidence of a date. Indeed, Synopsys has yet to submit a certificate of service stating the actual date and actual address served as it “must” under Rule 42.6(e)(4). As shown by Rule 42.6 and illustrated by IPR 2013-00066, providing a proper certificate of service is the duty of the filing party, not the receiving party. Thus, there is no evidence in the record that September 26, 2012 is the date of proper service.

Accordingly, it is respectfully submitted that the Board exceeded its statutory authority and thereby abused its discretion in according the petition a filing date of September 26, 2012.

2. Privity Between Synopsys and EVE Also Existed On September 26, 2012, the Filing Date Incorrectly Accorded the Petition

The fact that Synopsys filed its incomplete petition (lacking proper service on the Patent Owner) the day before it signed the acquisition agreement with EVE does not help Synopsys. At most, this might be considered a “timing issue” that “may affect the balance of equities,” but it does not determine the issue. *Boston Scientific*, 983 F.Supp. 245, 258 (D. Mass. 1997).

In fact, the timing here supports privity. Privity is an equitable determination that takes account of the “practical situation.” This is reflected both in the legislative history of 35 U.S.C. § 315 (*see* OTPTG, Fed. Reg., Vol. 77, No. 157 (August 14, 2012) at 48759 (citing legislative history)) and the case law on

privity in other contexts. *See, e.g., MCA Records, Inc. v. Charly Records, Ltd.*, 865 F.Supp. 649, 655-656 (C.D. Cal. 1994). For example, in resolving the privity issue in the claim preclusion context, courts have “focused directly on the question whether the relationship between the parties is such that one party should enjoy the benefit, or suffer the burden, of a judgment for or against another.” *Mars Inc. v. Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 619 (Fed. Cir. 1995). Here, Synopsys should not be permitted to avoid the plain import of Section 315(b) by filing its petition -- on behalf of and in the interest of EVE -- the day before agreeing to acquire EVE.

Synopsys’ decision to file its petition the day before signing an agreement to acquire EVE was a transparent attempt to avoid the rule of Section 315(b), which prevented EVE from filing the petition itself. Presumably Synopsys believed that it could sneak the petition in before the merger, and thus before Synopsys was in privity with EVE and subject to the same Section 315(b) bar. Such “deliberate maneuvering to avoid the effects” of the Section 315(b) rule, however, weighs in favor of finding privity. *See Boston Scientific Corp. v. Schneider (Europe) AG, et al.*, 983 F.Supp. 245, 258 (D. Mass. 1997) (citations omitted). Synopsys’ conduct and pleadings reveal that Synopsys was aware of the litigation between EVE and Mentor Graphics, the patents at issue, and the potential legal issues that Synopsys

faced once it consummated the planned merger of EVE. Complaint (MG 2004) at 5, ¶ 15.

Additionally Synopsys and EVE's interests were wholly aligned when Synopsys filed its petition. Synopsys' petition was filed to protect EVE's business, which was about to become Synopsys' own. (There is no other explanation regarding why Synopsys would file a petition in support of an apparent competitor in the emulation market.) Section 315(b) expressly applies to a "privity of the petitioner" to prevent this kind of corporate transactional gamesmanship.

E. The Evidence Also Indicates that EVE Is a Real Party-In-Interest to the Petition Filed by Synopsys

Alternatively, and in the event that the Board were to find that the filing date of the petition is the relevant date on which privies and real parties in interest are to be considered, then it is respectfully submitted that EVE was also a real party-in-interest on the date of filing.⁷ The coordinated filing of the *inter partes* review petition and of the declaratory judgment complaint concerning the '376 patent (which named EVE as a co-plaintiff and was filed at 8:30 a.m. on September 27,

⁷ This argument was raised in Patent Owner's Preliminary Response at 6, n. 6, but was not developed apart from the privity issue. The Patent Owner more fully develops the argument now in view the unanticipated decision and rationale adopted by the Board regarding § 315(b) privity.

2012) were obviously not coincidental. Before filing, a Rule 11 basis for the invalidity of the '376 patent had to be developed, and the merits of that basis mutually discussed and considered. Furthermore, the acquisition agreement allegedly signed on September 27, 2012, obviously had been negotiated for weeks or months before. Simply put, the *inter partes* review petition, the declaratory judgment complaint, and the acquisition agreement were all “good-to-go” before September 27, 2012. These facts alone show that EVE was a real party in interest to the *inter partes* review petition.

In this regard, the PTO's Decision Vacating Filing Date in Inter Partes Reexamination Proceeding Control No. 95/001,045 (cited approvingly in the OPTPG for guidance as to the meaning of a “real party in interest”) found that allowing another entity to direct or control the content (including merely providing the prior art on which the reexam is based or providing a “technical review” of the petition) is sufficient for the other party to become a “real party in interest”. The unique circumstances of this case present at least as compelling a scenario as presented in Proceeding 95/001,045.

Accordingly, the Board is requested to find that EVE was a real party in interest at the time of filing the petition or (as the Board in Proceeding 95/001,045 initially did) issue a “show cause” order to the Petitioner to explain the events surrounding the filing of the petition so that the Board can appropriately apply

§315(b) (especially in view of the Petitioner's failure to update its mandatory disclosures). Such action would best serve the interests of justice and judicial economy, and prevent a statutorily barred action from proceeding any further.

IV. Conclusion

It is respectfully submitted that the proper reading of §315(b) is the one that the Patent Owner has offered. Only this interpretation is consistent with the legislative history and the case law referenced by it. And only this interpretation is consistent with the express purpose of the privy language used throughout §315 recognized by the Board, namely "to protect patent owners from harassment via successive petitions by the same or related parties, to prevent parties from having a 'second bite at the apple,' and to protect the integrity of both the USPTO and the Federal Courts by assuring that all issues are promptly raised and vetted." OPTPG, Fed. Reg., Vol.77, No. 157 (August 14, 2012) at 48759.

For at least the foregoing reasons, the Decision granting a trial in this matter should be reconsidered and Synopsys' petition for *inter partes* review of the '376 patent should be denied as barred under 35 U.S.C. § 315(b).

Dated: March 8, 2013

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies service on the Petitioner, pursuant to 37 C.F.R. § 42.6(e), by FedEx Standard Overnight delivery of a true copy of the foregoing PATENT OWNER'S REQUEST FOR REHEARING ON DECISION TO INSTITUTE *INTER PARTES* REVIEW UNDER 37 C.F.R. § 42.71 to lead counsel of record for Petitioner as follows:

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Dated: March 8, 2013

By: /Christopher L. McKee/

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