

In the United States Patent & Trademark Office

In re Proposed Rules for)
)
Inter Partes Review, Post Grant)
Review & Transitional Program)
for Covered)
Business Method Patents)
)
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Comments of Intel Corporation on the
Proposed Inter Partes and Post Grant Review Rules
And the Proposed Rules for Trials and the Proposed Trial Guidelines

April 9, 2012

Introduction

Intel Corporation appreciates the opportunity to comment on the proposed rules for inter partes review and post grant review along with the proposed rules of practice for trials and the proposed trial guidelines. Intel believes that the PTO has done an excellent job of establishing the proposed regulations for inter partes and post grant proceedings and that they will provide an excellent framework for expeditious proceedings that will meet the goals for a just, quick and efficient resolution of disputes over validity. In particular, Intel believes that the PTO has done an excellent job of establishing the right balance on the following issues:

- Discovery: Intel agrees that the PTO followed congressional intent in limiting automatic discovery for PGR and IPR. With a few exceptions noted below, Intel believes that the Office struck the right balance. Indeed, in the typical IPR, which is based upon written publications, the need for discovery typically is minimal and depending on the specific grounds for a post grant review, the need for discovery may also be miniscule. Advocacy by some for district court like discovery and broad automatic disclosure requirements is inconsistent with the wording of the statute and would make it difficult for the vast majority of the proceedings to be concluded in one year as mandated by Congress.
- Locale for Discovery: Contrary to others' proposals and continued advocacy that depositions should take place in Washington DC unless the parties agree otherwise, Intel believes that the Office's approach to refrain from specifying a site is appropriate. IPR and PGR are processes that have to work for patentees and petitioners located across this nation and around the world and generally parties should be able to reach agreements regarding where depositions should take place just like they do in interferences and district court litigation.
- Supplemental Information: Intel agrees that the proposal to permit petitioners to provide supplemental information under Proposed Rules 42.123 and 42.223 after institution of the process subject to supervision of the Board is fair and appropriate and expressly sanctioned by the AIA under sections 316(a)(3) and 326(a)(3). Both the preliminary response filed by the patentee or the initial decision of the Board to institute the proceeding may raise matters where it is appropriate to permit filing of additional documents. Proposals by others to bar or limit such supplementation should not be followed.
- Rules Governing Claim Amendments: Intel agrees that the proposed trial guidelines governing claim amendments and generally permitting (other than in settlement) only one substitute claim in exchange for cancellation of an original claim make eminent sense in terms of reducing the issues. Intel further believes that unlike suggestions made by others, the patent owner must submit the amendments (other than as part of a settlement of a proceeding) in its first filing after the institution of the proceeding to avoid undue complexity and ensure fast resolution of the proceeding pursuant to the statutory mandate.
- Proposed Rule 42.73(d)(3): Intel believes that proposed rule 42.73(d)(3) regarding the preclusive effect of an amendment that was refused or cancelled or that could have been filed is appropriate. Intel believes that this rule is entirely consistent with the historical antecedent of interference estoppel. Without this rule, patentees could ignore the

proceeding and file claims that should have been considered in the inter partes review or post grant review in a continuation application—rendering the entire proceeding moot. This could not have been Congress’ intent.

Notwithstanding Intel’s broad agreement with the proposed rules, Intel believes that there are a few areas where the rules could be improved. These improvements include: (1) excluding claim charts from the 50 page limit for petitions and preliminary response of the patentee, (2) requiring a preliminary meeting of counsel to exchange and limit issues on claim construction and other issues; (3) dropping a requirement for disclosure of noncumulative statements that are inconsistent with positions taken during the proceeding; (4) minor changes on sequencing discovery particularly for third party witnesses to permit questioning outside the scope of direct and avoid inconveniencing third party witnesses and increasing cost, (5) permitting withholding of documents prior to deposing a witness for purposes of cross examination and impeachment, (6) providing for automatic and early discovery of the patentee’s evidence relevant to commercial success or other secondary considerations of nonobviousness when the patentee injects the issue into the proceeding and (7) giving the petitioner more time to respond to the patentee’s response to the petition along with reducing the nine month period that the patentee has to prepare its opposition under the proposed timeline.

