

April 10, 2012

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MAIL STOP – Patent Board
Director of the United States
Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

ATTENTION – Lead Judge Michael Tierney

Re: Comments on Proposed Rules for:
Inter Partes Review Proposed Rules

The Minnesota Intellectual Property Law Association (MIPLA) is grateful for the opportunity to provide input with respect to the Notice of Proposed Rulemaking (NPR) entitled “Changes to Implement Inter Partes Review Proceedings,” Fed. Reg. Vol. 77, No. 28, pp. 7041-7060, February 10, 2012

MIPLA is an independent organization of nearly 500 members in and around the Minnesota area representing all aspects of private and corporate intellectual property practice, as well as the academic community. MIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent law before the United States Patent and Trademark Office.

The comments submitted herewith reflect the general views of the Board of MIPLA after consultation and input from the IP Law, Patent Practice and Patent Litigation Committees, and do not necessarily reflect the view of opinions of any individual members or firms of the committees or MIPLA, or any of their clients.

Overall Comments/Suggestions

1. *Support for Overall Framework of the Patent Trial Rules and Practice Guide for Post-Issuance Proceedings* – At a general and overall level, the rules proposed as Part 42, Subparts A, B, C, D, and E for the various post-issuance proceedings are viewed by MIPLA as consistent with the AIA and with the history of that legislation leading up to its enactment in 2011. The proposed rules follow the model of the existing contested case rules found in 37 CFR Part 41, Subparts A and D, which, in conjunction with the Standing Order of the current BPAI for interferences which have generally been managed so that the current average pendency from declaration to judgment in less than one year. Experience with these contested matters has shown that careful and active APJ management of post-issuance proceedings can result in the early focusing of the issues and prevent the waste of time and resources that might otherwise result from the

kind of party-managed discovery that is common in the Federal courts.

With some refinement, MIPLA believes that these proposed rules will produce a system consistent with the result intended by Congress – that is, a system enabling the resolution of disputes regarding the validity of issued patents in a more rapid, efficient, and cost-effective manner than litigation in the Federal district courts, and that to the extent possible, serves as an aid to the Federal district courts in resolving patent disputes by providing the unique technical input available only from the USPTO (“Office”). Accordingly, MIPLA complements the Office on the overall efforts that were needed to put together the proposed rule packages under the tight timeline that was provided.

2. *Use a Proposed-Rejection-by-Proposed-Rejection Approach Instead of a Claim-by-Claim Approach as the Framework for these Proceedings and for the Fees charged for these Proceedings* – MIPLA strongly urges the Office to consider the use of a proposed-rejection-by-proposed-rejection approach as an alternative to the current claim-by-claim approach that is currently in the NPR for these proceedings. Each proposed-rejection would present a grouping of one or more claims for which grounds of rejection based on specified referenced is being proposed. The ability to group both claims, grounds and references into one or more proposed rejections is a well understood process from examination practice for how to manage evaluations of patentability of a potentially very large number of claims and large number of prior art references. Moreover, the use of a proposed-rejection-by-proposed-rejection approach would enable the Office to structure both additional fees and page limits on a proportional basis to the number of proposed rejections, an approach that can more easily and accurately reflect the amount of work involved in both presenting and reviewing the proposed rejections.

The Office has a tremendous body of experience with estimating the amount of work necessary to present and analyze a proposed rejection based on examination of patents, so predicting the costs and fees associated with this kind of scheme should not result in the kind of arbitrary fees found in the current proposed rule. Contrary to the suggestions made in the remarks on Alternative Option II of a ground-by-ground approach for fee setting, the rules can easily accommodate and, in fact, help manage the proceedings by use of a proposed-rejection-by-proposed-rejection approach. Specifically, the petitioner would start with an initial set of proposed rejections with groupings of claims and references similar to that done in an Office Action and then pay fees of a base charge for the proceeding plus an incremental fee per proposed rejection. If the owner has any issues with the grouping of claims and references in the initial set of proposed rejections made by the petitioner, the owner can advance those objections, as well as any alternative proposed rejections, as part of the preliminary owner response. Given that the burden is on the petitioner, it is suggested that any owner objections or alternative proposed rejections could be made by the owner as part of the preliminary owner response without payment

