

April 9, 2012

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office  
United States Patent and Trademark Office  
600 Dulany Street  
Alexandria, VA 22314

Via email: (*patent\_trial\_rules@uspto.gov*)

**Re: Comments on Notice of Proposed Rulemaking**  
**“Rules of Practice for Trials Before the Patent Trial and Appeal Board**  
**and Judicial Review of Patent Trial and Appeal Board Decisions”**  
**77 Fed. Reg. 6879 (February 9, 2012)**

Dear Under Secretary Kappos:

The American Intellectual Property Law Association (“AIPLA”) is pleased to have the opportunity to present its views with respect to the United States Patent and Trademark Office (the “Office”) Notice of Proposed Rulemaking entitled, “Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions,” as published in the Federal Register (77 Fed. Reg. 6879) on February 9, 2012 (the “Notice”).

AIPLA is a U.S.-based national bar association with approximately 15,000 members who are primarily lawyers in private and corporate practice, government service, and the academic community. AIPLA represents a diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, unfair competition, and trade secret law, as well as other fields of law affecting intellectual property. Our members practice or are otherwise involved in patent law and other intellectual property law in the United States and in jurisdictions throughout the world.

Set forth below in the order they appear in the Notice (not necessarily in the order of their importance) are our comments on portions of the proposed umbrella Board Rules, which have been reviewed in light of the goals of the Leahy-Smith America Invents Act (“AIA”).

**1. Proposed Section 42.3– Jurisdiction.**

Proposed Section 42.3(b) requires that petitions to institute a trial be filed in a timely manner. AIPLA believes that the word “timely” should be deleted as it will only cause unnecessary disputes over whether a petition was or was not timely filed. Instead, AIPLA proposes that the sentence be rewritten as follows:

- (b) A petition to institute a trial must be filed with the Board consistent with any time period required by statute.

**2. Proposed Section 42.10 – Counsel.**

Section 42.10(a), as proposed, provides that “if a party is represented by counsel, the party should designate a lead counsel and a back up counsel who can conduct business on behalf of the lead counsel.” This proposed section should make clear that a party may designate, in addition to its lead and back-up counsel, any additional back-up counsel who can conduct business on behalf of lead counsel and any other attorney of record. This is to enable all attorneys who have responsibility for the matter to receive electronic communications from the Office. We suggest that the sentence be rewritten as follows:

- (a) If a party is represented by counsel, the party should designate a lead counsel and at least one back-up counsel who can do business on behalf of the lead counsel, and may also designate one or more other counsel of record.

Proposed Section 42.10(c) addresses the issue of participation in the review proceedings by practitioners not registered to practice before the Office, stating, “The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause, subject to such conditions as the Board may impose.” The Office’s proposed rules vest considerable discretion with the Board in the decision whether to allow appearances by practitioners not registered to practice before the Office. *See also* supplementary information on “Change to Implement Post-Grant Review Proceedings,” 77 Fed. Reg. 7060, 7074 (“the grant of a motion to appear *pro hac vice* is a discretionary action taking into account the specifics of the proceedings”); and supplementary information on Rules of Practice, 77 Fed. Reg. at 6896 (“a non-registered practitioner may be admitted *pro hac vice*, on a case-by-case basis based on the facts and circumstances of the trial and party, as well as the skill of the practitioner”).

AIPLA agrees with the Office’s proposal that recognizing counsel *pro hac vice* should be permitted in limited circumstances, and considers proper representation of all interested parties to be an issue of substantial importance. AIPLA recognizes that the USPTO Board Of Patent Appeals and Interferences currently has a Standing Order on the subject, Standing Order ¶ 5 (Mar. 8, 2011) <http://www.uspto.gov/ip/boards/bpai/interf/forms/standingordermar2011.pdf>, that is consistent with the proposed Rules.

Under proposed Section 42.10(e), counsel may not withdraw from a proceeding unless authorized by the Board to do so. The requirement for obtaining Board approval to withdraw from a proceeding should be limited to lead and back-up counsel. As noted above, in many cases, other attorneys are named as “of counsel” on particular papers, either because of 37 C.F.R. § 10.37 or as a courtesy to attorneys who are also involved in the matter. However, that should not require them to obtain formal authorization from the Board to “withdraw” from the case since such attorneys do not have the authority to commit the client in the absence of the lead counsel.

**3. Proposed Section 42.11 – Duty of candor.**

Proposed Section 42.11 applies a duty of candor for parties and individuals associated with parties during the course of a proceeding. Applying a duty of candor to all “individuals associated with the parties” is far too broad. Some nexus to their involvement with the proceeding should be required for the duty of candor to apply.

AIPLA agrees that a direct application of Rule 56, 37 C.F.R. § 1.56, is inappropriate to these contested matters, and that the disclosure issue is better addressed by requirements targeted to the need to disclose information known to the parties that is inconsistent with, or which may tend to rebut, positions being taken by that party. To expedite those disclosures and minimize the likelihood of later disputes, either during the proceedings or in litigation, AIPLA further urges the Office to adopt the proposed initial disclosures requirements earlier suggested.

**4. Proposed Section 42.13 – Citation of authority.**

Proposed Section 42.13(a) requires citation to U.S. Reports for any U.S. Supreme Court decision. Citation to the West Reporter System is required for any non-Supreme Court decisions under proposed Section 42.13(b).

Proposed Sections 42.13(a) and (b) should each be amended by adding at the end “where possible.” With respect to proposed Section 42.13(a), the U.S. Reports take a long time to publish, and the suggested changes are consistent with proposed Section 42.13(d) which authorizes such alternative citations. Finally, the requirement in proposed Section 42.13(d) that a party provide the Board with copies seems outdated and unnecessary in this electronic age. We propose that paper copies need be provided only upon request.

**5. Proposed Section 42.15 – Fees.**

AIPLA agrees in principle with the foundational cost recovery approach provided by the Office. However, AIPLA is concerned, particularly with respect to the fees for new services being proposed, that the Office is being overly conservative in its cost analysis. We believe this analysis results in overestimating likely costs, particularly for new processes, in proposing fees justified by overstated costs in the aggregate, or even more likely in fees which are difficult to justify on an individual basis. In this regard, a productive dialogue should ensue based on a more detailed discussion of the assumptions, modeling, and estimation of those costs.

