



April 9, 2012

Hon. David J. Kappos
Under Secretary of Commerce for Intellectual Property
and Director of the U.S. Patent and Trademark Office
600 Dulany Street
P.O. Box 1450
Alexandria, VA 22313-1450

Submitted via: patent_trial_rules@uspto.gov

Re: Comments on proposed:

- Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879-6914 (Feb. 9, 2012);
Practice Guide for Proposed Trial Rules, 77 Fed. Reg. 6868-79 (Feb. 9, 2012);
Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041-60 (Feb. 10, 2012);
Changes to Implement Post Grant Review Proceedings, 77 Fed. Reg. 7060-80 (Feb. 10, 2012); and
Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080-95 (Feb. 10, 2012)

Dear Under Secretary Kappos:

Intellectual Property Owners Association (IPO) appreciates the opportunity to provide comments to the U.S. Patent and Trademark Office in response to the above-noted proposed rulemakings.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventor, author, law firm, or attorney members.

IPO specifically endorses the comments provided in the attached report. This report was prepared by a committee appointed jointly by IPO, the Intellectual Property Section of the American Bar Association, and the American Intellectual Property Law Association. IPO representatives on the committee were Philip S. Johnson and Kevin H. Rhodes.

IPO thanks the USPTO for considering these comments and would welcome any further dialogue or opportunity to assist the USPTO in this matter.

Sincerely,

[Handwritten signature of Richard F. Phillips]

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**Before the
United States Patent and Trademark Office
Alexandria, VA 22313**

In the Matter Of)
)
Implementation Of)
The Leahy-Smith)
America Invents Act)
Public Law 112-29)

**Comments of the Committee Appointed by the ABA-IPL, AIPLA
and IPO on the United States Patent and Trademark Office's
Proposed Regulations Relating to Post-Grant Review, Inter Partes
Review and the Transitional Program for Covered Business Method
Patents Under the Leahy-Smith America Invents Act**

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**COMMENTS OF THE COMMITTEE APPOINTED BY THE ABA-IPL, AIPLA AND IPO ON
THE UNITED STATES PATENT AND TRADEMARK OFFICE’S PROPOSED REGULATIONS
RELATING TO POST-GRANT REVIEW, INTER PARTES REVIEW AND THE
TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHOD PATENTS
UNDER THE LEAHY-SMITH AMERICA INVENTS ACT**

Executive Summary:

A committee of six experts appointed by the American Bar Association – IP Law Section, American Intellectual Property Law Association and Intellectual Property Owners Association (the “Committee”), with advice and input from the executive directors of each organization, developed a set of proposed regulations for implementing the new post-grant review (“PGR”), inter partes review (“IPR”) and transitional program for covered business method patents of the Leahy-Smith America Invents Act, Public Law No. 112-29 (“AIA”). The Committee submitted its proposed rules to the United States Patent and Trademark Office (“PTO”) on November 17, 2011.

The Committee is pleased to have this opportunity to present its views with respect to the Notices of Proposed Rulemaking entitled:

- Practice Guide for Proposed Trial Rules, 77 Fed. Reg. 6868-79 (Feb. 9, 2012);
- Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879-6914 (Feb. 9, 2012);
- Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 7041-60 (Feb. 10, 2012);
- Changes to Implement Post Grant Review Proceedings, 77 Fed. Reg. 7060-80 (Feb. 10, 2012); and
- Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080-95 (Feb. 10, 2012).

(collectively, the “PTO’s Proposed Rules”)

The Committee commends the PTO for its efforts to devise a workable system for managing the IPR, PGR and covered business method patent proceedings at the Patent Trial and Appeal Board, as created by the AIA. The Committee thanks the Office for incorporating into the PTO’s Proposed Rules a number of aspects that are consistent with the Committee’s proposed approach to the structure and timing for the new proceedings. The Committee thanks the PTO for its consideration of the Committee’s submission. Some of the most significant areas of agreement between the Committee’s proposal and the PTO’s Proposed Rules – on issues that the Committee believes are crucial to successful implementation of the new review procedures – are summarized in Section I below.

In some respects, however, the PTO’s Proposed Rules differ significantly from the Committee’s proposal. In Section II of the comments that follow, the Committee outlines its views on nine aspects of the new proceedings for which the Committee believes that modifications to the PTO’s

Proposed Rules would improve the fairness, effectiveness and efficiency, and reduce the costs, of the proceedings. For each of these nine areas, the Committee lists proposed additions and changes to the PTO's Proposed Rules, with specific references to the language proposed by the Committee in its November 17, 2011 submission.¹

I. AREAS OF SIGNIFICANT AGREEMENT BETWEEN THE COMMITTEE'S PROPOSED RULES AND THE PTO'S PROPOSED RULES.

A. Petition & Preliminary Response

Like the Committee's proposed rules, the PTO's Proposed Rules begin with the filing of a petition that lays out all of the petitioner's grounds and supporting evidence, on a challenged patent-claim-by-patent-claim basis, for instituting the requested review proceeding. The PTO's Proposed Rules include a specific Identification of Challenge requiring the petitioner to state the grounds for each claim challenged, including the specific statutory grounds for all challenges, the petitioner's proposed claim construction and supporting evidence. PTO's Proposed Rules 42.104(b), 42.204(b). As explained in Section II.A below, the Committee also believes it is of vital importance that the Petitioner also set forth its proposed claim construction in the petition.

The PTO's Proposed Rules for the Patent Owner's Preliminary Response also incorporate a number of features consistent with those put forth by the Committee. The preliminary response may include evidence to rebut the petition and the patent owner may file a statutory disclaimer as to claims it does not wish to defend in the review. PTO's Proposed Rules 42.107, 42.207. To expedite the proceeding, the patent owner may file an election to waive its preliminary response. PTO's Proposed Rules 42.107(b), 42.207(b). As discussed more fully in Section II.B. below, the Committee believes that the patent owner should be allowed to include with its preliminary response any evidence offered to rebut the petition, including testimonial evidence.

