



**Comments by CONNECT**  
**Submitted to the United States Patent and Trademark Office**  
**related to the Notice of Proposed Rulemaking on**  
**Changes To Implement Post-Grant Review Proceedings**  
**America Invents Act**  
**Docket No. PTO-P-2011-0084**  
**April 10, 2012**

**Summary:**

CONNECT's mission is to propel creative ideas and emerging technologies to the marketplace by connecting entrepreneurs with the comprehensive resources they need to sustain viability and business vibrancy. That mission will be impacted as the United States Patent and Trademark Office (USPTO) considers changes to the rules of patent practice under the America Invents Act.

It is critical that the Office consider the impact of proposed rules on the U.S. innovation ecosystem because a strong patent portfolio is a critical factor in an emerging company's ability to successfully break into a market.

**Introduction:**

CONNECT is a nonprofit organization dedicated to creating and sustaining the growth of innovative technology and related businesses. Since 1985, CONNECT has assisted in the formation and development of over 3,000 companies across a broad spectrum of technologies and is widely recognized as one of the world's most successful regional programs linking investors and entrepreneurs with the resources they need for success. As a leading voice in the innovation community, CONNECT believes it is compelled to add its unique perspective to the voices being heard by the USPTO.

CONNECT is hosting a series of AIA Regulatory Review Meetings where IP counsels and other IP experts in San Diego's innovation community have an opportunity to learn more about AIA Regulations and how they will impact start-up/emerging companies. CONNECT and



San Diego's innovation community greatly appreciates the USPTO's assistance in providing key USPTO leaders to participate in AIA Regulatory Review Meetings.

These comments and suggestions were developed in partnership with the aforementioned San Diego based IP experts present at CONNECT's AIA Regulatory Review Meetings. CONNECT heartily commends the Office for its proactive step in establishing the AIA Roadshow and hopes the Office will accept the suggestions expressed herein in a constructive manner.

**I. Section 42.24(a)(1) should be amended to provide higher page limits and longer oral hearings when the petition contains complex or multiple claims and §42.202(b) should be revised to clarify various procedural PGR issues.**

Section 42.24(a)(i) provides page and text size limitations for motions and petitions, and limits on the length of oral hearings. The page limits can become a serious problem for petitioners with, for example, 200 claims and/or claims containing large chemical structures, especially because the rules prohibit incorporating arguments by reference and combining documents. The short length of oral hearings is also a serious problem for parties. Given the importance of the outcome of these proceedings and that estoppel will attach to the grounds raised in these proceedings, both petitioners and patentees should have the chance to make their best arguments and provide all of their evidence. The USPTO should amend §42.24(a)(i) to extend page limits and the time for oral hearings when the petition contains complex or multiple claims.

Second, §42.202(b) allows the Director to limit the number of PGRs instituted during the first four years. Under this section, there is no way for petitioners to know whether they were the first or fifth party to file, so they would not be able to anticipate whether their petition will be deemed untimely. Although, the USPTO states that they do not expect to limit the number of petitions at this time, the Office should clarify how the number of PGRs will be counted and/or tracked; how the number will be publicized; and what effect consolidating, for example, two PGRs will have on the total number of PGRs allowed in a given year.



**II. The USPTO should consider how to revise estoppel rule §42.73(d)(1) to repair the estoppel imbalance that occurs between the Petitioner and Patent Owner when settling under 35 U.S.C. 317 or 327.**

Sections 42.73 (d)(1) and (d)(3) estop petitioners and patent owners from asserting inconsistent positions. There appears to be an imbalance between the Petitioner and Patent Owner under these provisions because estoppel does not attach to a petitioner who settles, but once a claim is cancelled, estoppel attaches to the patentee as to that claim. This shifts the balance in favor of the petitioner. Also, if a broader claim was cancelled during a PGR and there exists a continuation application (which by definition has the same specification) with a claim narrower in scope than the cancelled broader claim, the patentee could be estopped from pursuing that narrower claim in the continuation since the narrower claim could have been presented as a substitute for the broad claim in the PGR. The Office should consider how to create a solution for this imbalance which will not disadvantage the Patent Owner.

**III. The USPTO should follow the judicial definition of ‘real party in interest,’ and define the phrase ‘privy of the petitioner,’ as applied to Post-Grant Review Proceedings.**

The Office should define the phrases “privy of the petitioner” and “real party in interest” contained in 35 U.S.C. 325(e). The Office should follow the definition of “real party in interest” developed by the courts and state in the rules that the Office is following the judicial definition.

Second, when identifying the “privy of the petitioner” and “real party in interest,” which party would be estopped if there were a change in ownership of the patent or a change in corporate structure? Also, the Office should indicate when estoppel would apply and at what point the Board will look at the corporate structure to determine “privy of the petitioner.”