In addition, the proffered contention that the post-grant review (“PGR”) Section of the AIA requires cost recovery only for PGR procedures does not comport with the language of the statute, nor with the intent of Congress to set reasonable fees which will not discourage use of the new procedures. Section 6 of the AIA amends 35 U.S.C. Section 321(a) to read, in part, “The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be *reasonable, considering the aggregate costs of the post-grant review.*” (Emphasis added.) The statute states that the Director shall (i) set the costs to be *reasonable*, and (ii) in doing so, shall simply “consider” the aggregate costs of PGR. The most important criterion here is that the fees be “**reasonable.**” The determination of what reasonable fees are is *informed by*, but *not determined by*, an estimate of the potential aggregate costs of PGR. AIPLA believes that the proposed fees for PGR are not reasonable, given the importance of the procedures in the Congressional scheme of patent reform, and the critical nature of patent quality, which the AIA in general and the PGR in particular were intended to improve. 77 Fed. Reg. at 6909; 77 Fed. Reg. at 7070; See AIPLA Comments on “Proposed Patent Fee Schedule,” February 29, 2012, page 10.

As stated elsewhere by AIPLA in response to AIA rulemaking, given the significance of the proposed fees and concerns about the assumptions underlying some of the other costing elements estimated by the Office, AIPLA believes a much more detailed discussion of the assumptions and bases underlying these costs needs to be provided. A comparison of the estimated costs for the use of Board resources in the current appellate and interference processes with the estimated costs for their use in these new processes raises additional concerns about the assumptions underlying the estimates. AIPLA looks forward to a productive dialogue to try to improve the accuracy of these estimated costs. We would hope to avoid the circumstances that were experienced with respect to Track I Examination, where it was revealed after a very brief period that the costs were at least 20% less than estimated, resulting in a proposal to significantly reduce the fee charged.

AIPLA is also concerned that the procedures currently envisioned for PGR are themselves inefficient and cost intensive. ABA, AIPLA and IPO jointly proposed an approach which would be leaner and more efficient in usage of Board, petitioner, and patentee resources. Under this proposed approach, the proceedings required only three major submissions to the Board—the initial petition, the patent owner’s response to the petition, and the petitioner’s responsive comments. A required initial disclosure, standard protective order, pre-authorized discovery in pre-defined periods, time-limited and subject-matter-narrowing depositions, and other proposals not adopted in the currently proposed regulations all would saved the Board time and considerable expense.

However, the Office’s proposed regulations import unneeded procedures from prior Board practices, maximize Board involvement in matters best addressed by simple rules, and ignore suggestions based upon best practices developed in the federal courts. The use of a more streamlined and efficient structure should produce a significantly lower estimated cost in fees paid to the Office, as well as a lower cost in outside attorney fees paid by all of the participants. This should be a key consideration in driving the costs of the post-grant review to more balanced and effective levels.

The post-grant procedure was envisioned by Congress as a quick, less expensive quality control check intended to weed out clearly defective patents shortly after their issue. To this end, Congress expressly raised the post-grant threshold so that post-grant proceedings would be instituted only when clearly warranted. In so doing, Congress clearly differentiated the post-grant threshold from that for *ex parte* and *inter partes* re-exams and the like, which are typified by a very high percentage of grants of the original requests and a significantly lower percentage of substantive changes to the issued patents. Recognizing that the costs borne by the Office and all of the participants in a granted review could potentially be very significant, Congress took pains not only to set a high threshold for such proceedings, but also provided substantial discretion to the Director to deny or terminate such proceedings, even in cases where the threshold is otherwise met.

Proposed Section 42.15 sets fees for the new trial proceedings at a cost recovery rate pursuant to 35 U.S.C. § 41(d)(2). AIPLA has already submitted comments to the Patent Public Advisory Committee on the “Proposed Patent Fee Schedule” in its letter dated February 29, 2012. Beginning at page 10 of that letter, AIPLA expressed concern about the very high proposed fee for post-grant review and questioned the reliance on *inter partes* proceedings as a model for estimating those costs. AIPLA is concerned that such high costs may significantly reduce the use of PGR proceedings and thus adversely impact the improved quality goals sought by passage of the AIA.

Without repeating all the concerns raised in that earlier letter, AIPLA believes that the Office should reconsider its fee structure in light of those comments. In that regard, AIPLA does not understand how the Office has determined that the filing fee for an *inter partes* review (“IPR”) will be a minimum of \$27,200, while a derivation proceeding, which currently has the same 50-page limit for the petition and which essentially follows the same procedures as an IPR, will have a filing fee of only \$400. One would think that these filing fees should be much closer to each other than currently proposed. Further, why is the derivation filing fee not based on the number of claims in dispute? Clearly, what was or was not derived must be reviewed on a claim-by-claim basis.

Once the anticipated costs for each type of post-grant proceeding have been determined, the Office should reassess how those costs will be recovered by the fees charged to the public.

AIPLA has reviewed the options for setting fees that the Office initially considered, which options are discussed in the Notice, 77 Fed. Reg. at 6900, and we offer the following comments.

Initially, AIPLA agrees with the Office that a single fee calculated by the petitioner based on the number of different grounds being raised (Alternative Option I) without more guidance would be difficult to calculate and would raise challenges if the Office disagrees with the petitioner’s calculation. *But see* AIPLA’s comments below for using this fee-setting method for the trial phase.

AIPLA also agrees with the Office's decision not to stagger payments so they are made for each major paper filed during the course of the proceeding (Alternative Option III) and not to provide reduced fees for small and micro-entities (Alternative Option IV) for the reasons set forth in the Notice.

With respect to the adopted option, AIPLA believes that a fee structure based on the number of challenged claims is a reasonable way to allocate the costs for review of petitions for both a Covered Business Method ("CBM") and for a derivation proceeding. However, AIPLA does not believe that the same fee structure should apply to all contested post-grant proceedings and particularly believes that a different fee structure should be used for review of a petition for an IPR and for a PGR.