B. Institution and Scope of Review.

The Committee generally agrees with the PTO's Proposed Rules providing that the Board decision to institute review will authorize the review to proceed only as to those claims for which the required threshold has been met and only as to those grounds of unpatentability that meet the threshold. PTO's Proposed Rules 42.108, 42.208. The Committee agrees with the comment in the PTO's Practice Guide, which states: "Any claim or issue not included in the authorization for review is not part of the trial." 77 Fed. Reg. 6869. As explained below, the Committee disagrees with the proposed standard for claim construction, which differs from that originally suggested by the Committee in that it would not conform to the claim construction standard to that is used in the courts. If not changed, patent owners would face the untenable and unfair situation where validity is

¹ As with the earlier Committee Report, this report reflects the majority views of the Committee, but should not be construed as suggesting that there is unanimity as to each point expressed. In addition, it is anticipated that each of the Committee's sponsoring associations may augment, elaborate, or even disagree, as to one or more of the views expressed herein.

judged using one (broader) claim construction while infringement of the same claim would be judged using another (narrower) construction.

C. Discovery.

The Committee commends the PTO for adopting the concept of sequenced discovery. The PTO's Practice Guide makes clear that the patent owner's discovery period commences first after institution of the review and the petitioner's discovery period commences after the patent owner files its response to the petition. 77 Fed. Reg. 6869. The Practice Guide also indicates that discovery is focused on rebuttal of the evidence put into the record by the other party. *Id.*; *see also* 77 Fed. Reg. 6871 ("The sequenced discovery allows parties to conduct meaningful discovery before they are required to submit their respective motions and oppositions. Thus, discovery before the Board is focused on what the parties reasonably need to respond to the grounds raised by an opponent. In this way, the scope of the trial continually narrows."). The Committee urges the PTO to ensure that the concept of sequenced discovery is made clear in the rules themselves, not just the Practice Guide.

The Practice Guide for the proposed rules includes Protective Order Guidelines and a Default Protective Order, which are quite similar to the Committee's proposal. *See* 77 Fed. Reg. 6877-79. However, the PTO Proposed Rules themselves also include rules directed to the entry of a protective order and the treatment of confidential information. *See* PTO's Proposed Rules 42.54, 42.55, 42.56. These rules should be clarified to cross-reference the Guidelines and Default Protective Order, to make clear that the rules are intended to be consistent with the Guidelines and Default Protective Order.

II. AREAS OF SIGNIFICANT DIFFERENCES BETWEEN THE COMMITTEE'S PROPOSED RULES AND THE PTO'S PROPOSED RULES.

A. Petition.

Although the PTO's Proposed Rules begin with the filing of a petition that lays out the petitioner's grounds and supporting evidence, on a challenged patent-claim-by-patent-claim basis, for instituting the requested review proceeding, the Proposed Rules also authorize the petitioner to file what is deemed "supplemental information":

Once a trial has been instituted, a petitioner may request authorization to file a motion identifying supplemental information relevant to a ground for which the trial has been instituted. The request must be made within one month of the date the trial is instituted.

PTO Proposed Rules 42.123, 42.223.

The comments on the Proposed Rules do not explain the rationale for this departure from the Committee's proposal that the petition define all grounds that are requested to form the basis for the review. As the Committee pointed out in its comments on the Proposed Rules, the petitioner will have had substantial opportunity to prepare his or her showing before the petition is filed. In the case of a PGR petition, the petitioner typically will have had the opportunity to monitor the progress of the prosecution of the patent application at issue throughout much of its pendency, and generally will have been able to learn the exact language of the allowed claims several months prior to the patent's issuance. Thereafter, the petitioner will have had an additional nine months to prepare its petition and supporting materials. With respect to IPR, the petitioner will have had much longer, sometimes years, to prepare the petition. On balance, therefore, it is difficult to understand why the petitioner should receive a second opportunity to submit additional evidence following the filing of its petition.

Similarly, given the expedited timing of the review, forcing the patent owner to face new evidence of alleged unpatentability once the review has commenced, with such evidence potentially surfacing for the first time during the patent owner's limited period for discovery, could be seen as placing an undue burden and hardship on the patent owner. The PTO Rules do not reflect how the PTO balanced the petitioner's need to submit additional evidence against the hardship that a belated submission of new evidence might cause to the patent owner.

Moreover, with the PTO estimating that 90% of the requested reviews will be instituted, 77 Fed. Reg. 7049, the risk of "sandbagging" exists, where a petitioner, knowing that its odds of having a review instituted are very high, would hold back some evidence to spring upon the patent owner after the review is commenced, thereby compressing the time for the patent owner to rebut the new evidence. Presumably, the PTO would respond that motions to submit supplemental evidence will be denied if they smack of sandbagging, but in practice it may be difficult, if not impossible, to identify those instances where the petitioner has intentionally withheld evidence until after institution for strategic reasons.

The Committee understands that the PTO may be of the view that the text of the AIA requires that the petitioner be allowed to supplement the petition with additional supporting evidence once the petition has been filed. *See* AIA, §§ 316(a)(3) (for IPR, Director shall prescribe regulations "establishing procedures for the submission of supplemental information after the petition is filed"); 326(a)(3) (same for PGR). In the Committee's view, this mandate is entirely consistent with the position that the petition and its supporting papers should lay out all of the affirmative evidence upon which the petitioner may rely in its unpatentability challenge, and that later introduction of evidence by the petitioner should be limited to rebuttal evidence of positions taken by the patentee, and/or evidence bearing on the credibility of patentee's witnesses. The right of the petitioner to file written comments to the patent owner's response is guaranteed by the AIA. *See* AIA, §§ 316(a)(13) (IPR); 326(a)(12) (PGR). Thus, the AIA's reference to the "submission of supplemental information" can be seen as affording the petitioner the right to submit rebuttal evidence supporting those written comments, rather than limiting the petitioner's written comments to argument alone. As an example, under both IPR and PGR, the petitioner is allowed discovery of the patent owner's

witnesses submitting declarations or affidavits in support of the patent owner's response. *See* AIA, §§ 316(a)(5)(A) (IPR); 326(a)(5) (PGR). It would be incongruous to allow such discovery to be taken by the petitioner, yet not guarantee the right of the petitioner to present such supplemental information adduced during its rebuttal discovery period to rebut testimony or other evidence presented by the patent owner. Hence the AIA confers that right. That rebuttal right is a far cry, however, from allowing the petitioner the right to introduce new affirmative evidence into the proceeding after it is instituted, and nothing in the AIA confers such a right.