**IV. The USPTO should clarify the rationale the Board will use to base their denial of claims under this section.**

Proposed rule §42.208, institution of post-grant review, allows the Board to deny some or all grounds for un-patentability of some or all challenged claims, thereby rendering a final, non-appealable decision as to those grounds. CONNECT suggests that the Office amend the rule to



state that denial of a ground is not considered a final Board decision under 35 U.S.C. 324(e), and may therefore be appealed.

CONNECT also suggests that the Office modify the rule to allow all claims to move forward when they meet the threshold defined by §42.208(c) or (d). The rule should be amended to include an explanation of the rationale the Board will use to determine whether to deny some or all grounds of un-patentability or challenged claims. The Board should not be able to deny claims that meet the threshold defined in (c) or (d).

**V. Post-Grant Review Fees should not be based on the number of claims filed and should be divided into two parts: a petition fee and a fee for initiation of the proceeding.**

The post-grant review fees, as proposed, are based on the number of claims filed because “the number of claims often impacts the complexity of the request and increases the demands placed on the deciding officials;” however, this fee structure places smaller and midsized companies at a disadvantage compared to large companies and non-practicing entities. As an alternative, the Office should consider a fee structure based on the number of rejections or references.

Second, the Office should amend the rules to allow for a two-part fee schedule where petitioners pay a nominal non-refundable “PGR request fee” and a second substantive fee if the PGR is instituted. The Office claims they do “not have authority to refund fees that were paid by mistake or in excess of that owed.” However, a two-part fee structure would remove the burden to petitioner of paying a significant nonrefundable PGR fee, while following the Office’s conclusion that 35 U.S.C. 42(d) prevents refunds when a PGR is not initiated.

**VI. Section 42.221 should be revised to allow patent amendment as a matter of right and specify that multiple amended claims may be proposed for each one challenged.**

Section 42.221 allows patent owners to file one motion to amend a patent after conferring with the Board. The statute, 35 U.S.C. 326(d)(1), states that “the patent owner may file one motion to amend the patent in one or more of the following ways: (1) Cancel any challenged patent claims, [or] (2) For each challenged claim, propose a reasonable number of substitute



claims.” The Office’s proposed rule would require the patent owner to confer with the Board before amending a patent; however, we suggest the Office change this proposed rule to allow one amendment to the patent as a matter of right. The rule should also include the language from the statute, specifying that multiple amended claims may be proposed for each one challenged.

**VII. The USPTO should revise §42.222, governing multiple proceedings, to provide clarity about the rules and definitions contained therein.**

Proposed Subpart C, §42.222, establishing rules for Multiple Proceedings involving the subject patent, should be expanded to provide clear rules for situations where multiple post grant review proceedings are commenced against one patentee. The rule should be modified to provide clarity about whether and how the proceedings will be grouped under one PGR proceeding and what rationale the Director will use to determine whether to combine proceedings. For example, the “same or substantially the same prior art” could be a reasonable rationale for the Director’s decision to combine proceedings. The Office should also clarify how the timing for consolidation of proceedings will occur; for example, will petitions filed within one week or one month of each other be combined, and when will such decisions be made? Finally, the Office should adjust proceeding deadlines to account for the additional burden on a patent owner responding to a multi-party PGR and, in order to provide predictability, create guidelines for determining how to adjust the deadlines.

The Office should also provide more detailed guidelines for the handling of multiple proceedings and explain the meaning of, “another matter involving the patent.” For example, it is unclear whether the phrase encompasses continuations, divisionals, pre-grant proceedings, and post-grant proceedings; or only some of these “proceedings.” Before filing a petition, the petitioner must be able to anticipate all the potential outcomes of the filing. Petitioners will need to understand how the existence of ‘other proceedings’ would affect their position. Patent owners will need clarity on a PGR’s effect on other IP within their portfolio. For example, would a PGR automatically stay prosecution of a divisional or continuation?

In addition, the rule should define “matter” to provide certainty as to the rule’s effect on both petitions and other portions of a patent portfolio. Without clarification, continuing uncertainty about the rule’s effect will only serve to propagate confusion and increase costs.



Finally, if a petitioner's request for PGR is 'terminated,' and contains substantially the same prior art arguments as another petition moving forward, what are the estoppel effects on a petitioner's request? If a petitioner's request was rejected, and one or more proceedings by separate petitioners with substantially the same prior art arguments move forward, any estoppel created by a final decision should not apply to the petitioner whose request was denied because that petitioner was unable to participate in or influence the proceedings. The Office should also clarify whether a 'terminated' petition is a final and non-appealable decision.

**Conclusion:**

In summary, the USPTO should closely review the aforementioned rules and views to ensure the new PGR proceedings provide a balanced approach that do not inhibit start-up and emerging innovators which provide the backbone of America's global innovation advantage.

Respectfully submitted,

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