AIPLA also feels that the entire fee should not be charged at the time a petition is filed, since the Office has indicated, 77 Fed. Reg. at 6900 (Alternative Option IV), that it does not have authority to refund fees under 35 U.S.C. § 42(d). Thus, in order to avoid paying a filing fee that is based on a complete proceeding in cases where trial is never instituted, AIPLA supports having two fees. The first fee would be paid at the time a petition is filed and would cover the cost of reviewing the petition and any patent owner's preliminary response, and for issuing a decision on whether or not a trial will be instituted. The second fee would be set at the time of the decision granting a petition, and would cover the cost of the trial.

Because a decision granting a petition will include an identification of the grounds that will be reviewed in the trial phase and will also identify the claims subject to review, AIPLA submits that the Office will be able to set the trial phase fee based on both the grounds and on the claims being reviewed. In that regard, AIPLA proposes that the final rules make clear that each ground under 35 U.S.C. § 112 will be treated as a separate ground and that each principal reference, regardless of the number of secondary references used for either an independent or dependent claim, will also be treated as a separate ground for fee calculation purposes.

AIPLA believes that this split-fee approach may discourage efforts by future patent owners to obtain hundreds of claims simply to drive up the cost of IPR and PGR, and thus reduce the chance that third parties will raise a challenge to the patent in the Office.

#### Estoppel; Page Limits

In deciding to set the fees for an IPR and PGR based solely on the number of claims being challenged and by imposing page limits, AIPLA feels that the Office did not adequately consider the estoppel provisions of 35 U.S.C. §§ 315(e) and 325(e) which will estop a petitioner from raising in later litigation any ground of invalidity that either was or could have been raised in an IPR and a PGR. Thus, AIPLA feels that the Office should not impose page limits at least with respect to IPR and PGR. If page limits are retained, few members of the public are likely to use these proceedings because of the estoppel provisions.

Thus, AIPLA requests that the Office remove the page limits for an IPR and a PGR and base the filing fee for the preliminary phase on the number of pages of each petition rather than on the number of challenged claims. In that regard, AIPLA is not unmindful of the Office's concerns with the costs and other perceived disadvantages associated with permitting unlimited pages in the petition. However, AIPLA believes that the estoppel provisions outweigh those concerns and necessitate that there be no page limits for petitions for these types of proceedings. Accordingly, the Office should find other ways to control the amount of time it will take to review IPR and PGR petitions and to issue a decision on petition.

There are several ways that the Board can control the costs of an IPR and a PGR. First, the Board could set the fees to increase sharply in step increments for petitions that exceed a base page limit, which would give the petitioner at least some incentive to focus its arguments. In fact, it is likely that petitioners will devote more pages to their strongest arguments and fewer pages to secondary arguments which are submitted to preserve them for later litigation. As the Office has indicated, in instituting a trial, "the Board will streamline the issues for final decision by authorizing the trial to proceed only on the challenged claims for which the threshold requirements of the proceeding have been met." 77 Fed. Reg. 6868, 6874. The Board should be able to readily identify the grounds that satisfy the statutory threshold and are most likely to succeed and to discard all or most of the secondary arguments.

Even if the petitioner presents many grounds for unpatentability that are fully developed and that satisfy the threshold, the cost of the additional time to review these grounds on the merits can be recovered by the second fee that is charged at the time of the decision on petition.

To facilitate its review of lengthy petitions, the Office might also consider requiring that the petition include a table of contents that clearly identifies the page where each separate ground is raised and that each new ground be accompanied by an appropriate heading. In that way, the Board can more easily determine which of the various grounds should be retained for the trial phase.

As discussed below, an additional way to limit the length of a petition is to do away with the requirement for a statement of material facts, with each fact presented as a single, numbered sentence. In interference practice, the requirement in 37 C.F.R. § 41.121(c)(1)(ii) that each motion contain a statement of material facts led to a significant increase in the length of briefs which in turn led, in the latest Standing Order, to a requirement that the statement of material facts pages must be counted when calculating the total number of pages of each motion, opposition, and reply. A similar effort to control the size of the material facts appears in Proposed Section 42.24(a) where the material facts are not excluded when calculating the number of pages of a paper. AIPLA urges that no requirement for a statement of material facts be included in the final rules.

In summary, AIPLA believes that the Office should not adopt a “one-size-fits-all” fee structure that applies to all post-grant proceedings. Instead, the Office should establish a fee structure that enables petitioners in an IPR and a PGR to avoid estoppel issues by presenting all grounds for unpatentability to the Office and thereby seek to preserve for later litigation those grounds not fully decided by the Office. A fee structure based on the number of pages of the petition satisfies this important need and at the same time makes it possible for petitioners with only a few grounds for attacking patentability to present those grounds in a relatively inexpensive post-grant proceeding. Similarly, having separate fees for the preliminary and trial phases helps to apply fees that better reflect the actual costs associated with a given proceeding.

There may be a number of alternative mechanisms available for reducing high fees based on the number of claims. AIPLA notes, for instance, that the raw number of claims would not in most instances increase the amount of work for the Office, in particular with respect to the analysis and application of prior art, due to the fact that many claims in a single application would be subject to the same prior art and would not require significant additional analysis or evidence. Procedures such as grouping claims, so that claims that require the same or similar analysis would not incur significant additional fees, may be practicable. Assessing fees based on the number of pages in the petition or response, for example, rather than on the number of claims, as already suggested above, would allow the parties to fully develop their argument, which is essential in light of the estoppel effects, and would be a rational way to measure the cost as a function of Board effort based on the number of pages of argument that would require review.

**6. Proposed Section 42.22(a)(2) – Content of petitions and motions.**

Proposed Section 42.22(a)(2) requires inclusion of a statement of material facts in each petition or motion. In current interference practice, the material facts are usually nothing more than copies of corresponding paragraphs from the witnesses’ (particularly the expert witnesses’) declarations. Requiring the same statements to be made twice may not be a good use of resources, and their elimination as a required part of the briefs would also make it possible to shorten the briefs. Moreover, their elimination would also result in a significant savings to the parties since much time and effort is involved in reviewing these material facts and either admitting or denying them. In most cases, the majority of the material facts are simply denied. Thus, this requirement serves no useful purpose and should not be required in the post-grant review rules. Instead, it should be sufficient that the petition, patent owner’s response, petitioner’s reply, and all other motion papers be required to support each argument with appropriate citation to the evidence of record.