The Committee's Proposal. The Committee believes that the petition should disclose the entirety of the petitioner's case, and should serve as the petitioner's main "trial brief," in keeping with the intent of the AIA. As such:

- The petition and its supporting papers should lay out all of the evidence upon which the petitioner may rely in its unpatentability challenge.
- Upon agreement to a Standing Protective Order, the patent owner should be given immediate access to any confidential information included with the petition, including all documents relied upon in support of the petition.
- The petitioner should not thereafter be allowed to introduce new arguments of unpatentability or new evidence in support of its contentions.
- Later introduction of evidence by the petitioner should be limited to rebuttal evidence of positions taken by the patentee, and/or evidence bearing on the credibility of patentee's witnesses.
- The PTO Proposed Rules 42.123 and 42.223 should not be adopted.

The Committee's Proposed Rules: 41.302 (PGR); 41.402 (IPR).

B. Patent Owner's Preliminary Response.

The Committee is concerned that the proposed rules will result in the institution of far more review proceedings than Congress intended when deciding to reject the "substantial new question of patentability" standard in favor of the higher thresholds required by Sections 314(a) and 324(a) of the AIA. Compounding this concern is the approach of the PTO's Proposed Rules, wherein the petitioner would be allowed to submit all relevant evidence, including testimonial evidence, while the patent owner would not be allowed to respond in kind. By contrast, the Committee's proposal allowed the patent owner's preliminary response to include any evidence offered to rebut the petition. The PTO's Proposed Rules exclude testimonial evidence from the patent owner's preliminary response, unless such testimony is already of record. PTO Proposed Rules 42.107(c), 42.207(c).

The Committee understands that the PTO may be concerned that testimonial evidence submitted with the patent owner's preliminary response would not be subject to cross-examination, and so the Board would not be in a position to weigh it appropriately. However, there appears to be no restriction on the petitioner's ability to submit testimony in support of the petition for review, and thus the same criticism would appear to apply equally to the petitioner's showings. See PTO Proposed Rules 42.104, 42.204. In the Committee's view, fairness requires that the patent owner be allowed to preliminarily respond to the petition with testimonial evidence, if so desired, and that that evidence and the remainder of the patent owner's showing be evaluated in the same manner as evidence proffered by the petitioner.

In addition to the unwarranted disparate treatment of petitioners and patent owners, the Committee is concerned that restricting the patent owner's evidentiary submissions in the preliminary response will result in reviews being instituted upon an incomplete record, when consideration of a fuller record would make clear that the evidentiary threshold has not been met. The PTO notes that in FY 2011, 93% of requests for *inter partes* reexamination were granted under the substantial new question of patentability threshold. 77 Fed. Reg. 7049. Despite the higher thresholds for IPR and PGR, the PTO estimates that 90% of petitions for IPR and PGR will be granted. 77 Fed. Reg. 7049 (IPR), 7069 (PGR). The Committee believes that the institution rate may be lower, and unnecessary reviews thus avoided, if the patent owner were allowed to introduce testimonial evidence in its preliminary response. Although a lower institution rate is not the goal in itself, the Committee does believe that the decision to institute review, which comes with a substantial cost and burden on patent owners, petitioners and the Office, should be made based upon the best available evidence and as complete a record as it is possible to generate prior to institution.

The Committee notes the Office's adoption of proposed Sections 42.100(b) and 42.200(b) that provide that "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." By contrast, the Committee had recommended that the claims further be construed in view of the "prosecution history." See Committee Proposals 41.301(c) and 41.401(c). This difference is meaningful, as it was the Committee's intention that the claim construction employed would be the same as that used in the courts, where the prosecution history is a main source of intrinsic evidence relied upon to determine the proper construction of the claims. The Committee believes it would be inappropriate for the Office's construction of the claims to differ from the constructions that have been or would be given to the claims in a district court proceeding.

To the extent that is the intent of the Office's Proposed Rules would result in claim constructions that differ from those mandated under judicial precedent, these rules would also appear to exceed the authority of the Office, which does not enjoy substantive rule making power. *Tafas v. Doll*, 559 F.3d 1345, 1352 (Fed. Cir. 2009).

The wisdom of leaving the rules of claim construction to the courts is apparent from review of the Office's commentary accompanying proposed Section 42.100(b), 77 Fed. Reg. at 7044. The rule is proposed as “consistent with long-standing established principles of claim construction before the Office,” citing two Federal Circuit decisions adopting the broadest reasonable interpretation (“BRI”) standard in reexaminations. However, the commentary does not consider the impact of the proposed claim construction standard on the overall balance of rights between patentees and accused infringers. Nor does it consider the standard of justice in adjudication of existing patent rights that will best promote the overall progress of science and the useful arts. The Office commentary seems to assume that IPR is simply an updated version of *inter partes* reexamination. This is incorrect. Reexamination is “conducted according to the procedures established for initial examination under the provisions of Sections 132 and 133.” 35 U.S.C. § 305 (*ex parte* reexamination) and 35 U.S.C. § 314 (*inter partes* reexamination), as it stood prior to amendments by the America Invents Act. Thus, “the focus of” reexamination proceedings “return[ed] essentially to that present in an initial examination.” *In re Etter*, 225 U.S.P.Q. 1, 4, 756 F.2d 852 (Fed. Cir. 1985). By contrast, IPR is not patent examination. As stated in the House Judiciary Committee report on the AIA, “[t]he Act converts *inter partes* reexamination from an examinational to an adjudicative proceeding, and renames the proceeding ‘*inter partes* review.’” H.R. Rep. No. 112-98, pt. 1, at 46-47 (June 1, 2011).

