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Hon. Michael Tierney
United States Patent & Trademark Office
Alexandria, Virginia

Your Honor:

The purpose of this letter is to comment on the proposed rules for practice before the new Patent Trial and Appeal Board formed in response to the Smith-Leahy America Invents Act. I am commenting in my capacity as a registered private practitioner before the U.S. PTO who has been in practice more than twenty years, as a former U.S. patent examiner in the 1980s (Group 1200), and as a U.S. citizen. I am the author of the AIA Monitor blog (www.aiamonitor.com) and I was an invited speaker at the U.S. Patent Reform 2012 conference in Munich, Germany, last week.

Like many of my colleagues, I would like to commend you and your colleagues for the thorough work you have done preparing implementing regulations for the new Patent Trial and Appeal Board. It is an amazing work product.

Also, like some of my colleagues, I would like to submit proposed modifications to the proposed rules to address certain issues that may cause unintended consequences.

Freedom to select counsel of one's choice and withdrawal from representation

According to §42.10(e) of the proposed rules, counsel may not withdraw from a proceeding before the Board unless the Board authorizes withdrawal. The only provision for withdrawal from representation appears to be disqualification under preceding paragraph (d). An attorney should not be required to disqualify him- or herself to discontinue client representation when such representation is no longer desired or appropriate.

It is an time-honored tradition in America that a party may be represented by an attorney of its choice. That is particularly the case when the nature of the proceedings has changed as in the transition from examination to appeal or from *ex parte* proceedings to *inter partes* proceedings. When the nature of proceedings have changed, the patent applicant or owner may wish to select counsel other than the

counsel of record and the counsel of record may likewise consider him- or herself not well suited to handling the contemplated proceedings.

Representation requires a relationship built on trust. A change in representation may be desired when ownership of a patent application or patent has been transferred to a new party or when a business has been merged, spun off or placed under new management. One should not expect the new owner or manager to be willing to suddenly work with counsel with whom the owner or manager has never worked before, particularly when the matter is on appeal or is being contested by a third party.

Given the substantial cost of proceedings before the PTAB, counsel should also be allowed to withdraw from representation when a party is unwilling to pay a reasonable retainer for his or her services or has failed to respond to requests for instructions.

Paragraph (e) of proposed §42.10 has the unintended consequence of interfering with the freedom to rely on counsel of one's choice and preventing withdrawal when there are justifiable grounds for unilateral withdrawal from representation such that parties and their counsel may be forced to dishonestly invent circumstances requiring disqualification. The latter situation may lead to a waste of time and effort on the part of the PTAB and the Office of Enrollment and Discipline.

For the above reasons, it is suggested that paragraph (e) of propose §42.10 be (1) deleted or (2) amended as follows:

(e) Counsel may not withdraw from a proceeding before the Board unless the Board authorizes such withdrawal. The Board shall authorize such withdrawal when a party revokes counsel's power of attorney in writing or when there is just cause for withdrawal. Counsel may submit a motion for withdrawal from representation in which evidence may be submitted in support of just cause for withdrawal.

The comments in the notice of final rule making may explain some reasons for withdrawal that may qualify as just cause, such as an indication that the party does not intend to pay for counsel's services.

Fees for petitions and petition page limitations

Paragraphs (a) and (b) of proposed §42.15 set forth a schedule of fees based on the number of claims challenged in *inter partes* review, post grant review and covered business method patent review and paragraph (a) of proposed §42.24 specify page limits for petitions for those proceedings. Each requirement raises issues on its own and, in combination, are likely to cause serious problems and invalidate the calculations used to justify the fees for these procedures under proposed §42.15.

The schedule of fees based on the number of claims in proposed §42.15 is likely to encourage submission of claim sets in patent applications and reissue applications having a high claim count to increase the cost of inter partes review, post grant review and covered business method patent review and simultaneously create a multitude of fallback positions to thereby discourage third parties from challenging patents issued on those applications. Submission of large claim sets by well-heeled parties

as a tactical measure does not provide a corresponding public benefit and may create an unproductive drag on U.S. PTO resources.

The page limits for inter partes review, post grant review and covered business method patent review in proposed §42.24(a)(1) combined with the format restrictions in proposed §42.6(a) will often make it impossible for petitioners to provide a detailed explanation of the significance of the evidence required in proposed §42.22(a)(3) and statement of material facts in separately numbered sentences according to proposed §42.22(c) on a claim-by-claim basis without grant of a motion to waive page limits under §42.24(a)(2). The 15 page limit on motions in proposed §42.24(a)(1) may also require a motion to waive when amending a substantial number of claims. Such rules will (1) encourage submission of substantial number of motions to waive page limits, (2) oppositions to motions to waive page limits for tactical reasons due to time limits for petitions, (3) overly concise “telegraphic” explanations and statements to try to meet page limits that will likely be difficult to follow and (4) the submission of multiple petitions, either by the same party or through a coordinated effort with other challengers, challenging the same patent to circumvent the page restriction.

The incentive to obtain grant of patents with a substantial number of claims created by proposed §42.15 for the reasons stated earlier may increase the necessity to file multiple petitions to circumvent the page limits of proposed §42.24 in order to have the space required to address each challenged claim. The presentation of explanations and statements spread over several petitions may create a confusing scenario for both the PTAB and the patentee and would not comply with spirit of the Paperwork Reduction Act.

