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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
Via email: (inter_partes_review@uspto.gov)
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Attn: Lead Judge Michael Tierney, *Inter partes* Review Proposed Rules,
and Post-Grant Review Proposed Rules.

Comments Submitted by the Business Software Alliance
on Notice of Proposed Rulemaking Changes to Implement Inter
Partes Review Proceedings, and Changes to Implement Post-
Grant Review Proceedings

Dear Commissioner:

The Business Software Alliance (“BSA”) is pleased to have the opportunity to present its views with respect to the Notice of Proposed Rulemaking on the definition of Covered Business Method Patents, Post-Grant Review, and *Inter partes* Review.

BSA is the leading global advocate for the software industry. It is an association of nearly 100 world-class companies that invest billions of dollars annually to create software solutions that spark the economy and improve modern life. BSA members include software and computer companies¹ that collectively hold hundreds of thousands of patents around the world. Our members invest billions of dollars in research and development every year, and every one of relies on intellectual property protection for the viability of its business.

¹The Business Software Alliance (www.bsa.org) members include: Adobe, Apple, Autodesk, AVEVA, AVG, Bentley Systems, CA Technologies, CNC/Mastercam, Intel, Intuit, McAfee, Microsoft, Minitab, Progress Software, PTC, Quest Software, Rosetta Stone, Siemens PLM, Dassault Systèmes SolidWorks, Sybase, Symantec, The MathWorks, and Trend Micro.

Intellectual property rights are the cornerstones of innovation—giving creators confidence that it is worth the risk to invest time and money in developing and commercializing new ideas. For the software industry in particular, robust intellectual property protections are fundamental to ongoing innovation and technology improvements. Patents are an indispensable part of these protections. As a result, all BSA members support ongoing efforts to enhance the patent system and promote innovation in computers and software.

Patent reform is a critical piece of these ongoing efforts. And here, the United States Patent and Trademark Office (“PTO”) is uniquely positioned. Many of the provisions in the America Invents Act (“AIA”) provide the PTO with broad discretion in terms of their implementation. Overall, BSA believes that the PTO has done an excellent job thus far in establishing the proposed regulations called for under the AIA.

With regard to the proposed fee increases, BSA appreciates the PTO’s rationale for the growth in prices. BSA is committed to ensuring that the PTO has sufficient resources to accomplish its mission. At the same time, the large increases, especially in the traditional preparation and prosecution categories, will cause some BSA members to reassess their patent procurement strategies. Therefore, BSA believes that the PTO should continue to review the fee increases to ensure that the prices charged are commensurate with the work being performed.

One commendable area are the fees set by the PTO for *inter partes* review (“IPR”) and post-grant review (“PGR”). While high, these fees appear reasonable in view of the substantial work required from the Patent Trial and Appeal Board and appear to allow for full cost-recovery by the Office, which is necessary to avoid subsidizing the post-grant and inter partes systems through the diversion of fees that would otherwise be used for planned (and much-needed) investments in technology and infrastructure that will improve the operational efficiency and capacity of the Office. Additionally, requiring a substantial fee will help ensure that these procedures are utilized only where a significant business dispute warrants such an expenditure. Thus these fees should discourage

frivolous filings by parties that would seek to abuse these contested proceedings at the PTO, which was certainly not Congress' intent when it created the new programs.

Notwithstanding the foregoing, BSA also believes that there are areas in which the proposed rules may be improved. The procedures proposed for IPR and PGR are one such area. Here, the timelines, scope of discovery, page limits and process for resolving claim disputes can be improved to circumscribe and more properly apportion the respective burdens on the petitioner and patent owner, and to allow for more efficient administration by the PTO.

Thus, to help improve these proceedings, BSA offers the following comments and suggestions.

I. PROCEDURAL ISSUES IN IPR AND PGR

A. Basic timeline for IPR and PGR should be Modified

The proposed timeline provides nine months for the patentee to prepare its initial response to the petition with a four month window in which to take discovery. In contrast, the petitioner has only two months to analyze the patentee's response and reply. And replying to that response may be a significant undertaking. In its response, the patentee could propose amended claims, introduce evidence regarding secondary considerations of nonobviousness, and introduce other additional evidence. Consequently, the petitioner may have to search for and analyze new art, evaluate and retain experts to address secondary considerations, in addition to dealing with any other new evidentiary issues—all in just two months. Clearly, the timeline significantly favors the patentee.

The only justification offered for this allocation is that petitioners would have years to prepare their petitions while patentees would only have a few months to prepare their positions. However, this justification ignores the reality that not only will the patentee have

nine months from the filing of the petition to prepare its papers,² but petitioners often will have to prepare their petitions in a short period of time. In many industries, including those of BSA's members, the vast majority of patent assertions are unexpected. The party learns of the action by receiving the summons and complaint. Thus, typically the petitioners will not have years in which to prepare their petitions. At most, they will have either nine months for a PGR or twelve months for an IPR.