of any fees. The APJ can then evaluate the proposed-rejections advanced by both the petitioner and owner, and make a determination as to which, if any, proposed rejections would be the basis for initiation of a trial. Once the proposed rejections have been identified for initiation of the trial, either party could move to modify and/or add proposed rejections based on the Scheduling Order; however, it is suggested that additional fees could be charged to both the petitioner and owner for motions to modify and/or add proposed rejections. In this way, the use of a proposed-rejection-by-proposed-rejection approach would be both a better measure of the amount of work needed by the Office and a vehicle to manage the trial portion of a proceeding so as to appropriately constrain and focus the issues, while still permitting the parties the opportunity, at additional expense and if authorized, to raise new proposed rejections after the initiation of the trial.

MIPLA believes that the adoption of a proposed-rejection-by-proposed-rejection approach for these proceedings will be better at achieving the goals of a streamlined, fair and timely process than the claim-by-claim approach that is currently in the NPR.

Specific Comments/Suggestions

1. Proposed Rule § 42.108: *Institution of Inter-Partes Review* – As set out above in the General Comments, MIPLA strongly encourages the Office to consider a more rational and fair scheme for presenting challenges based on a proposed-rejection-by-proposed-rejection approach. Proposed § 42.108 appears to contemplate a system in which the initial determination of whether and how IPR will be initiated will involve a claim-by-claim determination by the Board as to whether each individual claim for which review has been requested will be included in a review, and then for each individual claim subject to review, which of the individual prior art references cited relative to that claim will be considered. While the Board’s practical need to streamline proceedings in order to comply with the deadlines set forth in 35 U.S.C. § 316 is recognized, such stringent limits on the ability to fully explore and resolve all disputed questions of validity are likely to significantly inhibit the utility and frequency of use of these proceedings by patent litigants, and are not likely to fully achieve the intent of Congress in establishing these proceedings.

First, by enabling and encouraging the Board to sub-select individual claims under review to less than all claims for which review has been requested, the rule may have a deleterious effect on overall efficiency and economy of dispute resolution. While limiting the number of claims in a given IPR proceeding is likely to reduce workload for the Board, and thereby decrease time to resolution in the IPR proceeding itself, it must

be borne in mind that any claims excluded from the IPR proceeding, would not be subject to estoppel under 35 U.S.C. § 315(e)(2). Since the validity dispute for claims requested, but for which review is not ordered, would not be resolved in the IPR proceeding, it seems likely that the dispute would simply resurface in later Federal district court litigation.

Thus, in cases where IPR would be granted under the proposed rule for some requested claims and not others, the result is likely to be a serial or parallel process of IPR review of some claims and Federal district court review of the other claims. Congress, however, appears to have intended that IPR be an alternative system in which a litigant can choose to resolve disputed patent validity in either an IPR setting or through the Federal courts, but not both. Hence, the claim-by-claim approach of § 42.108 would not seem to accomplish the result intended by Congress in this regard.

Further, the reference-by-reference approach contemplated under proposed § 42.108 raises serious concerns of fundamental fairness and due process that may not only prejudice users of the IPR system in individual cases, but may serve to discourage use of the system. 35 U.S.C. § 315(e)(2), provides that an IPR petitioner is estopped from asserting in litigation the invalidity of any claim on any ground that “the petitioner raised or reasonably could have raised” during IPR, once the claim has been the subject of a final written decision of the Board in the IPR proceeding. Hence, under the literal terms of the statute, once IPR is ordered for an individual claim, an IPR requester is estopped from challenging validity at least as to all references actually proposed in the IPR request, whether or not those references are then actually considered in the proceeding. And, according to 35 U.S.C. § 314(d), the initial decision is “final and nonappealable.”

Under the regime contemplated in the rule, it is not hard to envision circumstances in which an ultimately unsuccessful IPR requester might be estopped from raising and having heard all its legitimate arguments for invalidity, and even will be barred from any meaningful appellate review, simply based on an initial determination by the Board that certain references will not be included in the review. For example, the Board might initially determine that of three prior art references asserted by the IPR petitioner relative to a given claim, only one will be included in the review relative to that claim. According to 35 U.S.C. § 314(d), that decision of the Board is unreviewable. And even if the facts and arguments developed during the course of the IPR proceeding subsequently indicate that one of the other two references proposed by the IPR petitioner and excluded would actually have been the “better” of the three references, the IPR petitioner would have no right to raise and discuss the excluded reference in the proceeding. Once a final decision is

made by the Board as to that claim, the IPR petitioner would be estopped under 35 U.S.C. § 315(e)(2) from subsequently challenging the validity of the claim on the basis of any and all of the three references, even though the IPR petitioner's arguments were never fully considered by the Board at least as to the excluded references.

