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April 10, 2012

Via Electronic Mail Only to: post_grant_review@uspto.gov

Director of the U.S. Patent and Trademark Office
Mail Stop Patent Board
Attn: Lead Judge Michael Tierney
P.O. Box 1450
Alexandria, Virginia 22313-1450

**Re: Changes to Implement Post-Grant Review Proceedings
Written Comments of Microsoft Corporation**

Dear Judge Tierney:

Microsoft Corporation appreciates the opportunity to offer comments on the Proposed Rulemaking for the *Changes to Implement Post-Grant Review Proceedings*, published in the Federal Register on February 10, 2012 (RIN 0651-AC72).

Just as we supported enactment of the 2011 *Leahy-Smith America Invents Act*, Pub. L. 112-29, 125 Stat. 284 (“AIA”), we strongly support the work the U.S. Patent and Trademark Office (“Office”) is doing to implement the new law. Upon its full implementation, the AIA will help the Office to provide a more efficient and streamlined patent system, enable improvements in patent quality and reduce unnecessary litigation by providing a robust system for challenging questionable patents before they become the basis for an infringement suit. We commend the Office for its conscientious and expeditious work in promulgating regulations to implement the AIA, and for the speed and transparency that has characterized the Office’s efforts in this respect.

In general, we agree with and support adoption of the proposed rules and believe that the draft regulations reflect a thoughtful, balanced and pragmatic approach to resolving the myriad practical issues and ambiguities that are inherent to the implementation of any major piece of legislation. That being said, we believe that, in a handful of cases, the proposed rules could be improved or clarified in a way that would benefit both the Office and private-sector stakeholders like Microsoft. Accordingly, we respectfully suggest a small number of changes to the draft rules as described below.

37 C.F.R. § 42.207(b)

This proposed rule should be refined. In order to set forth reasons why a post-grant review (“PGR”) should not be instituted before the Board rules on a petition to initiate a PGR proceeding, a patent owner must file a preliminary response no later than “**two** months after the date of a notice indicating that the request to institute a post-grant review has been granted a filing date.” Thus, as a practical matter, the patent owner must locate and engage a registered practitioner who is not conflicted from the representation and who is familiar with PGR practice. Typically, a patent owner will not be in a position to conduct a comprehensive analysis of the petition or to formulate rebuttal arguments without the aid of experienced counsel, which – in situations where the patent owner is not able to immediately secure counsel – could result in the patent owner having insufficient time and opportunity to fully prepare their case. In the interest of ensuring that a patent owner has adequate time to fully develop a meaningful preliminary response to a PGR petition, we would respectfully suggest that a three-month time period would be more appropriate. Our proposed alternative is consistent with 35 U.S.C. § 324(c) (as amended by the AIA), which imposes a timeline for determining whether to institute a PGR only *after* the Board receives a preliminary response from a patent owner or the window for filing such a response has expired.

37 C.F.R. § 42.207(c)

This proposed rule should not be adopted. As proposed, 37 C.F.R. § 42.207(a) gives a patent owner the opportunity to file a preliminary response to a petition for PGR which sets forth their reasons why no PGR should be instituted. 37 C.F.R. § 42.207(c), however, denies the patent owner the ability to file testimonial evidence in their response.

Pursuant to 35 U.S.C. § 324(a) (as amended by the AIA), the Board determines whether to institute PGR proceedings based on the information and arguments presented in the petition and – if the patent owner has elected to provide one – the patent owner’s preliminary response. In the initial petition, a petitioner is permitted to include supporting evidence, including affidavits from experts. Denying the patent owner the initial opportunity to rebut an issue raised by a petitioner inequitably skews the PGR process in favor of petitioners who already enjoy considerable advantages flowing from their control over the timing of the petition and the arguments presented therein. The petitioner’s control over the timing, scope and bases of the challenge to a patent’s validity provides the petitioner with significant practical advantages over the patent owner who is forced to defend its patent in a forum that is not of its choosing and must do so within a set timeframe that the patent owner is powerless to alter. Moreover, the proposed approach fails to provide the participation rights normally afforded in traditional adversarial

proceedings and is incongruous with the underlying goal of implementing a post-grant review system that provides a robust, equitable and less expensive alternative to litigation.

37 C.F.R. § 42.221(a)

This proposed rule states that: “A patent owner may file **one** motion to amend a patent but only after conferring with the Board. Any additional motions to amend may not be filed without Board authorization” (emphasis added). At first glance, this rule seems innocuous and compatible with the AIA’s stated goal of establishing a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. When this rule is read in light of proposed Rule 37 C.F.R. § 42.73(d)(3)(ii), however, it can be disastrous for any patent owner who has a relatively modest-sized portfolio containing related pending applications.

More specifically, proposed Rule 37 C.F.R. § 42.73(d)(3)(ii), released by the Office as part of RIN 0651-AC70 (“Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions”), reads:

A patent applicant or owner whose claim is canceled is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent: ... [a] claim that *could have been filed* in response to any properly raised ground of unpatentability for a finally refused or cancelled claim.