Nevertheless, to the extent the Board finds having a statement of material facts helpful, the Board should permit the parties to recite only ultimate facts with appropriate citations to the record. Simply having sentences from expert declarations repeated in the body of a brief is of no value and arguably a violation of proposed Section 42.6(3). Finally, proposed Section 42.22 should be revised to provide that material facts are to be presented in an appendix. Having them in the body of a brief interferes with the flow of the brief.

**7. Proposed Section 42.23 – Oppositions and replies.**

This proposed section requires that oppositions and replies include a statement of disputed material facts, noting that any facts not denied may be deemed admitted. Under current interference practice, each motion paper repeats the prior material facts and adds admit/deny responses along with any supplemental material facts so that the reply includes a complete set of all material facts and all admit/deny responses. If the Office decides to retain the requirement that all papers contain a statement of material facts, then proposed Section 42.23 should be revised to make clear whether oppositions and replies are to include complete sets of all material facts to date or simply the current admitted/denied responses and any additional material facts. In either case, proposed Section 42.23 should be revised to provide that the material facts are to be presented in an appendix. As noted above, having them in the body of a brief breaks up the flow of the brief.

**8. Proposed Section 42.24 – Page limits for petitions, motions, oppositions, and replies.**

Proposed Section 42.24 establishes page limits for petitions and motions, including a 70-page limit for requesting post-grant review and covered business method patent review, and a 50-page limit for requesting *inter partes* review and a derivation proceeding. As discussed above, AIPLA requests that the Office remove the page limits, or at the very least, that an exception should be allowed when an excessive number of claims needs to be addressed. One option would be to set the 70- and 50-page limits for the first 20 or 25 claims being challenged, with additional pages permitted for each additional 20 or 25 challenged claims.

AIPLA recognizes the need for an expedited proceeding, and the Board's experience with interference practice evidences that a page limit requires the parties to focus on the key arguments and to better organize their briefs. However, the estoppel provisions of 35 USC §§ 315(e) and 325(e) that apply to any grounds not raised in an IPR and PGR, respectively, make it unlikely that parties would initiate either an IPR or PGR if they are unable to raise all known grounds of unpatentability in the petition. Therefore, AIPLA generally opposes the imposition of page limits in most circumstances. However, there may be other ways to address the concern of submissions with large numbers of pages, e.g., a cost per page that would allow parties to fully develop their arguments, but would discourage needlessly long pleadings.

Instead of imposing page limits for a petition in an IPR and PGR, the Office might require that the request include a table of contents that clearly identifies each separate ground of unpatentability and that the body of the petition contain headings each clearly identifying the various grounds of unpatentability. The Office might also encourage practitioners to present different grounds of unpatentability in the order in which they most easily satisfy the threshold. This would facilitate the Board's review of each petition and more easily reach a decision as to which grounds to include in the trial phase of the proceeding. Finally, eliminating the requirement for a statement of material facts would also be helpful. If the final rules do impose a

page limit for an IPR and PGR, AIPLA suggests that the page limit should be made a function of both the number of independent grounds being raised and the number of claims being challenged. To the extent that determining the number of grounds raised can be a subjective exercise, a rule adopting this approach should include clear examples of what constitutes a separate ground of unpatentability.

Any page limits with respect to a petition should apply equally to the petitioner and the patent owner. For example, proposed Section 42.207(a) provides the patent owner with an opportunity to respond to the petition with reasons why no post-grant review should be instituted. Proposed Section 42.204(b)(3) requires the petitioner to state how the challenged claim is to be construed, and proposed Section 42.207 should provide the patent owner with a corresponding opportunity to rebut the petitioner's proffered claim construction. Since the patent owner has the burden to respond to all of the points raised by petitioner, the patent owner should not be restricted by lower page limits or extra fees for additional pages. Further, in the case of page limits, even if the petitioner uses fewer than the number of pages allowed, the patent owner should be able to use the full number of pages within the page limit.

## **9. Proposed Section 42.51 – Discovery.**

### *Initial Disclosures in Discovery*

AIPLA believes that the Office should reconsider instituting an initial disclosure process, which is an essential feature of automatic discovery not included in the proposed rules. District courts around the country have concluded that mandatory initial disclosures further the efficient resolution of patent infringement actions, which typically involve patentability reviews raising issues similar to those in the new Office review proceedings. Many of the same considerations suggest that the Office likewise would benefit from a Standing Order providing for the initial disclosure of information and documents that are likely to be central to any patentability review.

There may be some concern among the Office rulemakers on the scope and extent of the initial disclosures required under AIPLA's proposal. We understand that fine-tuning may be needed or desired. But the concept of initial disclosures, as part of an automatic discovery process defined in advance for anyone contemplating whether to invoke an Office patentability review, seems to have been rejected almost entirely by the Office.

Under the proposed rules, the only required disclosures are those listed as "routine discovery," which are (1) exhibits cited in a paper or in testimony; (2) cross-examination of affidavit testimony; and (3) "noncumulative information that is inconsistent with a position advanced by the patent owner or the petitioner during the proceeding." Proposed Section 42.51(b). Any other disclosure is treated as "additional discovery," which may be obtained only by the filing of a motion. Proposed Section 42.51(c). There is no provision for mandatory initial disclosures, even as to information and documents that one would think would be routinely discoverable, such as documents reviewed by any expert witness or documents consulted or referenced in the preparation of a declaration or affidavit.

Proposed Section 42.51(b)(3) may be problematic in practice. It imposes upon practitioners a disclosure obligation akin to a PGR/IPR version of Rule 56, 37 C.F.R. § 1.56, which possibly may discourage the use of the new review procedures. For example, in litigation following an IPR or PGR proceeding, disputes may arise as to whether undisclosed information was cumulative or inconsistent with a position advanced during the proceeding. In contrast, the initial disclosures included in our proposal are intended to be more objective, balanced, and comprehensive in scope.

