

## Comments on Proposed *Inter Partes* Rules

April 10, 2012

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I offer the following personal comments on the proposed *inter partes* rules, including *inter partes* review, post-grant review and derivation proceedings, responsive to the requests for comments, 77 Fed. Reg. 7041, 7060, 7028 (Feb. 10, 2012).

Because the proposed rules are based largely on interference practice, experience in interferences provides a reasonable basis for considering whether the proposed rules will be practical or effective, in view of the short time periods and burdens imposed on the parties and the Board. In general, the proposed rules provide a comprehensive, reasonable, and effective adaptation of the existing *inter partes* rules to the new proceedings, which must accommodate an extensive motions practice in a very brief time period.

These comments represent only my own opinions on the proposed rules, and are not those of my firm, its clients, or any other person. My observations do not necessarily reflect my views as to the appropriate interpretation of the proposed rules, or their application if they are finally adopted.

### **Derivation**

The amended statute in § 135(a) requires that a petition for a derivation proceeding “shall set forth with particularity the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner’s application and, without authorization, the earlier application claiming such invention was filed.”

Under the proposed rules, “standing” requires the petitioner to present a claim to “the same or substantially the same invention” as the first applicant’s claim. Rule 42.405(a)(2)(i). The rules and commentary do not clarify whether the current “two-way” test for interfering subject matter will be applied in derivations, where the derived subject matter disclosed and the subject matter claimed by the first applicant differ, as with genus and species claims.

Proposed Rule 42.405(a)(2)(ii) further requires that a petition must present a claim that is “not patentably distinct” from the invention disclosed to the respondent. In interference practice, a claim is not “patentably distinct” if it is either anticipated

by or obvious over another claim. A claim to a genus cannot be “patentably distinct” from a claim to a species that anticipates the genus, but a claim to a species or subcombination may be patentably distinct from a broader claim.

Issues of patentable distinctness arise in interferences, in identifying claims that do not directly interfere (because they do not define “substantially the same invention”) but that are nonetheless designated as corresponding to the interference count because they are anticipated by or obvious over the count. The judgment in an interference typically involves all claims in the involved applications that are not patentably distinct from the count, not just the claims that directly interfere.

The proposed rules and commentary do not discuss the important issue of how such claims will be treated in derivations. If the earlier-filed patent or application contains claims limited to specifically derived inventions, the issue is clear. However, it will often be necessary to determine the status of other claims that are not patentably distinct from the derived claims, reciting additional subject matter that was not conceived or communicated to the deriving party by the original inventor.

Derivation ordinarily requires a complete conception of subject matter claimed by an opponent, and the proposed rules do not consider the status of claims that are not solely the invention of the original inventor, but are instead the joint inventions of the two parties. The statute in amended § 135(b) grants the Board express authority to “correct the naming of the inventor in any application or patent at issue.”

The proposed rules do not indicate how the USPTO plans to exercise this authority “in appropriate circumstances” or how non-patentably distinct claims to joint inventions will be treated in derivations. This issue will be complicated, because the proposed rules indicate that derivations will be conducted in a single phase without a “count.” To the extent that derivations involve a number of claims of differing scope, some definition of the claims that define the same or substantially the same invention will be essential, to define the scope of the petitioner’s proofs of conception and communication. The final rules should clarify the standards for determining claims that will be involved in a derivation, and how the Board will address issues of inventorship in derivations.

A derivation may be either a pre-grant proceeding between two applications, or a post-grant proceeding involving a patent and the petitioner’s application. The statute is seriously flawed in defining the event that will trigger the one-year statutory bar for filing a derivation petition, as follows:

“Any such petition may be filed only within the 1-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application’s claim to the invention....”

Under a literal reading of the statute, the “first publication” of a claim by the original inventor would bar a derivation proceeding involving an earlier-filed application, in which the derived claim is presented more than a year after the original inventor’s first publication trigger, as the USPTO commentary recognizes.

Proposed Rule 42.403 paraphrases the statutory language, but the commentary explains that the Office considers that the statutory trigger arises only from publication of the first claim filed by the earlier applicant. If the Office will follow this principle, it would be helpful to expressly state this in the final rule. The proposed rule is not clear on this point.

### **Interferences**

The Act is unequivocal with respect to patents containing a reference to any patent application filed before March 16, 2013. Under § 3(n)(2) the interference provisions, including 35 U.S.C. §§ 102(g) and 135, will simply remain in force for a number of years. The USPTO has no authority to modify or disregard the existing statutes, which guarantee a patent to the person who is first to invent claimed subject matter, subject to § 135(b) and Federal Circuit precedent.

The USPTO comments on the proposed Trial Rules acknowledge this fact, but appear to limit the statutory extension to interferences in which the Act also provides “judicial review” of the Board’s interference decisions. Proposed Trial Rules, 77 Fed. Reg. 6891.

