

ATTN: Michael Tierney, Vice Chief Administrative Patent Judge
Mail Stop Patent Board
Director of the United States Patent and Trademark Office
P.O. Box 1450, Alexandria, VA 22313-1450

Submitted in PDF via www.regulations.gov

Re: PTO-P-2019-0024, Notice of Proposed Rulemaking [RIN 0651-AD40]

To the Under Secretary of Commerce for Intellectual Property and
the Director of the United States Patent and Trademark Office,

Dear Sir:

Thank you for this opportunity to comment on the Notice of Proposed Rulemaking, *PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence*, 85 Fed. Reg. 31728 (2020).

We are members of the post-grant patent practice group at Wilson Sonsini Goodrich & Rosati, a recognized leader in providing legal services to start-up, life science, and other technology-based companies. We represent patent owners, patent applicants, and challengers in proceedings before the Patent Trial and Appeal Board. Our group includes some of the most prolific lawyers in post-grant proceedings and practitioners with decades of experience on or before the Board. Our comments below reflect our experience with Board proceedings and our commitment to their continuing effectiveness.

A. The “Presumption ... Favoring Petitioner as to Testimony Evidence”

In the notice of proposed rulemaking, the Office proposes amending §§42.108(b) and 42.208(b) to eliminate what is identified as a “presumption” in favor of the petitioner for a genuine issue of material fact created by testimonial evidence submitted with a patent owner's preliminary response. Prior rulemaking allowing such testimonial

evidence, however, took care to observe due process concerns grounded in the Administrative Procedure Act (“APA”) that could arise if dispositive weight was given to such evidence (particularly where raising an issue of disputed fact) without the opportunity for cross-examination. While a clarification may be helpful to resolve a perceived misconception discouraging the filing of such testimonial evidence, the current rulemaking raises concerns of insufficient consideration to the due process considerations underlying the current language in the rules of practice.

As an initial matter, the proposed rulemaking’s characterization of a presumption favoring the petitioner may misstate the issue. The burden of showing unpatentability begins with and remains on the petitioner. 35 U.S.C. 316(e) (burden on petitioner); 35 U.S.C. 314(a) (requiring a likelihood of unpatentability for institution); 37 CFR §42.108(c) (same)).

The original rulemaking recognized that the statute does not require testimony for the patent owner before institution, and that such testimony would require cross-examination causing delay and expense, but that instances might arise where such testimony is appropriate. 77 Fed. Reg. 48680, 48689, 48701 (2012). In 2016, 37 CFR §42.107(c) (barring POPR testimony) was eliminated and §42.108(c) amended to provide the “Board’s decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an inter partes review.” As the rulemaking explained, the Office would permit pre-institution testimony for the patent owner “with the caveat that, if a genuine issue of material fact is created by testimonial evidence, the issue will be resolved in favor of petitioner solely for institution purposes so that petitioner will have an opportunity to cross-examine the declarant during the trial.” 81 Fed. Reg. 18750, 18755; see also 35 U.S.C. 316(a)(5) (requiring cross examination of declarants regardless of whatever other discovery is permitted).

The current practice of not giving dispositive weight to unexamined expert testimony for the patent owner was expressly grounded on due process and a recognition that conflict in testimony indicates a triable fact issue rather than a basis for summary disposition. What the proposed rulemaking identifies as a “presumption” should be distinguished from due-process rights including the reasonable opportunity of cross-examination, paired with the Office’s (reasonable) choice not to permit routine cross-examination before institution. The latter should be preserved.

If the proposed rule allows dispositive weight to testimonial evidence submitted with a preliminary response, it should also routinely permit cross-examination before institution because it cannot eliminate the right to cross-examination altogether. 5 U.S.C. 556(d) (“A party is entitled ... to conduct such cross-examination as may be required for a full and true disclosure of the facts.”); *accord SAS Institute, Inc. v. Complementsoft, LLC*, 825 F.3d 1341, 1351 (Fed. Cir. 2016) (procedural protections apply to petitioners as well), *rev’d on other grounds in SAS Institute Inc. v. Iancu*, 138 S.Ct. 1348 (2018) (“SAS”).

Even if due process did not require cross-examination before expert testimony is used to dispose a petition, an agency cannot simply reverse policy course without a detailed justification for the reversal. *Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 42 (1983); *accord Dep’t of Homeland Sec. v. Regents of Univ. of Cal.*, 591 U.S. ___, slip op. at 40 (2020). As an alternative to the proposed rulemaking, the Office should consider updating the Trial Practice Guide to clarify there is no “presumption” in favor of the petitioner for a genuine issue of material fact created by testimonial evidence. Instead, the current rules reflect a recognition that conflict in testimony indicates a triable fact issue rather than a basis for summary disposition. Such an approach would be more consistent with the clear mandate from Congress and the Supreme Court is to reach the merits of patentability. *See Thryv, Inc., v. Click-To-Call Technologies, LP*, 140 S.Ct. 1367, 1374 (2020) (emphasizing the importance of deciding patentability).