The potential risks of being foreclosed from having legitimate arguments heard, with no right of further review, and that a dispute may not be resolved as to all claims in an IPR proceeding, are likely to significantly discourage potential IPR requesters from using the proposed IPR system, thereby thwarting the intent of Congress. Accordingly, instead of the claim-by-claim, reference-by-reference consideration contemplated by proposed § 42.108, the Office is encouraged to revert to the language of 35 U.S.C. § 314(a), which contemplates that review will be ordered as to all requested claims, and with due consideration of all proposed grounds, so long as the IPR petitioner demonstrates "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." In doing so, the Office would promote the intent of Congress in achieving speedy, efficient, and cost-effective resolution of patent validity disputes, and in providing the unique expertise of the Office to aid the Federal district courts in resolving patent disputes.

2. Proposed Rule § 42.108(c): - *Patent Owner Rebuttal* – The proposed rule provides that the Board will consider whether an IPR petition shows a reasonable likelihood of prevailing based on the "unrebutted" allegations in the petition. Yet the same section calls for consideration of a preliminary patent owner response, which might seem to constitute "rebuttal" under a broad definition of the term. The Office is encouraged to clarify these apparently contradictory provisions.
3. Proposed Rule 42.100(b): *Standard for Claim Construction* – MIPLA is concerned about the extension of the "broadest reasonable construction in light of the specification" standard for interpretation of patent claims as applied to the new review proceedings. In particular, the Comments in the NPR make the following statement regarding proposed rule 42.100(b):

"This proposed rule would be consistent with longstanding established principles of claim construction before the Office. *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004); *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). As explained in *Yamamoto*, a party's ability to amend claims to avoid prior art distinguishes Office proceedings from district court proceedings and justifies the difficult standard for claim interpretation. *Yamamoto*, 740 F.2d at 1572."

Unfortunately, experience in reexamination practice has shown that too often amendments made to the claims during reexamination have been required solely to comport the scope of the claims under the “broadest reasonable construction” standard to the exact same scope that would have been given to the claims had the claims been construed under the *Phillips* and *Markman* legal standards for claim construction that includes the use of prosecution history in construing the claims. While the use of a “broadest reasonable construction” standard may be appropriate during original prosecution where claims are in the process of being amended and there is no fixed prosecution history as with an original patent, the suggestion in the line of cases from the early 20th century that are cited in *Yamamoto* that there are no “costs” to amending claims to avoid the prior art is simply wrong in the context of current post issuance proceedings. As the recent Federal Circuit decision in *Marine Polymer* highlights, there is a very significant cost of any amendments during reexamination in terms of the doctrine of intervening rights that attaches to any amended claims. These same costs will be imposed on patent owners who are forced in review proceedings to amend issued claims solely for the purpose of conforming a claim construed under the proposed “broadest reasonable construction” standard to expressly incorporate limitations in the claims that are plainly present in the claims as properly construed under the *Phillips* and *Markman* legal standards based on statements and arguments made during the original prosecution history.

In addition, there is the systemic costs of encouraging multiple constructions of the claims of issued patents in different forums. The use of two different legal standards for claim construction for post-issuance validity challenges (one for district courts and one for Patent Office proceedings) necessarily involves the possibility of different results for the same patent, dependent upon which path is chosen for the validity challenge. As the Supreme Court noted in *Graham*, the Director should not be using a different standard to interpret the Patent Laws than is set forth by the Supreme Court:

“While we have focused attention on the appropriate standard to be applied by the courts, it must be remembered that the primary responsibility for sifting out unpatentable material lies in the Patent Office. To await litigation is - for all practical purposes - to debilitate the patent system. We have observed a notorious difference between the standards applied by the Patent Office and by the courts. While many reasons can be adduced to explain the discrepancy, one may well be the free rein often exercised by Examiners in their use of the concept of “invention.” In this connection we note that the Patent Office is confronted with a most difficult task.... This is itself a compelling reason for the Commissioner to strictly adhere to

the 1952 Act as interpreted here. *This would, we believe, not only expedite disposition but bring about a closer concurrence between administrative and judicial precedent.*"

Accordingly, MIPLA urges the Office to adopt a standard of claim construction to be used in review proceedings that comports with the same legal standards for claim construction that are used in the courts in terms of the use of both the specification and the file history in construing the scope of the claims that are the subject of a review proceeding.

