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April 9, 2012

Via e-mail: patent_trial_rules@uspto.gov

Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
Mail Stop Patent Board
P.O. Box 1450
Alexandria, VA 22313-1450

Attention: Lead Judge Michael Tierney, Patent Trial Proposed Rules

**Comments on Notice of Proposed Rulemaking
77 Fed. Reg. 6879 (February 9, 2012)**

Dear Judge Tierney:

We write to comment on the Notice of Proposed Rulemaking published in the Federal Register (Vol. 77, No. 27, pages 6879-6914) on February 9, 2012, relating to rules of practice for trials before the Patent Trial and Appeal Board.

We commend the Patent and Trademark Office (“the Office”) for its efforts in drafting comprehensive umbrella rules for conducting *inter partes* review proceedings, post-grant review proceedings, derivation proceedings, and covered business method patent proceedings at the Patent Trial and Appeal Board (“Board”), as called for by the America Invents Act. In our view, the proposed rules lay the groundwork for effective oversight and management of these proceedings in a manner that is consistent with the statute and Congressional intent.

In the paragraphs that follow, we express our general support for two high-level aspects of the rules; namely (1) active management of the proceedings by the Board and (2) limited discovery managed by the Board. We also raise concerns over one aspect of the routine discovery rules.

Active Management of Proceedings

We support the proposed rules which permit the Board to actively manage the new post grant proceedings. In our view, it is only through such active management that the Board will be able to complete the proceedings in the time frame mandated by Congress.

As noted in the Practice Guide for Proposed Trial Rules, the proceedings begin with the filing of a petition, but any additional relief sought must be requested through a motion. 77 Fed. Reg. 6872; proposed rule 42.20(a). Generally, a motion will not be entertained without prior Board authorization. Proposed rule 42.20(b). Typically, authorization for a motion will be obtained through a conference call with an Administrative Patent Judge. See 77 Fed. Reg. 6872. Thus, there will usually be an oral interaction with a Board judge before any motion papers can be filed in a proceeding.

This type of active involvement has proved effective in the efficient management of interference proceedings, and we expect it to be comparably effective for the new proceedings created by the America Invents Act. For one thing, it will dispense with the problematic petitions process which has contributed to lengthy pendency times in *inter partes* reexamination proceedings. Parties will no longer be allowed to file, at will, potentially abusive petitions that sit in the petitions branch for months at a time and ultimately delay resolution of the proceeding. Instead, potential motions will be vetted by a Board judge in a preliminary telephone conference and, if authorized, briefed and ruled upon in a timely manner. This type of active management is consistent with the statutory purpose of the America Invents Act, which was to create a mechanism for resolving patentability disputes that is more efficient and cost-effective than district court litigation.

It's likely that those who maintain that the interference process is unnecessarily complex – and therefore unsuitable for PGR – have in mind the resolution of such issues as “counts”, “corresponding claims”, “threshold issues” and others that are part and parcel of a contest between two applicants or an applicant and a patentee. None of those issues carry over into PGR, no matter what process is adopted. Patentability issues, by comparison, are straightforward, and are currently addressed using the same standards and language applicable to all patentability determinations. Thus, the main argument for opposing an “interference model” would appear to stem from a lack of familiarity with interference practice. The real issue is one of choosing between passive management of the proceeding by the Board, as envisioned by rules proposed during the pre-publication comment period, or active management, as is presently the practice in interference proceedings before the Board.

Limited Discovery

We also support the proposed rules which provide for limited and focused discovery in the new post grant proceedings. Indeed, both § 316(a)(6) and § 326(a)(5) provide that “. . . such discovery shall be limited . . .”

The proceedings prescribed by the AIA were intended to serve as a more efficient and cost-effective alternative to district court litigation, and Congress has imposed specific time limits for their completion. In order to satisfy Congressional intent and meet the statutory time restrictions, the Office must avoid the time-consuming and costly discovery battles which are typical of district court litigation. The system proposed by the Office – which would combine very discrete “routine discovery” and discretionary “additional discovery” – will go a long way towards accomplishing this goal. See proposed rule 37 C.F.R. § 42.51. Specifically, additional discovery must be sought through the filing of a motion which, as noted above, must be pre-authorized in a telephone conference with an Administrative Patent Judge. Experience with similar procedures in interferences has shown that (1) many such issues are resolved during the telephone conference itself without a motion actually being filed and (2) that “fishing expedition” discovery is minimized.

