

October 16, 2014

VIA ELECTRONIC MAIL

The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property
and Deputy Director of the United States Patent and Trademark Office
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Re: Comments on “Request for Comments on Trial Proceedings Under the American Invents Act Before the Patent Trial and Appeal Board,” Federal Register Vol. 79, No. 124, June 27, 2014.

Dear Deputy Director Lee:

On behalf of EMC Corp. and Adobe Systems, Inc.—significant stakeholders in the nation’s intellectual property system—we write to express strong support for the Patent Trial and Appeal Board’s implementation of trial proceedings under the America Invents Act (AIA).

In 2013 alone, EMC and Adobe together were granted over 800 United States patents in a range of computer-related technologies, so we are proponents of a strong patent system. However, we are also frequent targets of so-called non-practicing entities (NPEs) in the federal courts. Too often, we are baselessly accused of infringing overly broad patents because these are the types of patents NPEs often search for, acquire, and assert. We must spend millions of dollars to get to the stage in litigation where we can prove to a lay jury that a patent is invalid. The untold sums of money needlessly expended are thus diverted from our core business—developing innovative products that create real value for America’s businesses and consumers.

The AIA’s *inter partes* review procedure has already noticeably improved the situation by providing an alternative, cost-effective procedure to adjudicate invalidity. A real-life example is instructive. In December 2011, one NPE filed seven patent infringement lawsuits in the United States District Court for the Eastern District of Texas, and seven more lawsuits followed the next year. Several defendants filed petitions for *inter partes* review. In May 2014, the Board issued its final written decision, finding all challenged claims unpatentable. That decision is being appealed. Meanwhile, the defendants who sought and received a stay have saved millions of dollars in what would have been unnecessary district court legal fees.

This anecdote is representative of many stakeholders’ experiences. It is essential that the PTO retain the core features of its AIA trial practice rules to ensure that AIA trials provide litigants with “just, speedy, and inexpensive resolution of every proceeding.” 37 C.F.R. § 42.1(b). With that principle in mind, we respond below to the specific subjects on which the PTO seeks comments.

1. Under what circumstances, if any, should the Board decline to construe a claim in an unexpired patent in accordance with its broadest reasonable construction in light of the specification of the patent in which it appears?

The PTO should adhere to its use of the BRI standard in AIA trials. As the Solicitor aptly stated in the PTO's brief in *Versata Dev. Group, Inc. v. SAP Am., Inc. et al.*, No. 2014-1194 (Fed. Cir.), the "PTO has long used the BRI standard to construe unexpired patents, both during the initial examination process and in the various post-issuance mechanisms Congress has established to reconsider granted patents." (PTO Br. at 40.) This is appropriate because, like in examination and unlike in district court litigation, if the patentee believes that the Board's construction is too broad, it can amend its claims to recite narrower language.

A narrowing of the claim interpretation standard would significantly undermine the utility of the AIA trial proceedings. With bifurcated decisions on validity (before the Board) and infringement (before a district court), a patentee would be able to advance a narrow interpretation of claim terms when arguing in favor of validity, while simultaneously applying the claims broadly when seeking a determination of infringement. In the most extreme case, a patentee who has accused a product that is in fact prior art—accusations that are unfortunately well-known to us—might be able to succeed in its charge of infringement by making inconsistent arguments before the Board and the courts. Faced with this possibility, few patent infringement defendants would choose to forgo their right to challenge validity in district court, and we would return to the era of long, expensive, drawn-out battles in every case, no matter the merits.

2. What modifications, if any, should be made to the Board's practice regarding motions to amend?

The PTAB should apply the rules so as to provide a meaningful opportunity for a patentee to pursue a reasonable number of substitute claims, as permitted by statute. Motions to amend should, however, be subject to meaningful limits. AIA trials should not be an opportunity for patentees to seek wholesale rewriting of claims to include language that they should have obtained during prosecution. As the PTAB has pointed out on numerous occasions, an AIA trial is not an examination; it is adjudication. Amendments should be permitted only to the extent they are needed to save a claim from invalidity based on a petitioner's challenge.

One area where change is needed occurs when a patentee concedes the invalidity of an existing claim and files a non-contingent motion to amend. In that case, the claim cancellation should take place immediately. Yet under the Board's current practice, the concededly invalid claim remains in effect until the Board issues its Final Written Decision. *See, e.g., Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd.*, IPR2013-00128 (Patent Trial & Appeals Bd. July 25, 2014) (paper no. 92). A patentee should not be permitted to concede a claim's invalidity before the Board while continuing to assert it in litigation.