I. The Proposed Page Limits for Petitions are Unreasonable as they include Claim Charts

As worded, the proposed page limits under Rule 42.24(a) as clarified under the proposed trial guidelines for a petition are unreasonable: they count claim charts as part of the fifty or seventy page limit according to the guidelines.¹ When more than a few claims are at issue, and Intel believes that they almost always will, these page limitations are insufficient if claim charts are counted. For many patents, the claim charts would exceed the fifty page limit. Rather, Intel believes that claim charts should not count towards the page limits.

Intel understands that the likely interpretation of the guideline is that where a party wishes to rely on the meaning of the term to one of ordinary skill and the claim chart is in the declaration or affidavit of the expert, that chart will not count towards the page limit. However, this raises a number of issues. First, a patentee could have been her own lexicographer and created numerous unique definitions in the claims. A petitioner who has to discuss these unique definitions would be forced to include those definitions in its petition and be penalized for the patentee’s approach in its patent.

Second, in those instances where a patentee has advanced its own definitions of claim terms either explicitly or implicitly, this approach penalizes petitioners. Where a patentee has provided its own claim chart normally as part of infringement case, petitioners need to be able to use those

¹ While the proposed rules are silent on whether claim charts count towards the page limits, the PTO’s Proposed Trial Practice Guidelines state that “Claim charts submitted as part of a petition or motion count towards applicable page limits. 77 Fed. Reg. at 6873.

claim charts to show the patentee’s claim interpretation and to show why the claims are invalid in light of that interpretation. If the patentee makes an implicit claim interpretation, such as by claiming that the patent is essential for a standard, the petitioner should be able to provide a claim charts based upon its understanding of the patentee’s position—in addition to the claim charts that the petitioner provides. The rules need to contemplate that such claim charts using either explicit or implicit claim charts based on a patentee’s positions will not be counted against the petitioner’s page limits.

Thus, Intel believes that the better approach is not to count claim charts at all against petitioners or patentees page limitations--at least until after the petition is granted and the trial commences. Rather, as suggested in the next section, it would be far better for the Office to require the parties at an early meeting before the first meeting with the administrative patent judge to set forth a limited number of claim limitations that the parties will dispute for the purpose of the proceeding and at that point limit the proceeding.

A. Proposed Process for Resolving Claim Disputes

Even prior to the early meeting with an APJ contemplated under proposed Rule 42.20, the petitioner and the patentee should be required to meet at an early meeting of counsel to try to resolve as many differences as possible. Issues that should be resolved as much as possible include claim interpretation, level of skill, whether the alleged prior art identified is in fact prior art, what factual issues the patentee intends to raise including secondary considerations of non-obviousness, etc. with an idea that hopefully a horse trading process will evolve that permit the parties reduce the issues for the administrative patent judges. The parties and the process should encourage the parties to agree on as many of these points as possible, including by “horse-trading” for example claim interpretation issue resolution with the number of prior art attacks while recognizing that at most the Board will be able to resolve a few issues.

Many courts require counsel to meet before meeting with the judge on procedural and scheduling issues. Those procedures for patent cases also require the parties to resolve as many disputes regarding claim terms as possible.² Those meetings avoid the judge having to resolve issues needlessly and permit faster resolution. The Patent Office should impose a similar requirement by adding to the process a meeting of counsel with the hope that it will result in reducing issues.

II. The Office Should Drop “Routine Discovery” of “Information that is Inconsistent with a Position”

Rule 42.51(b)(3) apparently seeks to apply Rule 56 to inter partes proceedings by requiring production of “noncumulative information that is inconsistent with a position advanced by the patent owner or petitioner during the proceeding.” Intel believes that this dramatic expansion of Rule 56 into

² See, e.g. United States District Court for the Northern District of California, Local Rule 4-1 <http://www.cand.uscourts.gov/localrules/patent#CCProc> ; United States District Court for the Eastern District of Texas, Local Rule 4-1 <http://www.txed.uscourts.gov/page1.shtml?location=rules>

adversarial proceedings such as inter partes review and post grant review is ill advised and not ultimately feasible.