A defendant in an infringement suit can petition to institute an IPR within one year of the filing of the complaint. AIA, 35 U.S.C. § 315(b). If IPR works as intended, a substantial number of litigants will use it as a mechanism for dealing with the validity part of an infringement suit. Ongoing litigation is also a possibility with PGR’s. If the BRI standard is applied in IPR and PGR, the patent owner will be faced with a broad construction in the validity litigation and a narrow construction in the infringement phase. Such a double standard is directly contrary to the fundamental principle of law that the interpretation of a claim must be the same for purposes of validity and infringement. *SmithKline Diagnostics, Inc., v. Helena Laboratories Corp.*, 859 F.2d 878, 882 (Fed. Cir. 1988). The balance of rights will shift significantly in favor of accused infringers and against patent owners.

There is no sound reason to assume that the Federal Circuit would adopt such a double standard in the case of IPR. The “ability to amend” cited by the court in decisions such as *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) is the unlimited ability to amend as present during initial examination. The reexamination statutes provide that the patent owner is “permitted to propose any amendment to the patent and a new claim or claims” apart from claims which enlarge the scope of the patent. 35 U.S.C. § 305 and pre-AIA § 314(a). If an Examiner advances a new rejection in a reexamination, the action normally is not a final action or an action closing prosecution. Even after final action or action closing prosecution, the patent owner can make amendments necessitated by the new rejection. 37 C.F.R. § 1.116. If the Board advances a new rejection on appeal, prosecution is reopened and the patentee has a right to amend again. 37 C.F.R. §§ 41.50(b) and 41.77(b). Thus, the patent owner can amend as needed in response to newly adduced evidence. IPR and PGR as

proposed do not afford such an unlimited right to amend. In IPR and PGR, the patent owner is presumptively limited to only “one motion to amend the patent.” See AIA, 35 U.S.C. § 316(d)(1). Even this one amendment requires approval by the Board. Proposed Section 42.121. After the patent owner's amendment, the petitioner “may supplement evidence submitted with their petition to respond to new issues arising from” the patent owner’s one amendment. Practice Guide for Proposed Trial Sections, 77 F.R. §§ 6868, 6875. The Patent owner may not further amend to meet new arguments or new evidence advanced by the petitioner in a response or by an Administrative Patent Judge at trial. Moreover, experience has shown that the “ability to amend” in reexamination is of very limited value to a patent owner litigating an infringement suit many years after the patent was issued. If the patent owner makes a substantive amendment to the claims, it loses past damages, which may be the paramount consideration in the litigation. The same loss would occur under IPR and PGR. See AIA, 35 U.S.C. § 318(b).

The best approach to be used by the Director and the Board throughout IPR and PGR would be to determine the appropriate claim construction(s) by applying applicable judicial precedent, first preliminarily in deciding whether the parties showings are sufficient to meet the required threshold, and later in the final decision on the merits. While in some cases rejection of the petitioner’s erroneous claim construction will result in refusal of the petition, no estoppel would then apply to the petitioner, and the petitioner would be free to re-petition or pursue other alternatives to invalidate the claims using the correct claim construction. In other cases, where a proceeding is instituted under a construction that differs from that advanced by the petitioner, the petitioner may nonetheless elect not to go forward, in which case the preclusive effect of final decision will also likely be avoided.

Finally, it appears that the Office is assuming that review proceedings will be instituted in every instance where the threshold is met, even though the AIA clearly specifies that satisfaction of the threshold is a necessary, but not always sufficient, reason to grant a petition for review. As referenced in the Committee’s proposal at 41.304(b) and 41.404(b) there are seven reasons authorized by the AIA for declining to institute a PGR, and five reasons for declining to institute an IPR. These reasons for denials should be set forth in the PTO’s final regulations, and employed to ensure that proceedings are instituted as intended by Congress -- only where to do so would serve both the interests of justice and the patent system. As the AIA requires, “[i]n prescribing regulations...., the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.” AIA §§ 316(b), 326(b). The Office should remain cognizant of this mandate and of the fact that the economy and integrity of the patent system will not be served if patent owners are burdened by a high number of proceedings directed to questionable attacks on validity, validity challenges based on issues that cannot be fairly presented and adjudicated within the statutory timeframes, or evidence unlikely to be subject to full and fair discovery under the limited discovery permitted in the new review proceedings.

The Committee's Proposal. The Committee believes that the patent owner should be allowed to file a Preliminary Response that includes all evidence the patent owner chooses to rely upon to rebut the petition, including testimonial evidence (by affidavit or declaration); that as originally suggested by the Committee the claim construction employed should be the same as in the federal courts; and that the Director should take into account all of the considerations set forth in the AIA to determine which petitions for review merit the institution of a trial. As such:

- The PTO should encourage a full disclosure of rebuttal evidence by the patent owner in the Preliminary Response, so that the Board may decide whether to institute the proceeding on the basis of the best available information.
- In the preliminary response, the patent owner should be allowed to present testimonial evidence in the form of affidavits or declarations from fact and/or expert witnesses.
- Evidence presented by the patent owner, including testimonial evidence, should be weighed in the same manner as like evidence presented by the petitioner.
- PTO Proposed Rules 42.100(b) and 42.200(b) should be revised to conform with the Committee's original suggestions to state that "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification *and the prosecution* of the patent in which it appears," and the Office should clarify that claim construction for purposes of IPR and PGR proceedings is *not* the same as the "BRC" constructions used in reexaminations, but rather is determined in keeping with applicable judicial precedent, *i.e.*, that they will be the same as applied in litigation under controlling Supreme Court and Federal Circuit precedent.
- Because the declaration of an IPR or PGR will impose economic hardship on many patentees, the requested review should be instituted only when the Board determines, after considering all the evidence presented, not only that the statutory evidentiary threshold has been met, but also that the proceeding should be instituted after consideration of the effect of on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete the proceeding.