By contrast, no change is needed in the Board's requirement that a patentee show that the substitute claims are patentable over the prior art generally. By the time the patentee files a motion to amend, the Board has already spent significant time analyzing the petitioner's prior art and arguments as they relate to the existing claims. It makes little sense to require the Board to

become acquainted with new references and new arguments addressing new claim limitations where it is clear that the amendment would be futile. Certainly it would make less sense for the petitioner to carry the initial burden on claims that the petitioner has never seen before, or challenged in the first instance, or to have the burden to prove that the proposed claims are, in fact, narrower as the statute requires. The patent owner is in the best position to understand why it thinks its narrowing amendments distinguish from the art that invalidates its existing claims. To minimize unnecessary effort and to streamline the trial proceedings, the patentee, as the moving party, should be required to make a threshold showing that it is likely to be entitled to the claim scope it is seeking. If the patentee successfully traverses this threshold, the burden then shifts to the petitioner to show, in the course of the trial, why the new claims are unpatentable. As noted above, however, the initial evidentiary threshold on the patentee should not be so high as to effectively deny the patentee its statutory right to pursue a reasonable number of substitute claims.

3. Should new testimonial evidence be permitted in a Patent Owner Preliminary Response? If new testimonial evidence is permitted, how can the Board meet the statutory deadline to determine whether to institute a proceeding while ensuring fair treatment of all parties?

There is no need to allow new testimonial evidence in a Patent Owner's Preliminary Response. The Patent Owner's Preliminary Response is an opportunity for the Patent Owner to present argument as to whether the petitioner has satisfied its burden to prove that the petitioner is likely to prevail at trial. New testimonial evidence is not relevant to this question of whether the petitioner has satisfied its initial burden. The time for the Patent Owner to submit testimonial evidence is when it addresses the question of validity on the merits, in the Patent Owner's post-institution response.

Additionally, requiring the Board to engage in a time-consuming process of dissecting competing expert opinions is impractical in the three months between the Patent Owner's Preliminary Response and the Board's decision on institution. Rather, the Board should perform its task of evaluating the Patent Owner's and the Petitioner's competing evidence in the context of trial, aided by the parties' briefs and admissions garnered during cross-examination.

4. Under what circumstances should the Board permit discovery of evidence of non-obviousness held by the petitioner, for example, evidence of commercial success for a product of the petitioner? What limits should be placed on such discovery to ensure that the trial is completed by the statutory deadline?

Discovery aimed at the petitioner's products would open the door to a trial-within-a-trial on the subject of whether the petitioner's products infringe the patent. Such discovery, and concomitant proceedings, would derail AIA trials and make it impossible to conclude them within the statutory deadline. And such discovery is likely to impose a significant burden on the petitioner that, again, is inconsistent with the requirement to provide a just, speedy, and inexpensive resolution to challenges to patent validity. This discovery should not be permitted except in the unusual circumstance where the patentee can make a *prima facie* showing that the petitioner sells the patented product (e.g., where the petitioner is a licensee). Certainly, it is usually the case that patentee has the best evidence of the commercial success of its own patented invention.

5. *Should a patent owner be able to raise a challenge regarding a real party in interest at any time during a trial?*

We do not take a position on this question.

6. *Are the factors enumerated in the Board's decision in *Garmin v. Cuozzo*, IPR2012-00001, appropriate to consider in deciding whether to grant a request for additional discovery? What additional factors, if any, should be considered?*

The *Garmin* factors appropriately balance the parties' need for limited discovery with the mandate to provide a just, speedy, and inexpensive mechanism to review the patentability of challenged claims. Most importantly, the first *Garmin* factor requires that the moving party show "more than a possibility and mere allegation" that relevant information exists. The focus at all times during an AIA trial should be on the merits. Discovery should not be permitted to dominate the process, as it often does in federal court litigation. To do so would dramatically increase the costs of an AIA trial and undercut its purpose. The first *Garmin* factor is an important safeguard: if the moving party cannot make a clear showing that the requested discovery exists and is relevant, then the request should not be permitted in an AIA proceeding.

The third *Garmin* factor ("ability to generate equivalent information by other means") is likewise important in containing costs and keeping the focus on the merits. A responding party should not be required to provide information the requesting party could ascertain on its own. Any other rule would open the door to parties propounding discovery requests for the sole purpose of increasing the burden on the other side.

Similarly, the fifth *Garmin* factor ("requests not overly burdensome to answer") should continue to be an important consideration to ensure that discovery does not become a burden that detracts from an efficient resolution on the merits of the dispute.