4. Proposed Rule § 42.103: *Fees* – The proposed rule provides that a fee according to the schedule set forth in § 42.15 is to accompany an IPR request. While MIPLA appreciates the need for the Office to recover its significant expenses in conducting IPR proceedings, it is respectfully submitted that the structure and relative magnitude of the proposed fees are likely to significantly hinder the utility of IPR proceedings. Accordingly, MIPLA encourages the Office to reconsider these proposed fees.

- a. *Structural Considerations* – The proposed fees of § 42.15 are structured as an initial fee for requesting the first 20 claims of a patent, and thereafter rises according to 10 claim increments. This structure is not likely to actually track the actual costs of the Office in a significant number of cases, and seemingly imposes an unfair burden on IPR requesters in at least some cases.

For example, dependent claims are often not argued as being separately patentable from the independent claim from which they depend – they simply stand or fall with the independent claim. In such cases, there would seem to be very little additional effort needed by the Office to consider the dependent claims. But under the proposed fee structure all claims are essentially treated equally, whether separately patentable or not. Also, the 10 claim increment structure imposes a disproportionate fee burden in certain cases. For instance, in a case where 20 claims are included in the IPR request, the proposed fee is \$27,200 – but if 1 extra claim is included, the fee jumps to \$34,000. The disparity is even more striking at the 60 vs. 61 claim level – 1 additional claim results in a \$27,200 fee increase. It is difficult to understand how this could be an accurate reflection of the actual additional incremental costs incurred by the Office in these cases .

- b. *Magnitude of Proposed Fees* - MIPLA respectfully submits that the magnitude of the proposed fees is likely to seriously impair the utility of IPR in cases where it might otherwise be useful in improving patent quality and reducing the volume of civil litigation in the Federal

courts. For example, recent years have seen patent enforcement efforts by some owners in which litigation is pursued with the aim of extracting relatively small licensing fees from a large number of targets. While the validity of these patents is often questionable, it is not economically cost effective for defendants to challenge validity of the patent in the Federal courts, in view of the relatively small demand in each case, and the high cost of litigation. While IPR might otherwise offer an attractive alternative for weeding-out meritless claims in such cases, the proposed fees which begin at \$27,200, coupled with the attorney fees and other costs of actually preparing the IPR request, will likely not offer an attractive economic alternative for a significant number of these cases.

Moreover, the level of fees raises particular concerns in such cases where a patent contains a large number of claims. IPR requesters cannot control the number of claims in a patent, and it is often difficult if not impossible for a defendant to predict which claims in a patent with a large number of essentially duplicative claims will be asserted. In such cases, the fee under § 42.15 quickly becomes prohibitive, discouraging use of IPR proceedings. In addition, patent owners may be provided with a perverse incentive to obtain large numbers of duplicative claims in patents, for the purpose of effectively rendering the patent impervious to IPR challenge due to the prohibitive cost.

- c. *Lack of Refund Provisions* – Under the proposed fee system, it is explicitly stated that there will be no refunds of fees, even if a request for IPR is denied in part or in total. *See* 77 F.R. 6900. This creates a powerful economic disincentive to use of IPR, especially for such cases as mentioned above.

