

October 16, 2014

The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Via email: TrialsRFC2014@uspto.gov

**Re: Response to the Request for Comments on
“Trial Proceedings Under the America Invents Act
Before the Patent Trial and Appeal Board”
Fed. Reg. Vol.79, No. 124
(June 27, 2014)**

Dear Deputy Under Secretary Lee:

The IP Law Revisions Committee of the Minnesota Intellectual Property Law Association (“MIPLA”)¹ are grateful for the opportunity to comment on the United States Patent and Trademark Office (“Office”) Request for Comments entitled “Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board” as published in the June 27, 2014 issue of the Federal Register, 79 Fed. Reg. 124 (“Request”).

The Committee supports the Office’s commitment to revisit the rules and practice guide after initial experience with the new AIA trials. In general, there is concern that that the Office is perceived as focusing only on changes to the trial proceeding rules and trial practice guide that improve the speed and efficiency of how the Office handles these proceedings, and is not giving equal consideration to changes that improve the perception of fairness of these proceedings by all participants. The long term success of the new AIA trial proceedings will turn not only on how fast the proceedings are disposed of by the Office, but also on how fair the proceedings are perceived by Patent Owners, Petitioners and the public at large.

The comments submitted herewith reflect the view of the Committee as a whole, and do not necessarily reflect the view or opinions of either MIPLA or any of the individual members or firms of the Committee, or any of their clients.

Sincerely,

/s/ Brad Pedersen

¹ MIPLA is an independent organization with nearly 700 members representing all aspects of private and corporate intellectual property practice, as well as the academic community, in and around the state of Minnesota. The MIPLA IP Law Reform Committee that submits these comments is doing so on their own authority pursuant to the bylaws of MIPLA.

Response to Question 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 majority of the MIPLA Committee support ending the use of the broadest reasonable interpretation (BRI) claim interpretation standard in AIA trial proceedings, and instead applying the claim construction standard in accordance with the *Phillips/Markman* case law. Given the large number of co-pending litigations that occur with AIA trial proceedings, there is a system wide efficiency for using the same standard in both the Office and the Courts for claim interpretation for issued patents subject to validity challenges without a meaningful opportunity for claim amendment.

The Board has explained that BRI should differ from *Phillips/Markman* only where there are two equally reasonable constructions for a claim term and the Board chooses the broadest of the two, whereas a court would choose the construction, if any, that would maintain validity of the claim. While this approach works well in the context of an application under examination, it effectively ignores the presumption of validity of 35 U.S.C. §282(a) that should be applied to an issued patent. The “burden of proving a proposition of unpatentability” is changed by 35 U.S.C. §§316(e)/326(e) in review proceedings from a “clear and convincing” standard to a “preponderance of the evidence” standard, but this change did not expressly eliminate the statutory presumption of validity as applied to proper claim construction. Given the illusory and contingent nature of the opportunity to amend claims, allowing the Board to choose as part of a Final Written Decision a broader of two reasonable claim constructions to find claims unpatentable is neither fair nor consistent with the statute.

A minority of the MIPLA Committee support using a modified approach to claim interpretation standard that would default to the claim construction standard in accordance with the *Phillips/Markman* case law, unless the Patent Owner in an AIA Trial expressly reserves as part of the Patent Owner Preliminary Response the right to make a Motion to Amend in the event that an AIA trial proceeding was instituted. This approach preserves the use of a common standard for the vast majority of AIA trial proceedings where no trial is instituted, or where no amendments are to be made to the claims of the issued patent, while still keeping open the option as provided for by statute to make a motion to amend that would trigger the use of the prosecution BRI claim construction standard. This would also have the further advantage of reducing the potential duration of most AIA trial proceedings by eliminating Due Date 3 from the standard schedule.

Response to Question 2: What modifications, if any, should be made to the Board’s practice regarding motions to amend?