B. Denying All Grounds is Counterproductive

The notice proposes amending §§42.108(a)-(b) and 42.208(a)-(b) to require granting or denying all claims and grounds rather than instituting on only some claims and grounds. The change for claims reflects the *SAS* holding. The reason for the amendment regarding grounds is less clear. If implemented rigidly, the amendment would harm patent owners, petitioners, and the public affected by the challenged patent. The Court in *Thryv* explained that AIA reviews are intended to reach the merits of patentability rather than bog down in procedural technicalities. 140 S.Ct. at 1374; *accord* 35 U.S.C. 316(b) & 326(b) (requiring that rulemaking promote the integrity of the patent system). The APA expresses a related concern by encouraging agencies to work with parties to simplify issues in order to reach the merits. 5 U.S.C. 556(c). If the effect of the amendment is to avoid simplification of grounds, the patent owner is harmed by facing needless costs; however, denials of meritorious grounds

because the Board deems other grounds as lacking merit would harm petitioner and the public by thwarting the statutory goal of providing a more efficient forum for determining patentability.

In *SAS*, the Court did not squarely address partial-grounds institution because the question presented was whether a final decision could address only some of the challenged claims. 138 S.Ct. 1359-60. Relying on the plain language of 35 U.S.C. 318(a), the Court held that after institution the Board must render a decision for every challenged claims and, by implication, the Director lacks discretion to institute on only some challenged claims. While *SAS* contains dicta about the petitioner being the master of the issues that go to trial, but in *Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. ___, 136 S.Ct. 2131, 2139 (2016), the Court recognized that the Director has some latitude in framing the grounds that are instituted. Indeed, this notice also recognizes as much in the proposed amendments allowing patent owners and petitioners to address issues first raised in the institution decision.

The four dissenters in *SAS* suggested that the Board has the power to signal to the parties how best to proceed on the merits. *SAS*, 138 S.Ct. at 1360. The majority expressed no position on the suggestion, but note that “it would show only that a lawful means exists for the Director to achieve his policy aims”. *Id.* at 1358 n.*. The APA, however, encourages exactly this sort of engagement for purposes of simplification in reaching the merits. 5 U.S.C. 556(c)(6). Several possibilities exist, including (1) permitting expressly contingent grounds in a petition, (2) holding pre-institution conferences to offer the petitioner an opportunity to elect between grounds, and (3) permitting the petitioner to elect grounds in a post-institution rehearing request.¹ If “the petitioner is master of its complaint”, *SAS*, 138 S.Ct. at 1355, then the petitioner should be able to withdraw grounds or claims that would be futile, just as the patent owner should not be left guessing where to focus its efforts in reply when a ground is instituted but marked as unlikely to succeed.

¹ Similar practices have existed in patent interferences at the Board for decades, benefitting the parties, the Board, and ultimately the public by simplifying the issues to ensure that the merits are reached in a fast, fair, and cost-effective manner. *See, e.g.*, Standing Order ¶104.2.1 (explaining motions conference practice). Parties in AIA proceedings should be afforded the same benefits that the Board has long provided to interference parties.

An original petition (that is, not a joinder petition) with supporting expert testimony and filing fees is a significant expense. Trial is a significant expense for both parties. Indeed, a few hundred denials in cases that have some meritorious grounds, or institutions in cases where the patent owner must address unmeritorious grounds, would constitute waste on an order that would quickly turn this rulemaking into an economically significant rulemaking under Executive Orders 12866 and 13771. Moreover, failure to reach meritorious grounds means that a patentability dispute lingers, imposing additional costs on the economy and to the judicial system.

Patent law is not certain: if it were there would be no need for judges, and Board and Federal Circuit panels would never have dissents. Petitioners can—in good faith—advance grounds that a panel deems not meritorious. A policy that disincentivizes reasonable attempts to show unpatentability by amplifying the risk for the petitioner is not economically reasonable. Cf. 35 U.S.C. 316(b) (rulemaking must consider the effect on the economy).² A policy that shifts the risk to the patent owner is wasteful. Both rigid outcomes can and should be avoided.

C. Conclusion

Again, thank you for the opportunity to share our thoughts and concerns. Notice and comment rulemaking is not only a statutory requirement for practices with general applicability and future effect (5 U.S.C. 551(4); 35 U.S.C. 2(b)(2)(B)), but also a key element in government transparency and stakeholder participation, which best ensure that resulting practices truly further the economy, the integrity of the patent system, the timely and efficient administration of the Office.

² Although the efficiency of the Board is also a consideration, since 2017 fees have been set such that the petitioner pays the entire cost of the proceeding. Final Rule, *Setting and Adjusting Patent Fees During Fiscal Year 2017*, 82 Fed. Reg. 52780, 52790 (2017). Hence, any Board inefficiency arising from instituting a petition on the merits arises from Office fee calculations, not from the parties' actions.

Respectfully submitted,

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Submitted June 26, 2020