The USPTO has no authority to decline to conduct interferences, on the basis that Congress has not provided judicial review to correct the Board’s errors under existing 35 U.S.C. §§ 141 and 146. It is difficult to imagine a clearer abuse of the USPTO’s discretion in conducting interferences, and other judicial remedies are provided outside the patent statutes. The USPTO has no statutory competence concerning judicial review of its decisions, and is required by statute to continue to apply 35 U.S.C. §§ 102(g) and 135 to any application containing the reference to a pre-Act application.

### **“Routine” Discovery – Noncumulative Inconsistent Information**

The requirement that a party to a proceeding must provide “routine discovery” that includes the disclosure of “noncumulative information that is inconsistent with a position advanced by the patent owner” as part of a petition, patent owner response to petition, or patent owner response is likely to impose significant burdens on the parties and the Board, without achieving the purposes described in the proposed rules. In particular, the requirement under proposed Rule 42.51(b)(3) that the party submitting the information must specify the relevance of the information, including where the information is presented in a document and, where applicable, how the information is pertinent to the claims, is not practicable.

The standard of “inconsistency” is not defined, and is so amorphous as to preclude definition. As the proposed rules acknowledge, without further explanation, this requirement “may differ from the proposed changes to § 1.56.” 77 Fed. Reg. 6887. Few patent owners will conclude that prior statements or other information are “inconsistent” with arguments made in a post-grant proceeding, while many opponents may well discover dramatically inconsistent information in the possession, or presumed possession, of the patent owner.

The result of this indefinite requirement for routine discovery will be the proliferation of motions for sanctions for the failure of a party to make affirmative disclosures, since the commentary specifically points to the availability of sanctions for failure to make the required disclosure. 77 Fed. Reg. 6884.

If a party does admit that it is aware of information that is “inconsistent” with a position it advocates, the result plainly will not be to avoid discovery, as the proposed Rules contemplate. 77 Fed. Reg. 6887. The result will be immediate motions for additional discovery, to determine how the disclosing party discovered the information and concluded that it was “inconsistent” with a position which it advances. It is almost inconceivable that the proposed requirement will avoid motions for additional discovery, and very likely that it will precipitate disputes not only over additional discovery, but also time-consuming motions concerning protective orders, attorney-client privilege and work product, as the commentary seems to recognize. 77 Fed. Reg. 6887.

It would be preferable to adopt a more liberal standard for routine additional discovery if a party can identify a need for inconsistent information uniquely in the possession of an opponent, than to impose an affirmative disclosure requirement that will inevitably lead to additional discovery, complicating and delaying post-grant proceedings, including disputes over privilege that cannot finally be determined by the Office.

## **Patent Owner's Amendment**

The proposed rules should clarify the procedure that will be followed with respect to a patent owner's amendments to the patent. In *inter partes* review, proposed Rule 42.121(c) refers to "a motion to amend the claims of a patent" whereas 35 U.S.C. § 316(d) does not permit a patent owner to amend the existing claims of a patent, but only to amend the patent by either canceling a challenged patent claim, or proposing a reasonable number of substitute claims.

The term "substitute" does not encompass "amending" an existing claim, or "adding" an additional claim while maintaining an original claim.

The proposed rule should clearly state the scope of amendments to the patent that may be proposed in post-grant proceedings, including whether the patent owner will be required to cancel original claims in order to propose "substitutes" for the challenged original claims. The USPTO's position on this important issue should be clarified, beyond the statement that "Amendments should clearly state "original," "cancelled," "replaced by proposed substitute," or "proposed substitute for original claim X." 77 Fed. Reg. 6874.

## **Settlement**

Proposed Rule 42.74(a) concerning settlement conflicts with the statute. Entry of a settlement agreement is required if the parties comply with the requirement to file the agreement in writing, without further conditions or consideration by the Office.

35 U.S.C. § 317 is mandatory, and expressly requires that "An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed."

In the absence of a final decision on the merits of a post-grant proceeding, the Board has no statutory authority to disapprove of a settlement, or to "independently determine any question of jurisdiction, patentability, or Office practice" as suggested in proposed Rule 42.74(a). The Board's role is limited by statute to terminating the proceeding upon filing of a settlement agreement.

## **Page Limits**

In interferences, although preliminary motions have been limited to 25 pages in length, until recently parties have been permitted to file findings of fact without page limitation, as well as appendices containing extensive claim charts on any issues requiring discussion of claims, including disclosure of claim limitations in prior art, and support for claims throughout a chain of benefit applications.

The proposed page limitations, which provide 50 pages for an *inter partes* review petition and 70 pages for a post-grant review petition, may be sufficient to present a party's proposed findings of fact and legal arguments. This page limitation is clearly insufficient to permit a party to file extensive claim charts as part of its motion or opposition.