The majority of the MIPLA Committee support ending the opportunity to amend claims in AIA trial proceedings, which are better-designed to be expedited proceedings for determining claim validity, not an examination. Patent owners retain the opportunity to propose narrowing claim amendments in reexamination and reissue proceedings. The

opportunity to amend claims, in practice, has offered little or no actual benefit to patent owners due to the difficulty of doing so. Removing the opportunity to amend claims in AIA trial proceedings can have the benefit of also removing the justification or temptation for applying the broadest reasonable construction claim interpretation standard as well. While the MIPLA Committee recognizes that legislative action may be required to end the opportunity to amend in the AIA trial proceedings, the Office should at least consider the advantages of that option.

Alternatively, the MIPLA Committee suggests improvements to the current practice regarding motions to amend. While the burden of persuasion to seek authorization to make a motion is, by rule, on the moving party, this general procedural rule, however, cannot trump the specific statutory allocation of the ultimate burden of proof with respect to the patentability of a claim. The burden of proving a claim unpatentable in review proceedings is to the Petitioner. 35 U.S.C. §§316(e)/326(e). The preamble to 35 U.S.C. §102 clearly allocates the burden of proving any new claim unpatentable to the Petitioner and the Office. There is no specific statutory authorization in the new review proceedings that supersedes these allocations of the ultimate burden of proving a claim unpatentable to the Petitioner and the Office.

The Board's practice to date regarding motions to amend has collapsed the burden of persuasion in seeking authorization for considering a motion to amend together with the final analysis of the burden of proof on whether a proposed amended claim is, or is not, patentable. But under the Office's current regulations, there are only two circumstances in which a motion to amend may be denied: (1) where "[t]he amendment does not respond to a ground of unpatentability involved in the trial" and (2) where "[t]he amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter." § 42.121(a)(2). This regulation requires a patentee to show that a proposed amendment *responds to* an asserted ground of unpatentability; it does not permit the Board to require a patentee to *establish patentability* as a condition of amending its claims. The Office should, at a minimum, revise the practice to ensure that the Board follows existing regulations with respect to evaluating a Motion to Amend, and expressly confirm that the general burden regarding motions under § 42.20(c) is not being improperly used to override the specific statutory and regulatory provisions related to a motion to amend in an AIA trial.

Because the AIA trials are adjudicatory in nature and not examinations, and being mindful of the statutory deadlines for completing a trial, the Office should rework the trial proceeding rules and trial practice guidelines to make clear that: (a) a reissue application can be utilized after a Final Written Decision as an examination mechanism for amending claims, and (b) the burden of persuasion for permitting the Board to consider a motion to amend is not the same as the burden of proof as to the patentability of any claims that are the subject to a motion to amend.

In addition, the Office is urged to revise the Rules to allow the listing of the proposed amended claims to be part of an exhibit and not counted towards any limits (pages or otherwise) for the motions or responses.

Response to Question 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?*

The Office should allow a Patent Owner to present new testimonial evidence as part of the Patent Owner Preliminary Response. The scope of such new testimonial evidence should be limited to rebuttal of the declaration testimony submitted by the Petitioner. Evaluation of such competing testimonial evidence without the benefit of cross-examination is no different from evaluation of competing declarations in an *inter partes* reexamination. Such evidence should be weighed by the Board as part of its determination of whether the corresponding threshold was met for institution of a trial for an AIA review proceeding in the same manner that unchallenged testimonial evidence of the Petitioner is considered.

Response to Question 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?*

The Board should allow for limited discovery of Petitioner evidence of secondary considerations where Patent Owner has presented a *prima facie* case for the nexus of such evidence. Requiring the Patent Owner to fully prove the nexus of the evidence sought for secondary considerations before authorizing additional discovery places too high a burden on the Patent Owner. After such additional discovery, the burden would remain on Patent Owner to fully establish the nexus of any such evidence of secondary considerations and to show that the claimed invention helped drive demand based on other evidence.