Furthermore, the decision whether to initiate a proceeding cannot be made lightly. It requires a detailed understanding of the claims, the prior art, the accused products or methods, if known, and a multitude of other evidence. While patentees may take years to plan their cases, the petitioner has to respond within the statutory deadlines. The burden imposed by these deadlines is exacerbated by the pace of litigation in many instances. For example, in many courts, it may take months after the filing of the complaint for the patentee to indicate what products infringe and their basis for the infringement. As a result, petitioners will only have a few months from finally receiving the contentions of the patentee before they may initiate a proceeding. Therefore, BSA disagrees with the premise that the patentee needs four months after the initiation of the proceeding to prepare its papers.

BSA proposes shortening the time for the patentee to make its first mandatory response from the current nine months to eight under the standard timeline. Similarly, the petitioner's time to reply should be lengthened by one month. Although still a substantial undertaking, allowing an additional month for the petitioner's reply gives the petitioner a more reasonable opportunity to respond to the new arguments and claims that likely will be presented in the patent owner's response.

² Under a typical PGR and IPR, the patentee has two months to file its preliminary position if it so chooses, followed by three months for a decision to initiate the proceeding, and then four more months to file its initial brief—a total of nine months.

B. Patentees should be required to announce intent to rely on secondary considerations early and produce secondary considerations documents immediately if they intend to rely on such evidence

The Board must implement a rule to accommodate for the added complexity introduced by secondary considerations. Secondary considerations such as commercial success significantly complicate a case with extensive, and otherwise not germane, evidence regarding records of sales, advertising, and marketing. To properly address the increased complexity, the Board should implement a rule to provide a petitioner an adequate opportunity to take discovery to rebut the testimony that the patentee prepares for its response. Such a rule is consistent with the “interests of justice” standard for discovery in IPR and the “evidence directly related to factual assertions” standard in PGR.

First, if the patentee seeks to rely on secondary considerations, increasing the complexity of the proceeding, the Board and the petitioner must know immediately upon initiation. Hence, BSA proposes that within two weeks of the initiation of the trial, the patentee should be required to state whether it intends to prove commercial success or some other secondary considerations of nonobviousness. Within a month of the initiation of the proceeding, the patentee who is relying upon such indicia should be required to produce the actual evidence with which it intends to support those secondary considerations and all supporting documentation, sales literature, advertising expenses, and marketing programs. This will provide the petitioner with an adequate opportunity to respond to the patentee’s arguments.

Second, if a patentee seeks to argue that its patent should be found nonobvious due to secondary considerations, such as 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.

The patentee is almost universally the best source for this evidence. And, without this evidence, the petitioner is unable to respond to the patentee's assertions and rebut such arguments. It would be a clear injustice if a patentee, or a petitioner, could rely on evidence exclusively within its possession to prove a point while depriving its opponent of the opportunity to take meaningful cross. Under these circumstances, broader discovery should be permitted to avoid injustice.³

C. The PTO should Eliminate the Proposed Rule 42.51(b)(3) for Routine Discovery of Information that is Inconsistent with a position

Rule 42.51(b)(3) appears to graft on requirements of Rule 56 to IPR. This is ill-advised and impractical. First, it is important to draw several distinctions between the expansiveness of this new proposed Rule 42.51(b)(3) and Rule 56. Unlike Rule 56, which is limited to those who are involved in the prosecution of a case, such as the inventors and the attorneys, proposed Rule 42.51(b)(3) has no such limitations. Under Rule 42.51(b)(3) any comments from a party to an inter partes

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

proceeding that may be inconsistent with a position advanced must be produced. For 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 may emerge as relevant to an inter partes proceeding; it is questionable how any large organization could search through its employees e-files to discover information inconsistent with a position taken.

BSA understands that the office is considering revising the proposed rule to limit it to those involved in the proceeding. But 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 in fact produced all such documents.

The experience of the federal courts in dealing with the disclosure requirements under Federal Rule of Civil Procedure 26 shows that these rules are unlikely to be workable. 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 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 this duty.

Another justification offered for Rule 42.51 is that it merely extends the duty of disclosure required under Rule 56, in *ex parte* proceedings, to IPR. However, this justification ignores the very purpose for which the duty of disclosure was created to support *ex parte* prosecution:

[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.⁴

Thus, the policy behind Rule 56, for *ex parte* proceedings, is distinguishable from the policies underlying the post-grant and *inter partes* proceedings, which are both adversarial. It is inappropriate to apply Rule 56 to an adversary proceeding which has fundamentally different needs. Given the complexity and speed with which these new proceedings must be resolved, BSA suggests that the adversary process will serve as a much better approach to avoid fraud on the Office. Hence, BSA suggests striking Rule 42.51(b)(3).⁵

⁴ *Norton v. Curtiss*, 433 F.2d 779, 794 (C.C.P.A. 1970)(emphasis added).