The Committee's Proposed Rules: 41.301(c), 41.303, 41.304, (PGR); 41.401(c), 41.403, 41.404 (IPR).

C. Initial Evidentiary Disclosures.

The lack of significant initial disclosures is one of the most significant differences between the Committee's proposal and the PTO's Proposed Rules. District courts around the country have concluded that mandatory initial disclosures further the efficient resolution of patent infringement actions, which typically involve patentability reviews raising issues similar to those in the new PTO review proceedings. As reflected in the Committee's proposal, many of the same considerations

suggest that the PTO reviews likewise would benefit from the initial disclosure of information and documents that are likely to be central to any patentability review.

There may have been some concern regarding the scope and extent of the initial disclosures required under the Committee's proposal. The Committee understands that fine-tuning may be needed or desired. But the concept of initial disclosures, as part of an automatic discovery process defined in advance for anyone contemplating whether to invoke a PTO patentability review, was at the core of the Committee's proposal and seems to have been rejected almost entirely.

Under the PTO Proposed Rules, the only required disclosures are those listed as "routine discovery," which are (1) exhibits cited in a paper or in testimony; (2) cross-examination of affidavit testimony; and (3) "noncumulative information that is inconsistent with a position advanced by the patent owner or the petitioner during the proceeding." PTO Proposed Rule 42.51(b). Any other disclosure is treated as "additional discovery," which may be obtained only by the filing of a motion. PTO Proposed Rule 42.51(c). There is no provision for mandatory initial disclosures, even as to information and documents that one would think would be routinely discoverable, such as documents reviewed by any expert witness or documents consulted or referenced in the preparation of a declaration or affidavit.

The Committee notes that PTO Proposed Rule 42.51(b)(3) appears intended to require the disclosure of information that may tend to rebut the factual allegations advanced by a party, however that requirement does not appear to require such a disclosure until after the proceeding is instituted. Because it is vital to the orderly development of the issues, the Committee recommends that such disclosures be required to be made (without motion) as part of the submissions advancing those allegations.

The Committee commends the Office on its recognition that a direct application of Rule 56 is inappropriate to these contested matters, and that the disclosure issue is better addressed by requirements targeted to the need to disclose that information known to the propounding party that is inconsistent with, or which may tend to rebut, positions being taken by that party. Nonetheless, to expedite those disclosures and minimize the likelihood of later disputes, either during the proceedings or in litigation, the Committee urges the Office to adopt the proposed initial disclosures requirements earlier suggested by the Committee, as they were intended to be more objective, balanced and comprehensive in scope. The Committee cautions against the adoption of disclosure obligations that may give rise to disputes in subsequent litigation over subjective determinations, such as whether undisclosed information was "cumulative" or "inconsistent" with a position advanced by a party; or if the information was disclosed, whether its "relevance" was properly or adequately explained.

Finally, the Committee's proposal also recognized that certain types of challenges to validity may give rise to more extensive and challenging discovery issues. In particular, allegations of prior non-published public disclosures (*e.g.*, public use or sale) may be factually specific and complex, and allegations of obviousness may open discovery into objective evidence of nonobviousness. The

Committee's proposed rules addressed these concerns by requiring more detailed initial disclosures by the petitioner when such allegations are presented in the petition, and more detailed evidence to be provided by the patent owner if its response includes such issues. For example, the additional initial disclosures the Committee proposed – on the part of the petitioner and the patent owner as well – would require information such as the names and contact information for all persons other than those offering affidavits or declarations who are reasonably likely to know of the factual allegations of the prior public disclosure, or of secondary indicia of nonobviousness, and the identification of documents and things relating to such allegations. The Committee urges the PTO to include more robust initial disclosures to account for factually-intensive validity challenges such as these.

The Committee's Proposal. The Committee believes that initial disclosures, required to be made by the petitioner and by the patent owner alike, will advance the expeditious resolution of the review proceedings by reducing the number of discovery disputes, obviating miscellaneous motion practice and lessening the need for Board involvement in discovery. As such:

- The petitioner should be required to make initial disclosures with its petition of evidence of which it is aware that may bear on the fair resolution of issues raised in the petition, including the identification of documents and witnesses.
- The patent owner should be required to make initial disclosures with its written response of evidence of which it is aware that may bear on the fair resolution of issues raised in the written response, including the identification of documents and witnesses.
- When a prior public use or sale issue is alleged, all persons having knowledge, and all documents relating to that alleged public use or sale must be disclosed with the petition and with the patent owner's response.
- When obviousness is alleged, all persons having knowledge, and all documents relating to objective evidence of nonobviousness must be disclosed with the petition and with the patent owner's response.

The Committee's Proposed Rules: 41.158, 41.302, 41.303, 41.309 (PGR); 41.402, 41.403, 41.409 (IPR).

D. Automatic Discovery.

The Committee's proposed rules sought to implement an approach whereby motions for discovery, other motion practice, and other procedural complexities requiring Board involvement would be minimized to the extent possible. Thus, the Committee sought to define a meaningful scope of mandatory initial disclosures, coupled with automatic discovery each party is entitled to take without seeking leave of the Board. The Committee contemplated that such discovery would

commence automatically upon institution of the review, in accordance with a Standing Scheduling Order. In this way, discovery could commence immediately and the burden on the PTO resulting from frequent Board involvement in interlocutory matters, as well as the burden on participants to the review in terms of preparing for and participating in motion practice and other interactions with the Board, would be reduced.