MIPLA strongly encourages the Office to consider a more rationale and fair scheme for assessing fees based on a proposed-rejection-by-proposed-rejection approach. The Office has a tremendous body of experience with estimating the amount of work necessary to present and analyze a proposed rejection based on examination of patents, so predicting the costs and fees associated with this kind of scheme should not result in the kind of arbitrary fees found in the current proposed rule. Contrary to the suggestions made in the remarks on Alternative Option II of a ground-by-ground approach for fee setting, the rules can easily accommodate and, in fact, help manage the proceedings by use of a proposed-rejection-by-proposed-rejection approach. Specifically, the petitioner would start with an initial set of proposed rejections with groupings of claims and references similar to that done in an Office Action and then pay fees of a base charge for the proceeding plus an incremental fee per proposed rejection. If the owner has any issues with the grouping of claims and references in the initial set of proposed rejections made by

the petitioner, the owner can advance those objections, as well as any alternative proposed rejections, as part of the preliminary owner response. Given that the burden is on the petitioner, it is suggested that any owner objections or alternative proposed rejections could be made by the owner as part of the preliminary owner response without payment of any fees. The APJ can then evaluate the proposed-rejections advanced by both the petitioner and owner, and make a determination as to which, if any, proposed rejections would be the basis for initiation of a trial. Once the proposed rejections have been identified for initiation of the trial, either party could move to modify and/or add proposed rejections based on the Scheduling Order; however, it is suggested that additional fees could be charged to both the petitioner and owner for motions to modify and/or add proposed rejections. In this way, the use of a proposed-rejection-by-proposed-rejection approach would be both a better measure of the amount of work needed by the Office and a vehicle to manage the trial portion of a proceeding so as to appropriately constrain and focus the issues, while still permitting the parties the opportunity, at additional expense and if authorized, to raise new proposed rejections after the initiation of the trial. Also, the Office is encouraged to reconsider whether at least partial refunds of IPR fees are possible in cases where an IPR petition is denied.

5. Proposed Rule § 42.104: *IPR Petition Content Requirements and Page Limits*.
 - The proposed rule contains extensive requirements for the content of IPR requests, including among other things “[h]ow the challenged claim is to be construed” and a detailed account of where each element of the claim is found in each patent or publication relied upon. § 42.24(a)(1)(i) would appear to impose a 50 page limit on IPR petitions, however, despite these content requirements. In that claim construction briefing in a typical patent case in Federal court can occupy nearly that much space alone, and detailed claim mapping for multiple references in a typical Inter-Partes Reexamination request usually occupies much more, the Office is encouraged to consider whether page limits are appropriate or even necessary for IPR petitions. While the Office has analogized IPR petitions to motion practice in Federal court in which page limits are common, an IPR petition would seem more closely analogous to a complaint, for which page limits are rarely if ever applied.
6. Proposed Rule § 42.121: *Amendment of the Patent* – According to the proposed rule, a patent owner may file one motion to amend the patent after conferring with the Board. Missing from the proposed rule, however, is any limit or even suggestion as to when such motion would be considered timely. In keeping with the accelerated nature of these proceedings, and in order to ensure time for full development of any issues raised by amendments to the claims, MIPLA recommends that the

Office provide by rule for a deadline by which a patent owner must file its motion for amendment. MIPLA suggests that an appropriate time period might be within one month of the date inter-partes review is instituted, or at least no later than the end of the first discovery period.

For purposes of consistency, MIPLA also proposes that the Office establish a deadline by which the inter-partes review petitioner must propose any new grounds of rejection necessitated by the patent owner's amendment. MIPLA suggests that a deadline of 1 month after the patent owner's amendment is submitted would be appropriate.

7. Proposed Rule § 42.122: *Multiple Proceedings* – MIPLA understands that the Office is encouraging the filing of multiple petitions for proceedings relative to the same patent as a way in which to reduce and focus the issues addressed in any given proceeding, as well as a way to reduce the fees being charged by the Office. Given the complexities that would be inherent in estoppel, stays and statutory deadlines for completing multiple proceedings, MIPLA questions the wisdom of this approach. Specifically, if four petitions against the same patent are staggered, for example, three months apart, assuming that each petition resulted in the initiation of a corresponding proceeding then it seems unlikely that the Office will be able to stay these proceedings pursuant to this proposed rule and still be able to meet the statutorily imposed deadlines regarding the overall length of time to finish each proceeding. MIPLA urges the office to reconsider this approach and, instead, adopt the suggested proposed-rejection-by-proposed-rejection approach that would have incremental fees for each additional proposed rejection as a better way to account for and manage the possibility of different issues needing to be raised and argued for a given patent without the need to resort to the complexity of managing stays and deadlines in multiple proceedings initiated for the same patent.

Submitted on behalf of MIPLA by:

/s/

Brad Pedersen
Chair, MIPLA IP Law Revision Committee