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

Because a determination of real party in interest is a jurisdictional question for an AIA review proceeding, a Patent Owner should be able to raise it at any point during the proceeding, including after a trial has been instituted. The same approach should be used for a determination of privity. Most often, facts relating to real party in interest/privity determinations are solely within the possession of the Petitioner or covered by a protective order. As a result, it is often difficult, if not impossible, to obtain and use this information in a Patent Owner Preliminary Response.

Because these are jurisdictional issues on which the Petitioner bears the burden, the standard for obtaining additional discovery for 35 U.S.C. §§315(b)/325(b) issues by Patent Owners should default toward allowing appropriate motions for additional discovery.

Response to 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?*

While the *Garmin* factors are generally appropriate, the factors are sometimes being applied incorrectly. In practice, the factors are often used by the Board to require the moving party to actually have the evidence being sought in order for additional discovery to be authorized. The desire to constrain open-ended fishing expeditions should not be utilized by the Board to mandate that a party actually possess the information being sought before additional discovery is authorized.

The Board should add the following additional factors to those enumerated in *Garmin*:

1. Is the information solely within the possession of the other party;
2. Has the information already been produced in a related matter; and
3. Does the discovery relate to 35 U.S.C. §§315/325 jurisdiction issues?

The Office should also provide rule-based guidance on the statutory language in 35 U.S.C. §316(a)(5)(B) setting out the “in the interest of justice” requirement for obtaining additional discovery in an *inter partes* review proceeding.

Response to Question 7-12: *How should multiple reissue, reexamination and/or review proceedings before the USPTO involving the same patent be handled?*

The Office should coordinate separate AIA trials on the same patent by consolidating AIA trials instituted for those proceedings in front of the same panel. Other *ex parte* proceedings on the same patent should be stayed only if an AIA trial is instituted, and then only until the Final Written Decision. There is not enough time in the statutory timeframe to conduct a consolidated AIA trial and *ex parte* proceeding together; and, unlike *ex parte* proceedings, AIA trials are not meant to be examination proceedings.

In a review proceeding involving the same patent already the subject of a prior petition for which an AIA trial was instituted, the Office should use its rulemaking authority under the statutory authority in 35 U.S.C. §§313/323 and §§315(d)/325(d) for the Director to set the time period for filing a Preliminary Patent Owner Response so as to effectively stay the filing of the Preliminary Patent Owner Response until the Termination or Final Written Decision of the prior reviewing proceeding. While the Office is under strict statutory timelines for completing the evaluation of a decision to Institute a review proceeding once a Patent Owner Preliminary Response is filed, there appears to be flexibility in the statutory scheme to allow the Director to establish a stayed or deferred time period for filing a Patent Owner Preliminary Response in a situation where a second petition for a review proceeding is filed for the same patent for which an earlier petition was filed and an AIA trial was instituted and the time for joinder with that earlier AIA trial has been exceeded. Typically, this would mean that the first and second petition would be filed more than nine months apart. Under these circumstances,

delaying the time for filing the Patent Owner Preliminary Response in the second petition until such time as the AIA trial for the first petition has concluded conserves judicial resources and does not prejudice the second petitioner from having an opportunity to have their petition considered.

The Office should specifically consider rules and guidance for handling co-pending AIA trials and *ex parte* proceedings that do not adopt the rules and procedures for handling merged and/or co-pending reexaminations and reissues as set forth in 37 C.F.R. §§1.570, 1.991 and 1.997 and MPEP 1449. The Office should confirm that a pending reissue application or an *ex parte* reexamination proceeding where the Patent Owner is pursuing new/amended claims will not be automatically terminated if a Final Written Decision in an AIA trial cancels all of the patent claims. The Board has encouraged Patent Owners to pursue new/amended claims that are patentably distinct from claims challenged in an AIA trial proceeding in a reissue or an *ex parte* reexamination proceeding that many Patent Owners have done. A Patent Owner should have an opportunity to continue pursue such patentably distinct claims in pending proceedings at the Office regardless of the outcome of a review or reexamination proceeding.