First, it is important to highlight the distinction between the expansiveness of this new proposed Rule 42.51(b)(3) and existing Rule 56. Unlike Rule 56, which is limited to those who are involved in prosecution of a case such as the inventors and the attorneys, proposed Rule 42.51(b)(3) has no such limitations—any comments from anyone at a party to an inter partes proceeding that may be inconsistent and noncumulative with a position advanced must be produced. With large parties who have tens if not hundreds of thousands of employees, searching for all such statements is burdensome and oppressive. In fact, given the breadth of issues that could be relevant to an inter partes proceeding, it is questionable how any large organization could search through its employees' files and emails to discover information inconsistent with a position taken during the proceeding.

Intel understands that the office is considering revising the proposed rule to limit it to those involved in the proceeding. Nonetheless, even with such revisions, the proposed rule would still be problematic and would lead to needless motion practice over collateral issues regarding whether a party produced all such documents.

The experience of the federal courts in dealing with a similar required disclosure of adverse information under Federal Rule of Civil Procedure 26 led to the abandonment of that approach for district courts. In 1993, Federal Rule of Civil Procedure 26(a)(1) was amended to require, for the first time, the identification of a copy or description by category and location of all documents and things that “are relevant to disputed facts alleged with particularity in the pleadings” In other words, a party had an obligation to disclose or describe certain documents that were both consistent with and *inconsistent* with its position to borrow from the language of the proposed rule. However, in 2000, these disclosure requirements in the Federal Rules of Civil Procedure were limited to documents that such party “may use or *support its* claims or defenses” Undoubtedly, the decision to limit the scope was due in part to the substantial ancillary litigation that ensued over whether parties had complied with the earlier duty to provide adverse information. Intel foresees substantial ancillary disputes over whether a party has provided discovery about such inconsistent statements if the rule is not changed.

Another justification that has been given for proposed Rule 42.51(b)(3) is that this is merely extending a duty of disclosure required under Rule 56 in ex parte proceedings to the new adversarial proceedings—yet, this ignores that the duty of disclosure was created to support ex parte prosecution as an unique institution:

[W]e do subscribe to the recognition of a relationship of trust between the Patent Office and those *wishing to avail themselves of the governmental grants* which that agency has been given authority to issue. The ex parte prosecution and examination of a patent application must not be considered as an adversary proceeding *and should not be limited to the standards required in inter partes proceedings*. With the seemingly ever-increasing number of applications before it, the Patent Office has a tremendous burden. While being a fact-finding as well as an adjudicatory agency, it is necessarily limited in

the time permitted to ascertain the facts necessary to adjudge the patentable merits of each application. In addition, it has no testing facilities of its own. Clearly, it must rely on applicants for many of the facts upon which its decisions are based. The highest standards of honesty and candor on the part of applicants in presenting such facts to the office are thus necessary elements in a working patent system. We would go so far as to say they are essential. It follows, therefore, that we do approve of the indicated expansion of the types of misconduct for which applicants will be penalized.³

Post grant and inter partes proceedings are adversarial and have quite different needs than the ex parte proceedings that led to the adoption of Rule 56. It is singularly inapt to apply Rule 56 to an adversarial proceeding. Given the complexity and speed with which these new processes need to be resolved, Intel suggests that reliance on the adversarial process is a much better approach to ensure that justice is served and the Office is not defrauded. Hence, Intel suggests that Rule 42.51(b)(3) be stricken.⁴

III. Specific Procedural Discovery Rules

A. Issues regarding Scope of Direct -- Rule 42.53(c)(5)(D)

The proposed trial rules present problems for taking depositions of third parties. Under well established rules of cross examination for civil trials, which appear to be grafted into proposed Rule 42.53(b)(5)(D), opponents are barred from taking testimony at a “trial” outside of the scope of direct. Thus, if one party takes direct testimony of a third party witness of limited scope but where the other party wants to question the witness about another relevant topic, Rule 42.53(b)(5)(D) precludes such testimony by the second party. To question that witness, the second party will need to separately schedule a deposition at a later time of that third party.