Although the Committee recognized that parties to a review proceeding might still need to file motions seeking additional discovery, raising discovery disputes, or on other miscellaneous matters, the Committee's proposed rules sought to minimize collateral disputes by making clear a robust scope of document and deposition discovery each party could take as of right. The Committee sought to include in this category of automatic discovery the information and evidence that the Committee believed would be reasonably subject to disclosure and discovery in virtually every review proceeding. Thus, by specifying such discovery as automatic in the rules or by way of a standing order, the parties could avoid any burden, expense or delay engendered by having to request, and fight over, discovery considered to be routine in the vast majority of review proceedings.

As mentioned above, the PTO's proposed rules recognize the concept of automatic discovery, but on a much more limited scale that virtually ensures significant discovery motion practice and disputes in most, if not all, review proceedings. As an example, the proposed rules would define as "additional discovery," which must be requested by motion and supported by a showing that it is in the interests of justice, such seemingly noncontroversial disclosures as: documents reviewed by any expert who submits an affidavit or declaration; and documents considered or referenced in the preparation of a declaration or affidavit. *See* PTO Proposed Rule 42.51(c)(2). It seems inconceivable that the discovery of such documents would not be in the interests of justice, yet the PTO's proposed rules would require the filing of a motion to obtain such documents in every review proceeding.

The Committee understands that the PTO may be concerned that the right to automatic discovery, if tied to the parties' initial disclosures, may incent over-disclosure and result in overly burdensome discovery. Under any approach, the potential for abuse exists and the Committee recognizes the critical role of the Board in curtailing discovery abuse. If the concern remains that discovery limits must be imposed, the Committee submits that the better approach is to set discovery limits by way of rule or standing order, such as limits on the number of depositions or the total time allotted to each parties to take deposition testimony, rather than imposing limits on an ad hoc basis in each case.

The Committee's Proposal. The Committee believes that once a review is instituted, the patent owner should be assured at least three months of discovery, should be allowed immediately to begin discovery, including taking the depositions of the petitioner's declarants and witnesses identified in the petitioner's initial disclosures, and should be entitled automatically to directly relevant discovery as may be needed to access evidence not already within the patent owner's control. Thereafter, the

petitioner should be afforded reciprocal discovery automatically following the filing of the patent owner's response. As such:

- Automatic discovery should commence as of right for the patent owner upon institution of the review, and for the petitioner upon the filing of the patent owner's response.
- Automatic discovery should include the production of documents identified in the initial disclosures and depositions of witnesses submitting testimony and other individuals identified in the initial disclosures.

The Committee's Proposed Rules: 41.306, 41.307 (PGR); 41.406, 41.407 (IPR).

E. Defined Discovery Scope and Procedures.

Consistent with the Committee's belief that clear discovery rules curtail collateral disputes and motion practice, avoid delays and lessen the burdens on the PTO as well as parties to the review proceedings, the Committee's proposed rules set forth procedures and limits for the most common forms of discovery likely to be sought during review proceedings. In addition, the Committee felt that clear definitions of a default scope of discovery, and pre-defined discovery procedures, would promote predictability, consistency, fairness and due process for all parties to the review proceedings.

With respect to depositions, for example, the Committee proposed overall time limits for examination, as well as a default allocation of examination time by the party noticing the deposition and for cross-examination by opposing parties. With respect to deposition scheduling and location, the Committee's proposed rules made clear that witnesses who have submitted an affidavit, declaration or expert testimony on behalf of a party must make themselves available for deposition in the United States. Since the new review proceedings particularly PGR, may involve alleged evidence of unpatentability proffered by witnesses located outside the United States, the Committee's proposed rules sought to implement the basic fairness principle that the party seeking to introduce such evidence must bear the burden and expense of making its witnesses available for cross-examination in the United States, or else such evidence would not be admissible.

In contrast, the PTO's proposed rules largely leave the scope, limits and procedures for discovery up to the Board for determination on a case-by-case basis. In addition to the risk of uncertainty and unpredictability as the rules for discovery are developed by panels of the Board on a case-by-case basis, this approach will ensure motion practice and disputes associated with the scope and procedures for discovery in each review.

To the extent that the PTO's proposed rules do address discovery procedures, they raise a number of concerns. *See* PTO Proposed Rules 42.52, 42.53. For example, PTO Proposed Rule 42.52(b)(ii) would allow a petitioner to submit an affidavit from a witness outside the United States, and the patent owner seeking to depose that witness would be required to seek Board permission to

do so outside the United States, *see* PTO Proposed Rules 42.52(b), 42.53(b)(3); or alternatively, the patent owner would be required to certify to the Board that it had offered to pay the travel expenses of the witness to testify in the United States. *See* PTO Proposed Rule 42.52(b)(1)(ii). Likewise, if the petitioner's witness located outside the United States has documents relevant to the review proceeding, the patent owner seeking those documents would be required to seek Board permission to do so outside the United States, *see* PTO Proposed Rule 42.52(b)(2)(i); or alternatively, the patent owner would be required to certify to the Board that it had offered to pay the expenses of producing the documents in the United States. PTO Proposed Rule 42.52(b)(2)(ii). The potential for abuse under these Proposed Rules -- for example by petitioners submitting declarations and/or documents from foreign witnesses claiming that the invention was available to the public outside the United States -- is obvious.

The Committee urges the PTO to adopt a more simple and fair approach: witnesses and documents from foreign countries must be made available in the United States in order to be admissible in the review proceeding. As for witnesses and other persons identified in a party's initial disclosures, if they are affiliated with a party, there is no unfairness in excluding their testimony, without exception, if the party propounding it is unwilling or unable to make them available for cross-examination in the United States. As for third parties, if a propounding party has been able to procure testimony from that third party, the propounding party should be expected to make the same effort to make the witness available for deposition in the United States, or risk exclusion of the testimony.

The PTO's Proposed Deposition Procedures raise additional concerns. For example, PTO Proposed Rule 42.53(b), dealing with the timing and location of depositions, creates a complex process for noticing depositions and initiating a conference with the Board whenever the parties cannot agree on a time or location. *See* PTO Proposed Rule 42.53(c). Notices of deposition would have to be accompanied by extensive disclosures of exhibits and expected testimony. *See* PTO Proposed Rule 42.53(c)(3). Although these procedures are far from clear, they appear to provide for only two business days' notice of depositions, *see* PTO Proposed Rule 42.53(c)(4), which is plainly unreasonable. The Committee urges the PTO to adopt the more straightforward deposition procedures set forth in Rule 30 of the Federal Rules of Civil Procedure.