Response to Question 13: *Under what circumstances, if any, should a petition for an AIA trial be rejected because the same or substantially the same prior art or arguments previously were presented to the USPTO in a different petition for an AIA trial, in a reexamination proceeding or in a reissue proceeding?*

In light of the current statistics for both number of proceedings and the outcomes, the Board should adopt a general policy to limit review proceedings to “one and done” where there is an AIA trial that has resulted in a final written decision instituted against a given claim in a given patent based on the same or substantially same prior art or arguments. The legislative history supports this position in concerns expressed about the harassment, expense and lack of quiet title resulting in an open-ended ability to continually mount challenges using the new review proceedings. Citation to new art (as either primary reference or secondary reference combined with previously cited art in a review petition) should create a presumption, rebuttable by the Patent Owner in the Preliminary Patent Owner Response, that the same or substantially the same prior art or arguments as a previous petition is not being advanced.

Response to Question 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?*

The Board should make more use of the statutory option to extend the 1-year statutory period from the date of a decision to institute an AIA trial to issue a final written decision by up to 6-months. In the interest of fairness to both parties, use of this extended 6-month period should be on a case-by-case basis, and should be more generously utilized in more complex AIA trials. Examples of more complex AIA trials include those that involve extra effort in terms of the number of copending proceedings, joinder, the number of grounds for which trial was instituted, granting of significant additional discovery, successful motions

to amend, live testimony at oral Argument, and/or a party improperly withholding mandatory discovery.

The Board has operated to date as if the 1-year time period for concluding AIA trials was sacrosanct, apparently because the Office perceives that district court judges rely upon the definitiveness of this 1-year time period when granting stays. While that is a valid point, it unfairly favors Petitioners over Patent Owners. This issue is particularly relevant in proceedings where additional discovery is sought. Most, if not all, orders denying additional discovery in regard to secondary considerations or real party in interest inevitably fall back on demands imposed by the 1-year time period as a reason not to grant the request. It may be that if the Board granted the requested additional discovery, evidence would be uncovered that would shorten the case one way or the other. Strict adherence to the 1-year time limit when Congress provided a six month escape valve can seem like an unseemly rush to judgment for Petitioners.

Response to Question 15: *Under what circumstances, if any, should live testimony be permitted at the oral hearing?*

The one reported Final Written Decision in which live testimony of the inventor was permitted at the Oral Hearing provides a good example of how live testimony can be incorporated into the review proceeding. The option to present live testimony should require a successful motion to demonstrate that witness credibility is a critical issue to resolving the AIA trial.

The Office should revise 37 C.F.R. §42.62(c) that redefines the terms “hearing” and “trial” under the Federal Rules of Evidence and 37 C.F.R. §42.70 that sets forth the requirements for Oral Argument. As a result of the interaction of these two rules, the trial phase of an AIA trial where testimony can be introduced technically ends prior to the Oral Argument and may preclude the Board from considering additional evidence at an Oral Argument unless a request was made under 37 C.F.R. §42.5(b) to waive the rules. As evidenced by the wording of Questions 15 and 16, even the Office confuses the terminology “oral hearing” with the “Oral Argument” as defined under 37 C.F.R. §42.70. Moreover, the interaction of these rules seem to operate in a manner so as to preclude evidence and/or testimony at an “oral hearing” is inconsistent with the underlying Congressional intent behind the statutory authorization in 35 U.S.C. §§316(a)(10)/326(a)(10) for “providing either party with the right to an oral hearing as part of the proceeding,” as well as the requirements of the Administrative Procedures Act (APA).

Response to Question 16: *What changes, if any, should be made to the format of the oral hearing?*

The current format of main and rebuttal argument for the Petitioner but only a main argument for the Patent Owner should be changed to provide both a main and rebuttal argument for each party in order for the oral argument to comply with the APA requirements for an oral hearing.

Response to Question 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?

A. The Board should not institute trial for a review proceeding and then discard submitted prior art and submitted rejections as "redundant".