Finally, certain types of challenges to validity may give rise to more extensive and challenging discovery issues. In particular, allegations of prior non-published public disclosures (*e.g.*, public use or sale) may be factually specific and complex, and allegations of obviousness may open discovery into objective evidence of nonobviousness. These concerns may be addressed by requiring more detailed initial disclosures by the petitioner when such allegations are presented in the petition, and more detailed evidence to be provided by the patent owner if its response includes such issues. For example, the additional initial disclosures would require information such as the names and contact information for all persons other than those offering affidavits or declarations who are reasonably likely to know of the factual allegations of the prior public disclosure, or of secondary indicia of nonobviousness, and the identification of documents and things relating to such allegations. The Office's proposed rules do not reflect any modification of the discovery process to account for factually intensive validity challenges such as these.

AIPLA believes that initial disclosures, required to be made by the petitioner and by the patent owner alike, will advance the expeditious resolution of the review proceedings by reducing the number of discovery disputes, obviating miscellaneous motions practice, and lessening the need for Board involvement in discovery. As such:

- The petitioner should be required to make an initial disclosure with its petition of evidence of which it is aware that may bear on the fair resolution of all issues raised in the petition, including the identification of documents and witnesses and any potential real parties in interest.
- When a prior public use or sale issue is alleged, all persons having knowledge, and all documents relating to that alleged public use or sale, must be disclosed with the petition and with the patent owner's response.
- When obviousness is alleged, all persons having relevant knowledge, and all documents relating to objective evidence of nonobviousness, must be disclosed with the petition and with the patent owner's response.

#### *Automatic Discovery v. Board Involvement*

AIPLA supports an approach whereby motions for discovery, other motions practice, and other procedural complexities requiring Board involvement would be minimized to the extent possible. Thus, AIPLA requests that the Office define a meaningful scope of mandatory initial disclosures, coupled with automatic discovery each party is entitled to take without seeking leave of the

Board. Such discovery would commence automatically upon institution of the review, in accordance with a Standing Scheduling Order. In this way, the burden on the Office resulting from frequent Board involvement in interlocutory matters, as well as the burden on participants to the review in terms of preparing for and participating in motions practice and other interactions with the Board, would be reduced.

Although AIPLA recognizes that parties to a review proceeding might still need to file motions seeking additional discovery, raising discovery disputes, or on other miscellaneous matters, the Office could minimize collateral disputes by making clear a robust scope of document and deposition discovery each party could take as of right. The Office could include in this category of automatic discovery the information and evidence that would be reasonably subject to disclosure and discovery in virtually every review proceeding. Thus, by specifying such discovery as automatic in the rules or by way of a Standing Order, the parties could avoid any burden, expense, or delay engendered by having to request and fight over discovery considered to be routine in the vast majority of review proceedings.

As mentioned above, the Office's currently proposed rules recognize the concept of automatic discovery, but on a very limited scale that virtually ensures significant discovery motions practice and disputes in most, if not all, review proceedings. As an example, the proposed rules would define as "additional discovery," which must be requested by motion and supported by a showing that it is in the interests of justice, such seemingly noncontroversial disclosures as: documents reviewed by any expert who submits an affidavit or declaration; and documents considered or referenced in the preparation of a declaration or affidavit. *See* proposed Section 42.51(c)(2). It seems unlikely that the discovery of such documents would not be in the interests of justice, yet the Office's proposed rules would require the filing of a motion to obtain such documents in every review proceeding.

AIPLA believes that once a review is instituted, the patent owner should be assured at least three months of discovery, should be allowed immediately to begin discovery, including taking the depositions of the petitioner's declarants and witnesses identified in the petitioner's initial disclosures, and should be automatically entitled to directly relevant discovery as may be needed to access evidence not already within the patent owner's control. Thereafter, the petitioner should be afforded reciprocal discovery automatically following the filing of the patent owner's response. As such:

- Automatic discovery should commence as of right for the patent owner upon institution of the review, and for the petitioner upon the filing of patent owner's response.
- Automatic discovery should include the production of documents identified in the initial disclosures and depositions of witnesses submitting testimony and other individuals identified in the initial disclosures.

- There should be provision for a potential initial 30(b)(6)-style deposition by the patent owner of the petitioner, before filing the preliminary response, to probe estoppel and real-party-in-interest issues. *See* Fed. R. Civ. P. 30(b)(6).

#### *Additional Discovery in PGR*

Proposed Section 42.51(c)(1) provides that a party may move for additional discovery and that “[e]xcept in post-grant reviews, the moving party must show that such additional discovery is in the interests of justice.” The phrase “[e]xcept in post grant reviews” is confusing. AIPLA proposes that the second sentence be rewritten as follows:

Except in post-grant reviews where additional discovery is limited to evidence directly related to factual assertions advanced by either party in the proceeding, the moving party must show that such additional discovery is in the interest of justice.

#### **10. Proposed Section 42.52 – Compelling testimony and production. Proposed Section 42.53 – Taking testimony.**

Clear discovery rules curtail collateral disputes and motions practice, avoid delays and lessen the burdens on the Office as well as parties to the review proceedings. AIPLA would prefer rules that set forth procedures and limits for the most common forms of discovery likely to be sought during review proceedings. In addition, clear definitions of a default scope of discovery, and pre-defined discovery procedures, would promote predictability, consistency, fairness, and due process for all parties to the review proceedings.

With respect to depositions, for example, AIPLA would like to see overall time limits for examination, as well as a default allocation of examination time by the party noticing the deposition and for cross-examination by opposing parties. With respect to deposition scheduling and location, witnesses who have submitted an affidavit, declaration, or expert testimony on behalf of a party must make themselves available for deposition in the United States. Since the new review proceedings, particularly PGR, may involve alleged evidence of unpatentability proffered by witnesses located outside the United States, the proposed rules should implement the basic fairness principle that the party seeking to introduce such evidence must bear the burden and expense of making its witnesses available for cross-examination in the United States, or else such evidence would not be admissible.

In contrast, the Office’s proposed rules largely leave the scope, limits, and procedures for discovery up to the Board for determination on a case-by-case basis. In addition to the risk of uncertainty and unpredictability as the rules for discovery are developed by panels of the Board on an *ad hoc* basis, this approach will ensure motions practice and disputes associated with the scope and procedures for discovery in each review.