The Committee's Proposal. The Committee believes that the timing, scope and procedures for discovery should be set forth in the regulations, or alternatively in a Standing Order. Rather than crafting different discovery procedures in each review proceeding, the PTO should make clear the default discovery procedures that will govern all reviews, absent a motion to modify the procedures, which will be granted rarely and only upon a showing of good cause. As such:

- The burden and expense of producing witnesses for deposition should rest on the party propounding the testimony.

- The party offering testimony from a witness located outside the United States must make the witness available for deposition within the United States during the applicable discovery period.
- In the absence of an agreement as to where the witness should be deposed, the propounding party should be obligated to produce the witness for testimony in Washington, D.C.
- A default time period of questioning should be set (recommend 7 hours), with cross and re-cross of the questioning being limited to the subject matter of the prior questioning (and credibility/impeachment), and to one half of the time taken by the previous questioner.
- Evidence not made subject to discovery in accordance with the rules should be excluded from the proceeding. Moreover, the unavailability of evidence within the time constraints of a proceeding should constitute grounds for terminating the proceeding. Depending on the circumstances of the unavailability, the dismissal may be without prejudice (or estoppel).

The Committee's Proposed Rules: 41.307 (PGR); 41.407 (IPR).

F. Motions to Amend the Claims.

The Committee's proposed rules were structured to ensure that the patent owner has the right to present a reasonable number of substitute claims at any time through the time of filing the patent owner's response. The Committee did not seek to define what would be a "reasonable number" of new claims. The PTO's Proposed Rules seem to contemplate this approach. For example, the PTO's Proposed Rules do allow the filing of a motion to amend the patent, but only after conferring with the Board. PTO Proposed Rules 42.121, 42.221. The Practice Guide states that "[a]mendments are expected to be filed at the due dates set for filing a patent owner response," 77 Fed. Reg. 6874. Although the Board conference seems to be designed to ensure that the proposed amendments comply with the restrictions set forth in the AIA, *see* PTO Proposed Rules 42.121(c), 42.221(c), the rules should not imply that the Board conference may deny a patent owner its statutory right to amend the claims. Further, the Practice Guide states: "There is a general presumption that only one substitute claim would be needed to replace each challenged claim. This presumption may be rebutted by a demonstration of need." 77 Fed. Reg. 6875. The Committee believes that the rules themselves, rather than the Practice Guide, should make the patent owner's right to amend the claims, as conferred by the AIA, more clear.

The Committee is concerned that certain aspects of the PTO's Proposed Rules directed to amended claims are not required by the text of the AIA, and may be viewed as not entirely consistent with the statutory language. For example, PTO Proposed Rule 42.73(d)(3)(ii) would preclude a patent owner from obtaining from the Office in another proceeding a patent claim "that could have been filed in response to any properly raised ground of unpatentability for a finally refused or cancelled claim." This would estop a patent owner who loses a claim in an IPR or PGR proceeding from pursuing a claim in a continuation application or any other application that could

have been filed in response to a properly raised objection. This rule, nowhere authorized in the AIA, would be unfair to patent owners. It also appears to exceed the PTO's rulemaking authority. *See Tafas v. Doll*, 559 F.3d at 1352.

Likewise, the PTO Proposed Rules state a motion to amend the patent will not be granted where "the amendment does not respond to a ground of unpatentability involved in the trial." Proposed Rules 42.121(c)(1), 42.221(c)(1). Unlike the express restrictions against claim amendments that enlarge the scope of the patent or that introduce new matter, this restriction is not found in the text of the AIA.

The Committee's Proposal. The Committee believes that the procedures for motions to amend the claims as of right should be set forth in the rules, and should be subject only to the restrictions set forth in the AIA. As such:

- The rules should make clear that the patent owner has the right to present a reasonable number of substitute claims at any time through the time of filing the patent owner's response.
- The PTO Proposed Rules 42.73(d)(3)(ii), 42.121(c)(1) and 42.221(c)(1) should not be adopted.

The Committee's Proposed Rules: 41.310 (PGR); 41.410 (IPR).

G. Miscellaneous Motions.

The Committee's proposed rules were structured to ensure that review proceedings would progress without awaiting motion practice or rulings from the Board. As mentioned above, in the Committee's proposed rules this is accomplished by: establishing a default schedule for the review; clear parameters governing allowable discovery, including depositions and document production; a Standing Protective Order for the protection of confidential information; specification of the nature, number, length and timing of depositions allowed as a matter of right; and the delay of rulings on motions to amend the patent and evidentiary objections until the final decision. The Committee recognized, however, that the assigned Board panel, through its Presiding Judge, nonetheless would be required to handle miscellaneous motions, and to consider whether to permit additional discovery a party might request beyond the default automatically authorized by the rules. Due to its added complexity and burden, and the risk of delay, the Committee sought to discourage motion practice, and the Committee emphasized that the Board has the discretion to order sanctions, including fee shifting, to curb motion practice abuse.

The PTO's proposed rules take a different approach. At every decision point between a pre-defined review process and a process defined on an *ad hoc* basis by the Board via motion practice, the PTO's proposed rules opt for the latter. Examples include setting the schedules for review proceedings, the availability of discovery, the timing of discovery, and the management of

discovery. Not only will each of these issues potentially generate the filing of a motion, a response and a reply, followed by a conference with the Board, but the PTO also contemplates the availability of a motion for reconsideration of any decision it issues, from the decision to institute the review proceeding, through each interlocutory ruling, and to the Final Written Decision.