This will occasion additional and unnecessary travel and cost for the participants and impose unnecessary burdens on third party witnesses who may need to be deposed twice. Also, witnesses will be reluctant to be inconvenienced by having their lives interrupted twice for the sake of the proceedings. Rather, the better procedure would be to require that a party seeking to take testimony outside the scope of direct to provide a counter notice similar to the notice contemplated in Rule 42.53. This will save time and money and not prejudice third parties. It will also avoid needless arguments and burdens on the Board of resolving whether a given topic is within or without the scope of direct.

³ Norton v. Curtiss, 433 F.2d 779, 794 (CCPA 1970)(emphasis added).

⁴ The materiality construct of Rule 56 that led eventually to including inconsistent statements by the patentee as material information can be traced to the Office’s adoption of a materiality from securities fraud. See C. Shifley & R. Stockton, The Duty of Disclosure and the Exception of “Cumulative” Prior Art, at 6 . <http://www.bannerwitcoff.com/docs/library/articles/disc.pdf>. It is clear that the duty to disclose material information in securities law for non-adversarial proceedings such as such for a securities registration does not extend to adversarial proceedings such as securities lawsuits, criminal securities prosecutions and securities enforcement proceedings before the SEC. Intel submits that the PTO should follow the lead of its sister agency and not require a duty to disclose for adversarial proceedings.

B. Providing Documents Ahead of Time – Rule 42.53(c)(3)

Proposed Rule 42.53(c)(3) appears to contemplate that all documents intended to be used at a deposition are to be provided before the deposition. While that makes eminent sense for purposes of taking actual direct testimony, that rule makes little sense for purposes of impeachment or cross examination where documents are typically not provided ahead of time in civil proceedings. This proposed rule should be clarified to ensure that prior production is not required for the purpose of cross examination or impeachment. Otherwise, the Board will not be receiving the testimony of the witnesses but will rather be hearing the carefully scripted testimony prepared by counsel ahead of the deposition.

IV. The Proposed Rules for Additional Discovery Follow Congressional Mandates and Prevent Automatic Discovery of Petitioners' Sales for Secondary Considerations of Nonobviousness as Advocated by Some but the Proposed Rules Need to Require Automatic Production of Relevant Documents from the Patentee if the Patentee Chooses to Inject Secondary Indicia

At least one party has proposed that the Office require automatic production of the sales and designs of petitioner's products if the petitioner raises the issue of obviousness. The approach that the Office took in the proposed rules rejects that approach and rightly so. First, it injects into the proceeding collateral issues that require massive discovery and secondary considerations at best are only rarely successful outside of the pharmaceutical context.⁵ Following these proposals for such automatic discovery for the petitioner's sales whenever obviousness is raised would probably prevent resolution of the proceedings within the statutorily mandated one year period.

Such an automatic approach for automatic additional discovery in IPR's and PGR's would be inconsistent with the statutory scheme by rendering the procedure hopelessly complex and cannot be reconciled with the relevant discovery sections in 316(c) and 326(c). By their respective terms, both governing sections dealing with discovery require a determination by the Board that discovery is appropriate. Hence, in general, the Board took the right approach in limiting discovery to the depositions of affiants and copies of exhibits used in the papers absent a compelling showing of a need for additional discovery.

⁵ Analyses of district cases show that secondary consideration claims are rarely successful. Gregory N. Mandel, *Patently Non-obvious: Empirical Demonstration That Hindsight Bias Renders Patent Decisions Irrational*, 67 OHIO ST. L.J. 1391,1422-23 (2006)(noting that commercial success was only invoked successfully once in ninety-three district court cases in the sample). Similarly, an analysis of Federal Circuit cases found that commercial success and other secondary considerations were rarely invoked successfully, particularly outside of pharmaceutical cases when the secondary indicia is with based largely on unexpected results. See N. Thomas, *Secondary Considerations in Nonobviousness Analysis*, 86 NYU L.Rev. 2070, 2086 (2011).