To the extent the proposed rules do address discovery procedures, they raise a number of concerns. For example, proposed Section 42.52(b)(ii) would allow a petitioner to submit an affidavit from a witness outside the United States, and the patent owner seeking to depose that witness would be required to seek Board permission to do so outside the United States. *See* proposed Sections 42.52(b), 42.53(b)(3). Alternatively, the patent owner would be required to certify to the Board that it had offered to pay the travel expenses of the witness to testify in the United States. *See* proposed Section 42.52(b)(1)(ii). Likewise, if the petitioner's witness located outside the United States has documents relevant to the review proceeding, the patent owner seeking those documents would be required to seek Board permission to do so outside the United States. *See* proposed Section 42.52(b)(2)(i). Alternatively, the patent owner would be required to certify to the Board that it had offered to pay the expenses of producing the documents in the United States. *See* proposed Section 42.52(b)(2)(ii). The potential for abuse under these proposed rules—for example by petitioners submitting declarations and/or documents from foreign witnesses claiming that the invention was available to the public outside the United States—is obvious. It would be much more simple and fair to require that witnesses and documents from foreign countries must be made available in the United States in order to be admissible in the review proceeding.

The Office's proposed deposition procedures raise additional concerns. For example, proposed Section 42.53(b), dealing with the timing and location of depositions, creates a complex process for noticing depositions and initiating a conference with the Board whenever the parties cannot agree on a time or location. *See* proposed Section 42.53(c). Although these procedures are far from clear, they appear to provide for only two business days' notice of depositions, *see* proposed Section 42.53(c)(4), which is plainly unreasonable. AIPLA suggests at least ten business days' notice.

AIPLA believes that the timing, scope, and procedures for discovery should be set forth in the regulations, or alternatively in a Standing Order. Rather than crafting different discovery procedures in each review proceeding, the Office should make clear the default discovery procedures that will govern all reviews, absent a motion to modify the procedures, which will be granted rarely and only upon a showing of good cause. As such:

- The burden and expense of producing witnesses for deposition should rest on the party propounding the testimony.
- The party offering testimony from a witness located outside the United States should be required to make the witness available for deposition within the United States during the applicable discovery period.
- In the absence of an agreement as to where a witness located outside the United States should be deposed, the propounding party should be obligated to produce the witness for testimony in Alexandria, Virginia.

- A default time period of questioning should be set (7 hours recommended), with cross and re-cross of the questioning being limited to the subject matter of the prior questioning (and credibility/impeachment) and to one-half of the time taken by the previous questioner.
- Evidence not made subject to discovery in accordance with the rules should be excluded from the proceeding. Moreover, the unavailability of evidence within the time constraints of a proceeding should constitute grounds for terminating the proceeding. Depending on the circumstances of the unavailability, the dismissal may be without prejudice (or estoppel).
- The party seeking the deposition should be required to serve notice of the deposition at least 10 business days before the deposition (as opposed to two in the current draft).

#### *Video-Recorded Testimony*

Proposed Section 42.53(a) would require that a party obtain Board approval to take video-recorded testimony. AIPLA disagrees with this requirement and submits that if either party wants to pay to video-record the testimony, or if the parties want to split the cost of video-recording the testimony, they should be able to do so, to submit the video-recorded testimony, and to attempt to persuade the Board that it is worth their time to look at the video recording or specified portions of the video recording.

Proposed Section 42.53(e)(5) makes no mention of errata sheets. This proposed section should specifically provide for the submission of errata sheets and provide guidance on what is and is not acceptable in an errata sheet.

#### **11. Proposed Section 42.64 – Objection; motion to exclude; motion in limine.**

This proposed section provides for the submission of only *supplemental* evidence in response to an objection to evidence. Proposed Section 42.64(b)(2). Under current interference practice, parties often submit *substitute* declarations bearing the same exhibit number but clearly marked as substitutes. That makes the depositions go much more smoothly than if only supplemental declarations were permitted. The rule should make it clear that the use of a substitute declaration or other evidence is still permissible and that the List of Exhibits may simply list the substitute exhibit even though the original exhibit has previously been filed in accordance with proposed Section 42.6(c).

#### **12. Proposed Section 42.71(c) – Rehearing.**

Proposed Section 42.71(c) allows a party dissatisfied with a decision to file a request for a rehearing. Interlocutory decisions of individual Administrative Patent Judges should be automatically merged into the final decision (and judgment) of the panel. Requiring pro forma requests for rehearing in order to preserve such issues for court review is not only a waste of time and effort, it is contrary to the general rules of practice outside the Office.

**13. Proposed Section 42.73(d) – Estoppel.**

*Estoppel and Substitute Claims*

The patent owner should have the right to present a reasonable number of substitute claims at any time through the time of filing the patent owner's response, although the question arises: What would be a "reasonable number" of new claims? The Office's proposed rules seem to contemplate this approach. For example, the proposed rules do allow the filing of a motion to amend the patent, but only after conferring with the Board. Proposed Sections 42.121, 42.221. The Practice Guide states that "[a]mendments are expected to be filed at the due dates set for filing a patent owner response." 77 Fed. Reg. at 6874. The Board conference seems to be designed to ensure that the proposed amendments comply with the restrictions set forth in the AIA. See proposed Sections 42.121(c), 42.221(c). Further, the Practice Guide states: "There is a general presumption that only one substitute claim would be needed to replace each challenged claim. This presumption may be rebutted by a demonstration of need." 77 Fed. Reg. at 6875. The rules themselves, rather than the Practice Guide, should make the patent owner's right to amend the claims, as conferred by the AIA, more clear.

Certain aspects of the proposed rules directed to amended claims are not required by the text of the AIA, and may be viewed as not entirely consistent with the statutory language. For example, the Office's proposed rules state that a motion to amend the patent will not be granted where "the amendment does not respond to a ground of unpatentability involved in the trial." Proposed Sections 42.121(c)(1), 42.221(c)(1). Unlike the restrictions against claim amendments that enlarge the scope of the patent or that introduce new matter, this restriction is not found in the text of the AIA.