As a result of this approach, the PTO estimates that an average IPR or PGR proceeding will involve the filing of numerous motions. *See* 77 Fed. Reg. 7049 (“it is anticipated that *inter partes* review will have an average of 6.92 motions, oppositions, and replies per trial after institution”); 7069 (“it is anticipated that post-grant and covered business method patent reviews will have an average of 8.89 motions, oppositions, and replies per trial after institution”). The PTO apparently does not believe that this volume of motion practice will add appreciably to the PTO fees for the review proceedings, because even though the estimated fully-burdened cost per hour for APJs to decide reviews is \$258.32, *see* 77 Fed. Reg. 7050, the time spent on each motion is small compared to the time spent deciding whether to institute the review and the time spent on the Final Written Opinion. What this view overlooks, however, are the legal fees and costs that petitioners and patent owners participating in the review proceedings will incur in connection with such voluminous motion practice.

As compared to the Committee’s proposed rules, under the PTO’s Proposed Rules motion practice is especially prevalent in the form of late-stage trial briefing. The Committee’s proposed rules reflected both the terminology used for the proceedings in the AIA, and their basic structure, which require only three principal submissions (the Petition, the Patent Owner’s Response & the Petitioner’s Written Comments). In addition, as expressly authorized by the AIA, the Committee’s proposal included the filing of a Motion to Amend the Patent and an Opposition. The Committee believed that issues of evidence admissibility could be handled within these principal submissions.

The PTO’s proposed rules graft more submissions onto this framework after the filing of these principal submissions, including: motions to exclude evidence, with responses and replies; and motions for observations on cross examination, with responses. For example the PTO’s Practice Guide includes, in addition to estimated due dates for the filing of the principal submissions authorized by the AIA, additional Due Dates 4, 5 and 6 for the briefing of motions to exclude evidence and motions for observations on cross examination. *See* 77 Fed. Reg. 6876.

The Committee’s Proposal. The Committee believes that the review procedures should be structured to minimize the number of miscellaneous motions and to discourage their filing. As such:

- All issues relating to admissibility of evidence should be raised in the three principal papers contemplated by the AIA: The Petition, the Patent Owner’s Response and the Petitioner’s Written Comments.

The Committee’s Proposed Rules: 41.308 (PGR); 41.408 (IPR).

H. Appearances Pro Hac Vice.

The Committee's proposal addressed the issue of participation in the review proceedings by practitioners not registered to practice before the Office as follows:

- (a) *Appearance pro hac vice.* Contested cases, including post-grant and inter partes reviews, can be technically, legally, and procedurally complex. Consequently, a motion to appear pro hac vice by counsel who is not a registered practitioner will rarely be granted unless the counsel is an experienced litigation attorney and has an established familiarity with the subject matter at issue in the contested case. Although the Board may authorize a person other than a registered practitioner who possesses such qualifications to appear as counsel in a contested proceeding, lead counsel or representative in such proceedings must be a registered practitioner.

Committee Proposed Rule 41.5(a).

The PTO's proposed rules are less prescriptive on the subject, apparently vesting more discretion with the Board in the decision whether to allow appearances by practitioners not registered to practice before the PTO. *See* PTO Proposed Rule 41.10(c) ("The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause, subject to such conditions as the Board may impose."); *see also* 77 Fed. Reg. 7074 ("the grant of a motion to appear pro hac vice is a discretionary action taking into account the specifics of the proceedings"); 6896 ("a non-registered practitioner may be admitted *pro hac vice*, on a case-by-case based on the facts and circumstances of the trial and party, as well as the skill of the practitioner").

The Committee's Proposal. The Committee believes that appearances *pro hac vice* in contested cases should not be routinely granted, in view of the technically, legally, and procedurally complex nature of the proceedings. The Committee urges the PTO to define more clearly the types of demonstrated competence that may lead to the grant of a motion for admission *pro hac vice*. For example, the PTO might spell out as a qualification "demonstrated experience in patent litigation." Moreover, if an application for admission *pro hac vice* were to be granted, such grant should be conditioned on the applicant being associated with co-counsel of record who is an experienced registered practitioner.

The Committee's Proposed Rule: 41.5(a).

III. PTO FEES AND OVERALL COSTS OF THE PROCEEDINGS.

The Committee recognizes that the amount of fees proposed for the filing of PGR and IPR proceedings has prompted considerable debate. The Committee's original submissions were not

focused on fees, other than to point out the necessity to pay an appropriate fee as established by the Director. As to both PGR and IPR, the AIA specifically provides:

The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

AIA, § 311(a). See also AIA, §321(a) (same for PGR).

The Committee notes that the plain language of these statutory provisions confer on the Director a different standard of discretion than, for example, the cost recovery model set forth elsewhere in the statute. For PGR and IPR, Congress requires that the fees be “in such amounts as the Director determines to be reasonable” and that in determining what is reasonable the Director must consider “the aggregate costs” of the review. Under the circumstances, the Committee leaves it to others to submit comments to assist the Director as to what fees are “reasonable” for these proceedings.

Beyond the PTO fees to file a review petition, the Committee believes that the PTO’s Proposed Rules do not appreciate the impact its approach to the proceedings may have on the legal fees and costs that petitioners and patent owners participating in the review proceedings will incur. The additional briefing and motion practice under the PTO’s Proposed Rules, as compared to the Committee’s proposed approach, for example, is likely to increase the costs of participation by petitioners and patent owners alike. The Committee urges the PTO to take into greater consideration the legal fees and costs on participants beyond the PTO fees for the review proceedings.

The Committee believes its proposed rules for the review proceedings will reduce the costs for the Office and for participants. The Committee urges the PTO to consider the ways in which the Committee’s proposed rules seek to reduce Board involvement and motion practice prior to the final hearing, such as adopting a standing scheduling order providing sufficient time for patent owners and petitioners to develop their responses in an orderly manner, requiring initial disclosures coupled with automatic discovery to reduce the Board’s involvement in discovery management, restricting the number of substantive filings to three principal filings (as contemplated by the AIA), and minimizing miscellaneous motion practice.