The requirement that a party demonstrate support for each limitation of a proposed claim, through the entire chain of benefit applications, has resulted in extensive claim charts, because benefit for a claim limitation may appear expressly, or in separate passages of the summary of the invention, the detailed description, one or more examples, and original claims. The requirement that support for each limitation must also be shown in each prior application has multiplied this effort.

The often redundant and extensive claim charts provided as appendices to interference motions have been required by the interference rules, and are optional in post-grant review under the proposed rules. Practice Guide, 77 Fed. Reg. 6873. If the Board considers that claim charts are helpful in evaluating the issues presented in motions, the rules and scheduling orders should authorize the filing of claim charts as appendices, not subject to petition, opposition, or motion page limits.

Extensive claim charts have been particularly helpful in interference motions, where the disclosure supporting chemical or biotech limitations in generic claims is found in various sections of the detailed description of particular embodiments, in a number of examples, and in the claims and disclosure of earlier applications.

## **Protective Orders**

Whatever the extent of protective orders may eventually be in post-grant proceedings, the rules should expressly state that a protective order issued by an APJ will not have any effect on the parties' use of the disclosed information in concurrent or future district court proceedings. No one should be permitted to submit information to the Office, and then prevent an opponent from relying on that information in district court.

A protective order should terminate with the proceeding, subject to any motion to expunge information provided under the administrative protective order.

### **Service of Petition**

In *inter partes* review, proposed Rule 42.106 provides that a petition will not be accorded a filing date until “service of the petition on the correspondence address of record” as provided in § 42.105(a). However, proposed Rule 42.105(b) further provides that “If the petitioner cannot effect service of the petition and supporting evidence on the patent owner at the correspondence address of record for the subject patent, the petitioner must immediately contact the Board to discuss alternate modes of service.”

The proposed rule should be modified to clarify that in order to be accorded a filing date, the petitioner only needs to provide service by mailing the petition and evidence to the patent owner of record, at the last correspondence address of record, or by mailing the petition and evidence to the last designated representative of the patent owner of record, as provided by 35 U.S.C. § 312(a)(5).

Contrary to the expectation of the Office, in many cases a petitioner will not have discussions with a patent owner prior to filing a petition. Particularly if the patent was issued years ago, the petitioner will not necessarily be able to determine the actual identity of the owner or owners of a patent at the time a petition is filed, apart from information in Office records, for example, when a patent is owned by joint inventors, by subsidiaries, parents, holding companies, or other affiliates of original assignees. This is not a trivial or hypothetical issue. The inability to determine the actual patent owner or owners has been significant under statutes requiring service on patent owners before commencement of proceedings, for example, under the Hatch-Waxman Act.

No proof of service on a current patent owner who is not of record should be required by the rules.

The rule should provide that service on the last designated representative of the patent owner of record is also sufficient. If the US Postal Service or a courier service is not able to deliver the petition and evidence to the assignee at the last correspondence address of record, or to counsel of record, then the petitioner should be required to notify the Board. The inability to serve the documents on the current owner who is not of record, however, should not deprive the petitioner of a filing date for the petition.

### ***Pro hac vice* Representation**

The time limits for conducting post-grant proceedings are extremely tight, and the proceedings will be governed by extensive rules, a scheduling order, and possibly a detailed standing order. Post-grant procedure will be similar to existing interference procedure under the standing order, which has been complex and requires detailed knowledge both of published rules and extensive Board precedent on procedural issues.

In general, I agree with the Office's assessment of the high level of skill necessary to conduct an *inter partes* trial:

The skills necessary to prepare a petition for review and to participate in a trial before the Patent Trial and Appeal Board would be similar to those needed to prepare a request for *inter partes* reexamination, to represent a party in an *inter partes* reexamination, and to represent a party in an interference proceeding before the Patent Trial and Appeal Board. This level of skill is typically possessed by a registered patent practitioner having devoted professional time to the particular practice area, typically under the supervision of a practitioner skilled in the particular practice area.

77 Fed. Reg. 7050.

It seems unlikely that counsel who are not registered to practice will possess the minimum professional experience necessary to competently represent a party in an *inter partes* proceeding before the Board, as summarized above.

To the extent that atypical counsel who are not registered to practice have the minimum professional professional experience required to competently represent a party, such counsel should expressly agree as a condition of admission *pro hac vice* to be bound by 37 C.F.R. part 10, including USPTO disciplinary standards and proceedings. Counsel who propose to be admitted *pro hac vice* should also be required to certify that they have read and are familiar with the relevant statutes, rules of practice, standing order and *inter partes* rules, and that they are personally able to represent a client competently in the proceeding under Rule 10.76.

To the extent that parties are represented by counsel who are not registered to practice, their failure to comply with the rules should not result in unnecessary delay or an unnecessary increase of the cost of a proceeding to an opponent, including the costs of motions for sanctions which would be unnecessary if the rules were followed.