Our concern is that proposed Section 42.73(d)(3)(ii) would preclude a patent owner from obtaining from the Office in another proceeding a patent claim "that could have been filed in response to any properly raised ground of unpatentability for a finally refused or cancelled claim." This would estop a patent owner who loses a claim in an IPR or PGR proceeding from pursuing a claim in a continuation application or any other application that could have been filed in response to a properly raised objection. This rule, nowhere authorized in the AIA, would be unfair to patent owners.

AIPLA believes that the procedures for motions to amend the claims as of right should be set forth in the rules and should be subject only to the restrictions set forth in the AIA. As such:

- The rules should make clear that the patent owner has the right to present a reasonable number of substitute claims at any time through the time of filing the patent owner's response.
- Proposed Sections 42.73(d)(3)(ii), 42.121(c)(1), and 42.221(c)(1) should not be adopted.

*Estoppel Against the Patent Owner*

There is an additional concern with regard to Rule 42.73, namely the estoppel effect on the patent owner.

Proposed Section 42.73 creates a new estoppel provision applied against an unsuccessful *patent owner* in derivation, PGR, and IPR proceedings. There is no statutory basis in the AIA for this estoppel provision. It is solely a creation of the proposed rules, which would apply to every contested proceeding authorized under the AIA. This proposed rule could radically change Office practice for patent owners, particularly those developing a portfolio of patents around an important invention.

Proposed Section 42.73 purports to define a “judgment” resulting from a derivation, PGR, or IPR “trial” in the Office. Proposed Section 42.73(d)(3) purports to define an “Estoppel” against a “Patent applicant or owner.” Under that proposed section, “[a] patent applicant or owner whose claim is canceled is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent:

- (i) A claim to substantially the same invention as the finally refused or cancelled claim;
- (ii) A claim that could have been filed in response to any properly raised ground of unpatentability for a finally refused or cancelled claim; or
- (iii) An amendment of a specification or of a drawing that was denied during the trial proceeding.”

The proposed “judgment” of Section 42.73 itself goes far beyond the statutory authority granted to the Office under the AIA. Under the AIA, the Patent Trial and Appeal Board (PTAB) is permitted only to cancel the patent claims at issue, confirm the patentability of the patent claims at issue, or enter new or amended patent claims. *See* AIA 35 U.S.C. §§ 135(d) (derivation), 318(b) (IPR), and 328(b) (PGR). This is consistent with the Office’s authority under the current *inter partes* and *ex parte* reexamination authority. *See current* 35 U.S.C. §§ 307 and 316.

The AIA does not contain any provision authorizing the PTAB to issue broad “judgments,” let alone dispositive decisions on the entire scope of protection for an invention, including claims for protection that “could have been raised” but were not offered or litigated in the PTAB trial. By further imposing the ambiguous prohibition against any “inconsistent” future actions with an adverse PTAB decision, proposed Section 42.73(d) effectively extends that decision beyond the specific patent claims litigated in a derivation, PGR, and IPR proceeding to other unchallenged claims in the patent at issue and potential claims in any and all co-pending applications.

Thus, the proposed “estoppel” rule, in fact, would deny a patent owner’s well-established right to determine the most appropriate strategy for securing the maximum available protection for an invention through one, or multiple, related continuation, divisional, or continuation-in-part applications under 35 U.S.C. §§ 120 and 121.

Indeed, all co-pending applications could be subject to rejection because they are in some way “inconsistent” or offer claims that “could have been raised” in the contested proceeding. Moreover, this prohibition would inhibit the patent owner’s future ability to prosecute claims of other previously issued patents that may be subject to reissue, *inter partes* review or *ex parte* reexamination proceedings in the future.

Had Congress intended that such a broad, dispositive, and far-reaching estoppel would apply to an unsuccessful patent owner in a derivation, PGR, or IPR proceeding, then such a provision certainly would have been included in the AIA. The only estoppel provided under the AIA, however, is that imposed on an unsuccessful petitioner for a PGR or IPR proceeding. AIA 35 U.S.C. §§ 315(e) and 325(e).

While proposed Section 42.73 is not mentioned in the Office’s comments on its proposed rules, it is apparent that it is an effort to apply the principles of *res judicata* and collateral estoppel to PTAB decisions. Not only does that effort lack authority under the AIA, a PTAB trial does not provide the full due process rights that are required under those doctrines. *See Comair Rotron, Inc. v. Nippon Densan Corp.*, 49 F.3d 1535, 1537-39 (Fed. Cir. 1995); *The Young Engineers, Inc. v. U.S.I.T.C.*, 721 F.2d 1305, 1315 (Fed. Cir. 1983). Even the decisions of the International Trade Commission, which provides comprehensive discovery and trial procedures, are administrative determinations that are not accorded broad *res judicata* and collateral estoppel effect. *See, e.g., Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568-69 (Fed. Cir. 1996).

In fact, the proposed rules and the Office comments to the rules emphasize that the statutory limitations on the new contested proceedings constrain the parties’ rights to fully litigate the issues raised in the proceedings. For example, the parties are entitled to limited discovery rights, the patent owner has one opportunity to offer new or amended claims (but, only if the Administrative Law Judge approves under the proposed rules), and the patent owner’s ability to respond to new arguments and evidence raised by the petitioner would be limited as well (*e.g.*, proposed Sections 42.121, 42.123, 42.221).

The existing Office rules, in fact, already prevent an unsuccessful patent owner from improperly circumventing a final, adverse reexamination or reissue decision. Under the current rules, an unsuccessful patent owner is required to disclose such adverse decisions in all related, co-pending, or subsequent applications as part of its duty of candor before Office. *See* 37 C.F.R. §§ 1.56, 1.565, 1.985, and MPEP § 2001.06. These rules apparently have been effective in ensuring that such adverse decisions are not ignored. Moreover the AIA’s expanded third-party right to make preissuance submissions in new 35 U.S.C. § 122(e) allows a successful petitioner to ensure that the examiner of a related or co-pending application is fully informed of an adverse derivation, PGR, or IPR decision and certificate. The petition, moreover, can explain the relevance of the prior decision to the claims in all such related, co-pending, or future applications.