According to the explanation provided at 77 Federal Register 6898 of the Notice of Proposed Rule Making, the page limits are designed to reduce the amount of work required to process post grant petitions under the AIA relative to the amount of work required to process requests for inter partes reexamination for which there are currently no page limits. This reduction in effort does not appear to have been taken into consideration when calculating the fees required to achieve cost recovery as evidenced by the fact that the amount of judge review time estimated at 77 Federal Register 6897 is pegged to the number of claims in the challenged patent despite the fact that the page limit for the respective petitions remains constant according to proposed §42.24 and public statements by the Office that the estimates were based on the current cost of processing *inter partes* reexamination.

The correlation of judge time with the number of claims is not realistic, because a successful challenge against an independent claim for lack of novelty or obviousness automatically invalidates the dependent claims, so that separate consideration of the dependent claims is not required. Since challenges against independent claims are successful in obtaining revocation of all the claims in a substantial percentage of inter partes reexaminations, linking judge time to the number of claims over-estimates the cost of conducting inter partes review, post grant review and covered business method patent review for such cases and thereby skews the estimate to a greater than necessary judge time.

In particular, the 24.7 hour increase in judge time calculated for adding consideration of up to 10 additional claims to the up to 20 claims taken as a starting point suggests that the Office assumes 5 hours judge time per claim – a value which is consistent with the rest of the values stated in column 1 of 77 Federal Register 6897. Since issued patents with 20 or less claims have an average of about 3 ± 2 independent claims and an average of 44% of patents that underwent inter partes reexamination as of FY2011 under the less stringent “substantial new question of patentability” standard were revoked in their entirety, at least 44% of patents undergoing inter partes review should require an average of 15 hours (5 hours per claim x 3 claims) judge time.

If we take a worst case scenario and assume that the remaining 56% of patents with up to 20 claims required consideration of each and every claim, the total cost for inter partes review would be about \$17,027 (\$15,232 + \$1,795). This does not even take into consideration that many issued patents have less than 20 claims.

For the above reasons, it is suggested that:

- (a) the minimum fee for inter partes review in proposed §42.15(a) be reduced from \$27,200 to \$17,027 based on the above calculations;
- (b) the minimum fee for post grant review in proposed §42.15(b) be reduced proportionately from \$35,800 to \$22,986;
- (c) the linkages between petition fees and the number of claims in proposed §42.15(a) and (b) be replaced by a fee (e.g., \$5) per page of petition + evidence presented in English (if translated, not counting the original) to provide a per page disincentive against inflating the size of the petition; and
- (d) the page limits for the petitions in proposed §42.24(a) be set at 500 pages for *inter partes* review and 700 pages for post grant review and covered business method patent review to prevent abuse by those willing to pay the per page fee.
- (e) the 15 page limit for motions be increased to 150 pages with a fee (e.g., \$5) per page of a motion exceeding 15 pages.

Self-discovery

Paragraph (3) of proposed §42.51(b) requires routine disclosure of “prior inconsistent statements” as part of routine discovery. Failure to comply with this rule may be subject to sanctions according to proposed §42.12(1).

This provision is over-inclusive in that it requires disclosure of information not reasonably calculated to lead to information relevant to the outcome of the proceeding. Examples include (1) arguing in the alternative, (2) a change in strategy due to new information revealed during the proceedings, (3) admissions against interest, and (4) a new set of amendments to the claims. The fact that these behaviors may be inconsistent with something said earlier in the proceeding or the file history of the

patent is generally not nefarious conduct, but rather conduct that may lead to a resolution of the issues pending before the PTAB.

Prior inconsistent statements are normally brought into *inter partes* proceedings by an opposing party, which normally has access to such statements. When the proceedings are before the USPTO *ex parte*, the USPTO already has the entire record of the proceedings, including any prior inconsistent statements. The duty of candor required by proposed §42.11 also provides a strong incentive on the part of counsel to ensure that they disclose all information that may be considered material to the outcome of the proceedings.

For the above reasons, it is suggested that paragraph (3) be deleted in its entirety from proposed §42.51(b).

Nonstatutory patentee estoppel

Paragraph (3) of proposed §42.73(d) states that a patent applicant or owner whose claim is cancelled is precluded from obtaining (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 drawing denied during a trial proceeding. This proposed rule does not have a statutory basis and is contrary to established case law on issue preclusion and *res judicata*. If adopted, it would be subject to attack as *ultra vires*.

The expressions “substantially the same invention” in (i) and “could have been filed in response to any properly raised ground of patentability” have subjective elements that call for significant outcome-determinative speculation. The proposed rules also do not provide a mechanism for review and reconsideration of decisions based on these expressions. The patentee estoppel provision would therefore also be subject to attack as arbitrary and capricious in contravention of the Administrative Procedure Act and the entitlement to due process under the U.S. Constitution.

There are also many situations in which such a provision would be considered manifestly unjust. For example, (1) a patent owner failed to overcome an obviousness challenge in an *inter partes* review based on a new prior art reference, because it was impossible to generate data to show unexpected results within the statutory time frame allowed for *inter partes* review, and submits the data in a continuation application, (2) a patentee obtained evidence that a petitioner had fabricated evidence used to invalidate one of its patents while undertaking discovery in a related patent challenged by the same petitioner and files a continuation application to continue pursuing patent protection, and (3) a patent is invalidated based on a reference under 35 U.S.C. §102(e) of the current law due to different inventors and no common ownership and a court proceeding determines that the inventorship should have been identical, so that the reference should not have been available as prior art.

For the above reasons, paragraph (3) of proposed §42.73(d) should be deleted in its entirety.

It is respectfully requested that the above comments be given due consideration while finalizing the rules of practice before the PTAB.

Sincerely,

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