⁵ 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>. In any event, it is clear that the duty to disclose material information in securities law for non-adversarial proceedings such as securities registration does not extend to adversarial proceedings such as securities lawsuits, criminal securities prosecutions and securities enforcement proceedings before the SEC.

D. Scope of Direct

The “sequencing” of “trial,” which amounts to discovery under the proposed rules, must be revised to account for third party testimony and production of documents. Under well-established rules of cross examination, which appear to be engrafted into proposed Rule 42.53(b)(5)(D), opponents are barred from taking testimony at a deposition outside of the scope of direct. This will cause additional and unnecessary costs and travel for the participants and impose unnecessary burdens on third party witnesses.

If one party to a proceeding takes direct testimony of a witness of limited scope but a second party wants to question the witness about another relevant topic, Rule 42.53(b)(5)(D) precludes such testimony by the second party. As a result, the second party will have to separately arrange for the deposition of such witness, which will lead to doubling the cost of the deposition through duplicative travel. Also, witnesses will be resistant to the additional interruptions and inconveniences. The more appropriate procedure would be to require that a party seeking to take testimony outside the scope of direct provide a counter notice similar to the notice contemplated in Rule 42.53. This will save time and money and avoid further inconvenience to third parties. It will also avoid needless arguments and burdens on the Board of resolving whether a given topic is inside or outside the scope of direct.

E. Providing Documents Ahead of Time Under Rule 42.53(c)(3) Should Not Apply to Cross Examination

The proposed rule 42.53(c)(3) appears to contemplate that all documents intended for use at a deposition be provided before the deposition even if the deposition is to be used for purposes of cross examination. While that appears reasonable for purposes of taking direct testimony, such a rule makes little sense for purposes of impeachment or cross examination where documents are typically not provided ahead of time. If documents are provided ahead of time, the Board will not receive real witness testimony but will rather

receive carefully crafted testimony prepared by counsel ahead of the deposition.

F. The Proposed Rules Should Include a Process Commonly Used by District Courts to Resolve Claim Interpretation Disputes

Many courts require counsel to meet and confer before meeting with the judge on procedural and scheduling issues.⁶ Those meetings narrow the issues and thus allow the meetings with the judge to proceed faster. The Patent Office should follow a similar requirement by requiring counsel for the petitioner and patentee to meet and confer ahead of the early meeting with an APJ.

Thus prior to the early meeting with an Administrative Patent Judge (“APJ”) contemplated under proposed Rule 42.20, the petitioner and the patentee should be required to hold at an early meeting of counsel in an attempt to resolve as many differences as possible. Issues that should be resolved, as much as possible, include, but are not limited to: claim interpretation, level of skill, whether the prior art identified as raising a substantial ground of patentability is in fact prior art, and what factual issues the patentee intends to raise including secondary considerations of non-obviousness. These meetings should be conducted with an idea that hopefully a horse trading process will evolve to permit the parties reduce the issues for the APJ. The process should encourage the parties to agree on as many of these points as possible.

G. Page Limits Under Proposed Rule 42.42(a) for Petitions Should Not Include Claim Charts

As worded, the proposed page limits for a petition under Rule 42.24(a) are unreasonable since they include claim charts within the

⁶ 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>

fifty or seventy page limit according to the guidelines.⁷ When more than a few claims are at issue, which BSA believes will often be the case; these page limitations will be inadequate. To address this problem, BSA believes that claim charts should not count towards the page limitations.

BSA understands that the likely interpretation of the guidelines 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, such claim chart will 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. Yet 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.

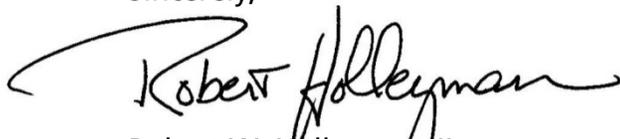
Second, where a patentee has provided its own claim chart as part of an infringement case or a charge, the petitioner is penalized if it wishes to use those claim charts to show the patentee's claim interpretation and why the claims are invalid in light of that interpretation. If the patentee makes an implicit claim interpretation, such as by claiming that the patent is essential for a standard, the petitioner should be able to provide a claim chart based upon its understanding of the patentee's position—in addition to the claim charts that the petitioner provides. This is highly relevant information that the petitioner should be allowed to present.

Accordingly, BSA believes that the better approach is not to include claim charts in the petitioner's or the patentee's page limitations—at least until after the petition is granted and the trial commences. Rather, as suggested in the previous section, it would be far better for the Office to require the parties to meet before the first meeting with the APJ to set forth a limited number of claim limitations that the parties will dispute for the purposes of the proceeding.

⁷ While the proposed rules on trial practice 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.

BSA appreciates the opportunity to comment on this issue. Any questions or further communications should be directed to Tim Molino, Director, Government Relations, BSA (timothym@bsa.org).

Sincerely,



Robert W. Holleyman, II
President and CEO