Specifically, for inter partes review, the statute permits discovery only if the interests of justice require the discovery. Case law on “the interests of justice” shows that this is a heightened standard that cannot readily be met. For example, the interest of justice standard applies to whether courts should grant a motion for a new trial in a criminal case. In general, courts only grant those motions “when a serious miscarriage of justice may have occurred.”⁶ Courts follow similar standards of searching for apparent miscarriages of justice when applying the interest of justice standard in other contexts.⁷ By deliberately choosing to permit discovery under the restrictive “interest of justice” standard for inter partes review, Congress was obviously aware of the high standard it chose and, in general, the Office has done an excellent job of following this mandate in the proposed rules. Thus, before any discovery should be had in an inter partes review regarding the secondary considerations of nonobviousness, the petitioner will have to show that a fundamental miscarriage of justice would occur without such discovery.

While post grant review has a more liberal standard for discovery, the proposed rule follows the statutory mandate that discovery be limited to “evidence directly related to factual assertions advanced by either party to the proceeding.” First, by the petitioner having made a claim that the patent is obvious, the petitioner has not made a factual assertion that commercial success or any other secondary consideration exists.⁸ Second, until the patentee makes a detailed factual assertion that the petitioner’s products infringe and the patentee shows commercial success or some other secondary factor is connected to the petitioner’s sales of its products, no factual assertion has been made regarding any secondary considerations; therefore by the terms of the statute, no discovery of the petitioners’ products or sales may be had in a post grant review until the patentee makes such assertions.

Further, even in those post grant reviews where the patentee makes the factual allegation of commercial success based on the petitioner’s sales, naked allegations should be insufficient. Given the potential for disruption to the proceeding, Intel submits that a substantial showing for the particular secondary consideration and causation should be required of any patentee before discovery is given of the petitioner’s sales or other potentially relevant documents. Otherwise, such discovery is likely to lead to substantial collateral litigation over issues such as whether the petitioner’s products infringe and whether the sales of the products come from the patented features as opposed to other features or advertising. Only with the most compelling showing should the Patent Office permit inquiries into these issues to refrain from unduly lengthening and complicating the post grant review proceeding.

⁶ *United States v. Rice*, 449 F.3d 887, 893 (8th Cir. 2006)

⁷ See e.g., *Morales-Fernandez v. INS*, 418 F.3d 1116, 1122 (10th Cir. 2005)(immigration context); *Phillips v. Lane*, 787 F.2d 208, 213-14 (7th Cir. 1986)(habeas context).

⁸ For example, the petitioner may not even have released a product within the scope of the claims but has brought the proceeding in anticipation of a future product.

A. A Patentee’s Placing at Issue Secondary Considerations Means that the Patentee Should Immediately be Required to Produce All Supporting Evidence to Support the Alleged Considerations under the “Interest of Justice” and “Evidence Directly Related” Tests

There is, however, one clear case, where the interests of justice will require substantial additional production from a patentee. If a patentee seeks to argue that its patent should be found not obvious due to secondary considerations, the patentee has put at issue broad swathes of evidence uniquely within its control that will delay the process unless produced immediately. For example, if the patentee puts at issue commercial success, then the patentee should immediately be required to produce:

1. Its product designs or process flows for all related products or processes so that the petitioner can contest whether the patentee’s products or processes are within the scope of the patents;
2. All other patents relating to the product or process so that the petitioner can challenge the assertion that the patent at issue is the one that causes the commercial success;
3. All advertising and marketing materials and the annual budgets to permit the petitioner to challenge whether the commercial success is attributable to the patent or marketing
4. All analyses by the patentee of competitive products to determine whether those enjoy commercial success.
5. Knowledgeable witnesses on these subjects including how its products are within the scope of the claims.

This evidence is uniquely in the hands of the patentee. Without this evidence, the petitioner would be unable to respond the patentee’s assertions and rebut such arguments –a rebuttal that in district court with broad discovery is almost always successful.⁹ It would cause a manifest injustice if a patentee could rely on evidence exclusively within its possession to prove a point while depriving its opponent the ability to rebut that evidence in a meaningful fashion. In this narrow set of circumstances where the patentee raises secondary considerations, broader discovery by the petitioner should be permitted to avoid an injustice and is clearly necessary.¹⁰ The rules should be modified to require patentees to provide the relevant discovery immediately so the proceeding will not be delayed.