The proposed Section 42.73 should be revised to be consistent with the PTAB's limited authority under the AIA. Consistent with the AIA's 35 U.S.C. §§ 135(d) (derivation), 318(b) (IPR), and 328(b) (PGR), if there is a decision adverse to the patent owner, the proposed rule should be limited to the cancellation of the affected claims in a derivation proceeding and, in PGR and IPR proceedings, the issuance of a certificate cancelling the patent claims at issue, confirming the patentability of the claims, or entering new or amended claims.

**14. Proposed Section 42.74 – Settlement.**

Proposed Section 42.74(c)(2) states that a settlement shall be available to any person on a showing of good cause. While this subsection adopts the same standard for obtaining access to a settlement agreement as appears in Section 41.205(d) for interference settlement agreements, the standard for access to post-grant review settlements may need to be even higher in order to foster settlement of these proceedings.

*Miscellaneous Motions*

AIPLA believes that review proceedings should progress without awaiting motions practice or rulings from the Board. This could be accomplished by: establishing a default schedule for the review; clear parameters governing allowable discovery, including depositions and document production; a Standing Protective Order for the protection of confidential information; specification of the nature, number, length, and timing of depositions allowed as a matter of right; and the delay of rulings on motions to amend the patent and evidentiary objections until the final decision. However, the assigned Board panel, through its Presiding Judge, nonetheless would be required to handle miscellaneous motions and to consider whether to permit additional discovery a party might request beyond the default automatically authorized by the rules. Due to its added complexity and burden, and the risk of delay, AIPLA believes that motions practice should be discouraged, and the Board has the discretion to order sanctions, including fee shifting, to curb motions practice abuse.

The Office's proposed rules take a much different approach. At virtually every decision point between a pre-defined review process and a process defined on an *ad hoc* basis by the Board via motions practice, the proposed rules opt for the latter. Examples include setting the schedules for review proceedings, the availability of discovery, the timing of discovery, and the management of discovery. Not only will each of these issues potentially generate the filing of a motion, a response, and a reply, followed by a conference with the Board, but the Office also contemplates the availability of a motion for reconsideration of any decision it issues, from the decision to institute the review proceeding, through each interlocutory ruling, and to the final written decision.

As a result of this approach, the Office estimates that an average IPR or PGR proceeding will involve the filing of numerous motions. *See* 77 Fed. Reg. 7041, 7049 ("it is anticipated that *inter partes* review will have an average of 6.92 motions, oppositions, and replies per trial after institution"); 77 Fed. Reg. at 7069 ("it is anticipated that post-grant and covered business method patent reviews will have an average of 8.89 motions, oppositions, and replies per trial after institution"). The Office apparently does not believe that this volume of motions practice will

add appreciably to the Office fees for the review proceedings, because even though the estimated fully-burdened cost per hour for Administrative Law Judges to decide reviews is \$258.32, *see* 77 Fed. Reg. at 7050, the time spent on each motion is small compared to the time spent deciding whether to institute the review and the time spent on the final written opinion. What this view overlooks, however, are the legal fees and costs that petitioners and patent owners participating in the review proceedings will incur in connection with such voluminous motions practice.

Under the Office's proposed rules, motions practice is especially prevalent in the form of late-stage trial briefing. AIPLA would prefer an approach that reflects both the terminology used for the proceedings in the AIA and their basic structure, which require only three principal submissions (the Petition, the Patent Owner's Response and the Petitioner's Written Comments). In addition, as expressly authorized by the AIA, the Office could include the filing of a Motion to Amend the Patent and an Opposition. Issues of evidence admissibility could be handled within these principal submissions.

The proposed rules graft more submissions onto this framework after the filing of these principal submissions, including: motions to exclude evidence, with responses and replies; and motions for observations on cross-examination, with responses. For example the Office's Practice Guide includes, in addition to estimated due dates for the filing of the principal submissions authorized by the AIA, additional Due Dates 4, 5, and 6 for the briefing of motions to exclude evidence and motions for observations on cross-examination. *See* 77 Fed. Reg. at 6876.

AIPLA believes that the review procedures should be structured to minimize the number of miscellaneous motions and to discourage their filing. As such:

- All issues relating to admissibility of evidence should be raised in the three principal papers contemplated by the AIA: The petition, the patent owner's response and the petitioner's written comments.

AIPLA also offers the following additional comment directed to the commentary in the Notice.

**15. Supplementary Information – 77 Fed. Reg. at 6891**

The Supplementary Information, 77 Fed. Reg. at 6891 states that:

“[I]nterference proceedings will still be available for a limited period for certain applications under the Leahy-Smith America Invents Act. Regarding judicial review of Board decisions arising out of such interferences, § 7(c) and (e) of the Leahy-Smith America Invents Act makes review by the Federal Circuit available under 35 U.S.C. 141 only for proceedings commenced before September 16, 2012.”

AIPLA understands this passage to state that:

- Interference actions may be commenced only until March 16, 2013.
- Such interferences must involve patents or applications with claims having an effective filing date before March 16, 2013, or that can claim the benefit of an earlier filing date.
- Appeals of Section 135 interference decisions to the Federal Circuit are only available until September 16, 2012, the effective date of amendments to Section 141 that removes the right to take such decisions to the Federal Circuit.
- Civil actions in the district court under the pre-AIA Section 146 over adverse interference decisions were eliminated with amendments to Section 146, which were effective September 16, 2011.

The Federal Register Notice also states, “Lastly, note that certain interferences may be deemed to be eligible for judicial review as though they were derivation proceedings. See § 6(f)(3) of the [AIA].” That provision states that the Director shall make regulations for deciding when an interference commenced before September 16, 2012, (i) is to be dismissed or “(ii) is to proceed as if this Act had not been enacted.” 77 Fed. Reg. 6879, 6891.

With the opportunities for judicial review of an adverse interference decision virtually eliminated, AIPLA urges the Office to promptly develop regulations to implement the provisions of Section 6(f)(3) of the AIA.

\* \* \* \* \*

AIPLA appreciates the opportunity to provide these comments on the subject Notice of Proposed Rulemaking. We would be pleased to answer any questions these comments may raise and look forward to participation in the continuing development of rules appropriate for patent practice and for implementation of the Leahy-Smith America Invents Act.

Sincerely,



William G. Barber  
AIPLA President