Some critics of the proposed rules have advocated far more wide-ranging discovery in the new proceedings. For example, some have proposed a system in which parties are required to provide initial disclosures identifying, among other things, all persons having knowledge bearing upon the issues raised in the proceeding. Under that scheme, the opposing party would then be allowed to take the deposition of any or all of the identified persons.

In our opinion, such a system would lead to significantly inflated costs and difficult-to-manage discovery disputes. If, for example, a party were to identify twenty witnesses in its initial disclosures, a well-funded opponent would likely take the deposition of each one. The attorney’s fees for such an undertaking would be high on both sides. Inevitably, one or more of the twenty witnesses deposed would identify other potential witnesses who were not listed in the initial disclosures. This would lead to motions for further discovery which, if granted, could necessitate extensions to the discovery schedule. The opponent might also seek to file a motion for sanctions based on the allegedly incomplete initial disclosures. Not only would all of the above prove difficult for the Board to manage within the time periods set by Congress, but the significant increase in attorney’s fees would run counter to the intent that these proceedings would be a cost-effective alternative to district court litigation. For these reasons, we would oppose any such modification to the proposed rules.

Discovery of Inconsistent Information

We have several specific concerns regarding one aspect of the proposed “routine discovery” rules. Proposed rule 37 C.F.R. § 42.51(b)(3) states that routine discovery (i.e. discovery that must be voluntarily produced without request) includes the following:

Unless previously served, noncumulative information that is inconsistent with a position advanced by the patent owner or petitioner during the proceeding. The information is to be filed as soon as practicable in a motion identifying supplemental information or as part of a petition, motion, opposition, reply, preliminary patent owner response to petition, or

patent owner response to petition. 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.

This proposed rule is confusing as worded. Does the rule require (a) a first party to produce information that is inconsistent with a position advanced **by that party**, (b) a first party to produce information that is inconsistent with a position advanced **by the opposing party**, or (c) both of the above. In public statements made after publication of the proposed rules, Office personnel have made it clear that this rule was primarily intended to address scenario (a) above. To avoid ambiguity, we urge the Office to clarify the wording of the rule.

Assuming that the proposed rule requires a first party to produce information that is inconsistent with a position advanced by that party, we are concerned that it may pose an undue burden. In any given proceeding, a particular party will advance quite a few positions. If the party is a large entity, compliance with this rule may require many burdensome steps: (i) carefully identifying each "position" advanced at each stage of the proceeding; (ii) conducting a review of materials used for case preparation for any information inconsistent with each identified position at each stage; (iii) discussing with all witnesses or other individuals involved in the proceeding to determine whether they are aware of any information inconsistent with each identified position at each stage; (iv) reviewing the documents held by each such individual for inconsistent information; (v) identifying any other individuals within the organization who may have inconsistent information, querying these individuals at each stage, and reviewing their documents; and (vi) instituting a organization-wide review for documents that might be inconsistent with any position taken at any stage, but that may not be in the possession of any particular individual. Corporate clients will of necessity rely on counsel to ensure compliance with this rule, but it will be difficult for such counsel to know where to draw the line between too much investigation and too little investigation. And yet the stakes may be very high, especially for the patent owner, because (1) a misjudgment may lead to a charge of inequitable conduct in subsequent district court litigation, and (2) only patents of commercial significance are likely to be the subject of the proceedings.

Indeed, it is difficult to envision how this particular requirement would be policed during the proceeding itself. A failure to comply would likely be revealed, if at all, during the discovery phase of subsequent district court litigation involving one of the parties. While an inequitable conduct charge could be levied against the patent owner at that time, no such charge could be brought against a third party requester (although counsel for such a third party requester may face an inquiry over alleged violation of the duty of candor). Thus, this rule appears to impose a disproportionately heavy burden upon the patent owner.

In view of the above, we urge the Office to consider removing proposed rule 37 C.F.R. § 42.51(b)(3) altogether. Alternatively, we urge the Office to enunciate with more particularity the steps a party must take to comply with this rule. In particular, we urge

the Office to confine any required investigation to a scope that is reasonable under the circumstances, perhaps using phrases such as “reasonable inquiry,” “primary factual positions advanced in the proceeding,” and “confined to a review of information known to counsel or any other individuals substantively involved in the proceeding”.

Conclusion

We appreciate the opportunity to provide the foregoing comments on the proposed rules. Please note that we have not attempted to comment on every aspect of the proposed rules, and our silence with respect to any specific provision should not be taken as either an endorsement or a criticism of that provision. Please also note that the views expressed herein are ours and are not to be attributed to any other person or entity including McAndrews, Held & Malloy, Ltd. or any client of the firm.

Sincerely,

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