In addition to these factors, we suggest that the Board expressly consider the specificity of the request. Federal court-style requests such as "all documents relating to the patent-in-suit" are broad, ambiguous, and difficult to comply with. Requests such as "the license agreement between Patentee and LicenseCo," by contrast, have plain boundaries. The Board should require parties to identify requested documents with the greatest possible specificity, and should reject broad, amorphous requests that do not reasonably identify responsive documents.

7-13. Coordination of multiple related proceedings

Questions 7-13 relate to the coordination of multiple related proceedings. We believe that a discretionary approach continues to be sensible. The Board may wish to enumerate factors for consideration, which might include:

- The relative stages of each of the proceedings;
- Whether the ongoing proceedings are *ex parte* or *inter partes* in nature;
- Any overlap in parties;
- Any overlap in claims at issue;

- Any overlap in the prior art at issue;
- Any overlap in relevant claim construction disputes;
- Any ongoing proceedings pertaining to related patents; and
- Prejudice to the parties associated with consolidation or a stay.

Where there are multiple proceedings relating to the same patent, the Board should consider prejudice to petitioners associated with consolidation of proceedings. Such prejudice could arise, for example, from any requirement that petitioners share briefing space or argument time. This prejudice will be particularly acute where the prior art, claims, or arguments differ between petitioners. Indeed, in the district court context, this sort of prejudice was addressed by the AIA's prohibition against suing multiple defendants in a single lawsuit "based solely on allegations that they each have infringed the patent or patents in suit." 35 U.S.C. § 299(b).

Moreover, the fact that a petitioner is relying on the same art that was considered in a prior proceeding should not necessarily bar the later petition. Certainly, in considering whether to grant a petition, the Board may consider whether a trial has previously been instituted on the same reference. At the same time, a party not in privity with previous challengers should typically be provided its own opportunity to challenge the patent. This is particularly true where, for example, the later petitioner raises different arguments about overlapping art. Likewise, a new petition should not be barred where the prior proceeding was *ex parte* in nature and therefore may not have given rise to the same level of fulsome scrutiny that arises in the context of an adversarial proceeding.

14. What circumstances should constitute a finding of good cause to extend the 1-year period for the Board to issue a final determination in an AIA trial?

Extensions of the one-year period from institution to when the Board must issue a final determination should be extremely rare, and should be limited to circumstances that are truly beyond the control of the parties and the Board. The one-year period is central to the most important benefits of the AIA trial process—just, speedy, and inexpensive resolution of validity challenges. District courts rely on the one-year timeline when ruling on motions to stay. If the PTO begins to deviate from this timeline, petitioners will be less successful when seeking stays, subjecting them both to a more drawn-out process in the PTO combined with the expense of parallel litigation in the district court.

15. Under what circumstances, if any, should live testimony be permitted at the oral hearing?

In the oral hearings in which we have participated, the parties have not found it helpful to present live testimony. We believe, as a general matter, that live testimony is rarely helpful during the oral hearing. There are few issues that arise in AIA trials that truly require assessing a witness's demeanor for a credibility assessment. Rather, the Board is well-equipped to evaluate the credibility of most witnesses based on the substance of their testimony and based on the written cross-examination record. The most effective use of the limited time available at the hearing is for the parties to present their arguments and, crucially, to respond to questions posed by the Board. Time-consuming live testimony would detract from the Board's ability to ascertain answers to lingering questions following the close of briefing.

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16. What changes, if any, should be made to the format of the oral hearing?

Other than as noted above, the format of the oral hearing is best left to the discretion of the Board with input from the parties.

17. What other changes can and should be made in AIA trial proceedings? For example, should changes be made to the Board's approach to instituting petitions, page limits, or request for rehearing practice?

We do not propose any further changes. We note that others have proposed that the Board become more involved in encouraging settlement. We do not believe that this would be a productive use of the Board's time and resources. Many AIA trials are conducted in the context of ongoing federal court litigation, and many courts already have alternative dispute resolution procedures in place. Even where this is not the case, the parties to an AIA trial are typically sophisticated entities who are familiar with alternative dispute resolution options. We believe it should be up to the parties to decide when and whether settlement is a viable option. Involving the Board in this process would merely distract the Board from its other pressing responsibilities, with little concomitant benefit.

In closing, we would like to thank the PTO for its hard work and effort to establish this groundbreaking new procedure. As a result of the availability of AIA trials, more and more patent litigations are resolving early, and more and more unmeritorious patents are being weeded out without unnecessary payments to non-practicing entities. In time, this will allow us to concentrate our resources on our core business, contributing positively to the economy, rather than unnecessarily wasting money on frivolous litigation. We hope that the PTO will retain its AIA trial practice in essentially its current form so that we may continue to avail ourselves of this highly efficient mechanism for the determination of patent validity.

Very truly yours,



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