(Emphasis added.) The implications of this new “patentee estoppel” are significant for any patent undergoing PGR which has pending related applications. Under proposed Rule 42.73(d)(3), when one or more patent claims are cancelled in a PGR – as part of a streamlined process that must be completed in one year and with limited opportunities for claim amendments – a patentee has to also consider whether claims in any related applications “could have been filed in response to any properly raised ground of unpatentability” in the PGR.

This undoubtedly leaves a patentee in a PGR to expend more time, money and resources to monitor other portions of their portfolio aside from those patents involved in PGR proceedings. Such monitoring would be necessary to determine whether to introduce claims from these related applications into the PGR proceeding, or risk being estopped from pursuing such claims in the future. This is true even in light of the fact that proposed Rule 42.221(a) does not even allow a patent owner to make claim amendments as a matter of right (*i.e.*, they may only be done so upon the granting of a motion by the Board). This result is the very opposite of establishing a

more efficient and streamlined patent system. We therefore urge the Office to reconsider how these two proposed rules may interwork to disadvantage patent owners, and revise them accordingly.

37 C.F.R. § 42.24

RIN 0651-AC72 makes several references to proposed 37 C.F.R. § 42.24 (*e.g.*, proposed 37 C.F.R. §§ 42.207(a) and 42.220(a)) signaling the intent of the Office to limit initial PGR petitions and preliminary patent owner responses to 70 pages. This proposed rule should not be adopted as currently drafted.

PGR proceedings were created to “provide a *meaningful opportunity* to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court.” H.R. Rep. 112-98 at 48 (2011) (emphasis added). As drafted, the proposed 70-page limit for petitions and preliminary responses seems likely to place unreasonable constraints on a party’s ability to adequately present their case. Given that the petition and preliminary response will need to include significant arguments and evidence to satisfy the 35 U.S.C. § 324 standard for initiation of a PGR proceeding, we believe that a 70-page limit may be unnecessarily limiting.

While we support the Office’s goal of encouraging concise argumentation by adopting strict page limits, the number of pages necessary to fully address an issue is not solely the function of the drafter’s writing skills, but also depends on the subject matter of the argument and the complexity of the supporting evidence. In most cases, the number of pages necessary to adequately address the validity of a challenged patent will depend on the length and complexity of the patent itself. Given that some patents comprise hundreds (and, occasionally, thousands) of pages (*see, e.g.*, U.S. Pat. No. 6,314,440 to O’Toole *et al.*) and that — depending on the basis the patent is being challenged — an effective argument will necessitate quotation or description of significant portions of the patent, a prescriptive, “one-size-fits-all” approach to page limits seems likely to prove to be suboptimal in practice.

For the reasons stated above, we respectfully suggest that a “sliding-scale” page limit rule might be more appropriate in this context. Such a rule could define particular considerations or circumstances that would justify departure from the 70-page limit (*e.g.*, the number of claims under review) and—to the extent the Office feels it is necessary to do so — could impose a substantial fee for submissions exceeding 70 pages to encourage the desired brevity without adopting a prescriptive rule.

Finally, if a strict page limit is adopted, we respectfully suggest that the Office should exclude pages containing required information (*e.g.*, patent claims listings) from the 70 page limit in order

to ameliorate the negative effects and potential inequity of applying a one-size-fits-all approach to cases that will vary widely in scope and complexity.

37 C.F.R. § 42.51(b)(3)

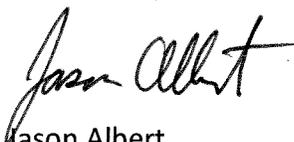
RIN 0651-AC72 makes several references to proposed 37 C.F.R. § 42.51, which would be applicable to PGR proceedings via proposed 37 C.F.R. § 42.200(a). We believe that this proposed rule should not be adopted. Proposed rule 42.51(b) – “Routine Discovery” – imposes a duty to disclose “noncumulative information that is inconsistent with a position advanced by the patent owner or petitioner during the proceeding.” We believe that such an affirmative disclosure mandate will be unduly burdensome on the patent owner and result in the type of unnecessary, ancillary disputes that are frequently seen in the federal district courts.

Absent a clearer definition of “inconsistent information” that limits the scope of the duty to specific types of materials and evidence, compliance with this rule will not only be immensely burdensome but will generate numerous allegations of non-compliance, and ancillary disputes relating to the scope and application of the disclosure duty. Therefore, because of the confusion and added dispute generated from such a proposed rule, we respectfully suggest that the Office strike proposed Rule 42.51(b)(3).

Conclusion

In closing, we would like to again commend Director Kappos, the Board and the Office as a whole for the proposed rules. Microsoft supports this effort and stands ready to assist the Office in whatever way we can to see that the AIA fulfills its potential to improve the U.S. patent system.

Respectfully Submitted on behalf of MICROSOFT CORPORATION,



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