B. Because Secondary Considerations are Potentially So Disruptive, Patentees Should Be Required to Announce Its Intent and Produce the Documents Automatically Immediately After the Start of the Trial

Because secondary considerations such as commercial success hold the potential to complicate a case with extensive evidence, the Board needs rules to deal with this added complexity. The most fundamental of those rules is by providing to any petitioner the opportunity to take adequate discovery to rebut the testimony that the patentee can prepare during the nine months that the

⁹ As set forth in note 5, *supra*, commercial success and other secondary considerations almost always fail.

¹⁰ *Cf.* Federal Rule of Civil Procedure 26(b)(3)(a)(ii).

proposed timeline gives to the patentee.¹¹ Clearly, the two months provided for in the guidelines after the patentee files its response will be woefully inadequate to rebut carefully crafted evidence of secondary considerations during the nine months that the patentee has to prepare its case in chief.

Hence, if this level of complexity is going to be injected into the proceeding by the patentee, the Board and the petitioner need to know immediately upon the initiation of the trial. Intel submits that within two weeks of the initiation of the trial, the patentee should be required to state whether it intends to prove that commercial success or some other secondary consideration of nonobviousness. Within a month of the initiation of the proceeding, the patentee who is relying upon such secondary consideration should be required to produce not only the actual evidence with which it intends to support those secondary considerations but all supporting documentation and all of its sales literature, advertising expenses and marketing programs to permit the petitioner to be in the position to rebut that case.

VI. The Basic Timeline for IPR and PGR Should be Modified

The basic timeline in the trial guidelines provides nine months for the patentee to prepare its response to the petition. The proposed guidelines also provides the patentee with a four month window in which to take discovery. However, the petitioner is granted a mere two months to respond to all of the potential evidence that the patentee may have compiled during those nine months along with finding prior art to deal with proposed amendments. Simply put, the balance of nine months to two is tipped too far in the patentee's favor.

The only justification apparently advanced for this allocation is the claim by some of the parties who made initial submissions that petitioners would have years to prepare their petitions while patentees would only have a matter of a few months to prepare their positions. However, this ignores the fact that not only will the patentee have nine months from the filing of the petition to prepare its response,¹² but that petitioners often will have to prepare their petitions in a hurry.

In many industries such as those Intel is in, experience has shown that the vast majority of patent assertions come as a surprise—normally in the form of a summons and complaint. These cases do not generally involve competitors but involve patents often purchased from unknown entities that were then assigned to newly created entities with no employees and no business other than suing. Thus, typically, petitioners in such industries will not have years in which to prepare their petitions. At most, they will often have a few months in which to prepare their petitions after having finished their prior art searches.

Further, the decision whether to initiate a proceeding is complex and requires a detailed understanding of the claim, the prior art, the accused products or methods, if known, and a vast array

¹¹ The proposed guideline for a “normal” inter partes and post grant review provides that the patentee will have two months to file its preliminary position if the patentee so chooses, then three months for the decision to initiate the proceeding and then four more months to file its initial brief and evidence—a total of nine months.

¹² See note 10.

of other evidence. While patentees may take years to plan their cases, the petitioner has to respond within the statutory deadlines. Further, in many courts, it may be months after the start of the litigation before the patentee indicates which products infringe and why the patentee believes that they infringe. As a result, petitioners will only have a few months from finally receiving the contentions of the patentee before they are barred from bringing inter partes proceeding. Therefore, Intel fundamentally disagrees with the premise that the patentee needs nine months after the filing of the petition to deal with the “surprise” of an inter partes petition. Intel submits that the patentee should have three months from the start of the trial to prepare its response –which still gives the patentee eight months for preparation. That at least would provide petitioners and patentees an equal time for taking testimony during a trial.

Respectfully submitted

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