Since a Petitioner has no way to respond to a holding of redundant art, the Petitioner is not getting a full and fair hearing before the Board. There also seems to be no way to properly appeal this at the Federal Circuit. Thus, the Board should consider ending its practice of discarding prior art as redundant.

Alternatively, the Office should clarify the application of the redundancy doctrine. This applies to any procedure in which the Office declines to institute review on certain grounds, whether the justification is identified as redundancy or otherwise. The clarity should address three issues.

First, the rules should clarify the circumstances under which the redundancy doctrine is to be applied, and whether and how the redundancy doctrine applies across multiple petitions, such that filing additional petitions fairly allows for consideration of additional grounds. Making the rules more transparent should result in petitioners filing fewer petitions with claims that require use of the redundancy doctrine.

Second, the rules should clarify the legal ramifications of one or more grounds being deemed redundant. The rules should clarify whether estoppel applies in such situations to prevent a petitioner from bringing a second petition including the same grounds or arguing invalidity based on the same grounds in district court.

Third, the rules should clarify whether grounds deemed redundant can have any later effect on the AIA trial proceeding. For example, if a Patent Owner argues a claim construction supporting validity over an instituted ground but that would be invalid over a non-instituted redundant ground, can that redundant ground be reconsidered or is it inappropriate to even address the inconsistency?

B. The page limit is problematic because it is too restrictive and should follow a "word" limit approach used by the Federal Circuit and in *Ex Parte* appeals.

The Board should drop the page count requirement and adopt the word count approach for measuring the limits on papers filed with the Board. The reasons set forth by the Office in the initial rules for adopting a page limit have resulted in too much confusion and work by the Board to enforce this limit.

Use of a certification of the word count as is used by the Federal Circuit, and by the Board in the context of *ex parte* appeals, will save both Board and participants time and effort in complying with these limits.

C. The Office Should Alter the Schedule to Provide For a Surreply for Patent Owner

The Office should consider adding the opportunity for the Patent Owner to file a surreply after the Petitioner's reply. Currently, Patent Owners have little or no opportunity to address new issues that commonly appear in replies by petitioners. The opportunity to file observations on cross-examination is currently not to be used as a surreply, and consequently, has little actual benefit. Consequently, the opportunity to file observations could be replaced with an opportunity to file a surreply. To the extent additional time is needed to make room for a surreply, it is suggested that shortening either the time period prior to the Patent Owner response or shortening the time period allotted after the oral argument.

D. Rehearing practice should use a different panel.

The Board should appoint a different panel of APJs to consider such requests for Decisions to Institute and Final Written Decisions, and relax the standards for considering such requests in these two circumstances.

E. The Board should use an issue preclusion analysis in deciding whether to adopt a prior claim construction (if one exists).

If there is a final, non-appealable decision that rendered construction of the claims of the patent at issue (either court or patent office), and if it involved the same parties or their privies, then the Board should adopt that claim construction as a matter of issue preclusion.

F. The Proposed Statement of Material Facts Portions of Rules 42.22 and 42.23 Should be Dropped.

There has been relatively little use of the proposed statement of material facts option under 37 C.F.R. §42.22(c). There has also been confusion among different Board panels about whether or not the required responses under 37 C.F.R. §42.23(a) to such proposed statements of material fact count or do not count toward the page limit, and if so, how. Moreover, none of the Final Written Decisions have relied on the proposed statement of material facts or responses thereto in rendering a decision in an AIA trial. So, the Office should revise the trial proceeding rules to drop the option for including proposed statements of material fact as a way to streamline the AIA trials.

G. The Office should promulgate rules for identifying informative and precedential decisions by the Trial Division of the Board

The Office needs to provide for a rule-based process for identifying informative and precedential decisions. The Office should consider appointing an Assistant Chief Judge to identify such decisions (including evaluating suggestions from parties and bar associations) and limiting the approval process to majority approval by only Trial Division APJs with a minimum experience level.