

April 9, 2012



***Via Electronic Mail***  
**patent\_trial\_rules@uspto.gov**

Mail Stop Patent Board  
Director of the United States Patent & Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450

**ATTORNEYS AT LAW**

SCOTT A. MCKEOWN  
(703) 413-3000  
SMCKEOWN@OBLON.COM

STEPHEN G. KUNIN  
(703) 412-6011  
SGKUNIN@OBLON.COM

GREG H. GARDELLA  
(703) 413-6396  
GGARDELLA@OBLON.COM  
\*BAR OTHER THAN VIRGINIA

Re: Comments on the published Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 6879-6914 (Feb. 9, 2012) (“Rules of Practice Before the PTAB”)

The following comments are submitted in response to the USPTO’s request for public comments on their proposed rules for implementing the post grant patent provisions of the Leahy-Smith America Invents Act (AIA)<sup>1</sup>.

The Office is to be commended for the diligence and thoroughness reflected in the Rules of Practice Before the PTAB, particularly in view of the time frame in which the rules were assembled. With the exception of the few provisions addressed herein, the Rules are well conceived to implement the statutory mandate embodied by post grant patent provisions of the AIA.

The Proposed Rules of Practice Before the PTAB are based in large part upon the rules used for conducting patent interferences before the Board of Patent Appeals & Interferences. The interference model is instructive, and applicable in many procedural respects, to trials before the new PTAB. However, certain aspects of the interference model adopted in the Rules of Practice Before the PTAB, such as “interference estoppel” and the page count restrictions have the potential to undermine the legitimacy and practical utility of patent validity trials of the AIA.

---

<sup>1</sup> These comments were first published on [www.PatentsPostGrant.com](http://www.PatentsPostGrant.com) and constitute the commentary of the authors alone.



**I. The Proposed Fee/Page Count Structure is Unworkable for Complex, Estoppel Based Proceedings**

**A. The Proposed Fee Structure May Insulate Patent Trolls**

The rule packages propose filing fees for Post Grant Review (PGR) and *Inter Partes* Review (IPR), of \$35,800 and \$27,200 respectively. Understandably, these filing fees attempt to capture the aggregate cost of conducting these proceedings as estimated by the Agency. Although the filing fee increase relative to *inter partes* reexamination was largely expected by the public, the accompanying claim-count surcharge was not.

In accordance with the claim count surcharge, the filing fee for an IPR or PGR that includes more than 20 challenged claims will escalate in price for every 10 claims over the established 20 claim base line. The IPR & PGR fee schedule is reproduced below.

**Fees**

**§ 42.15 Fees.**

(a) On filing a petition for *inter partes* review of a patent, payment of the following fee is due based upon the number of challenged claims:

- (1) 1 to 20 claims—\$27,200.00.
- (2) 21 to 30 claims—\$34,000.00.
- (3) 31 to 40 claims— \$40,800.00.
- (4) 41 to 50 claims— \$54,400.00.
- (5) 51 to 60 claims— \$68,000.00.
- (6) Additional fee for each additional 10 claims or portion thereof—\$27,200.00.

(b) On filing a petition for post-grant review or covered business method patent review of a patent, payment of the following fee is due based upon the number of challenged claims:

- (1) 1 to 20 claims—\$35,800.00.
- (2) 21 to 30 claims—\$44,750.00.
- (3) 31 to 40 claims—\$53,700.00.
- (4) 41 to 50 claims—\$71,600.00.
- (5) 51 to 60 claims—\$89,500.00.
- (6) Additional fee for each additional 10 claims or portion thereof—\$35,800.00.

If implemented as proposed, the claim count surcharge will undermine the intent of Congress by providing a clear “end around” post-grant proceedings under the AIA, at least with respect to patent troll’s assertions against small to medium-sized companies.

For example, a patent with 20 claims could theoretically be made subject to an IPR that advances 20 different rejections against all 20 claims for a \$27,200 filing fee (Request page



limitations aside, and discussed separately below)<sup>2</sup>. On the other hand, if a patent having 51 claims is subject to a request advancing a single rejection against all 55 claims, the USPTO filing fee alone is \$68,000.

This result would be anomalous. The Office would be performing an order of magnitude more work at less than half the cost in the former example. Conversely, the Office would be charging more than twice as much to do a small fraction of the work in the latter example.

Moreover, the proposed fee structure provides patent trolls with a simple end run around post-grant proceedings under the AIA: secure patents with 100 or more patent claims and assert them all in litigation. By so doing, patent trolls would create a substantial barrier to any third party challenge to the patent. A third party petitioner would have to incur government filing fees well in excess of \$150,000 in order to challenge all claims and thereby maximize the likelihood of obtaining a stay of costly district court litigation. Because the cost of bringing such a challenge under the AIA would exceed the nuisance value settlements typically requested by patent trolls, one should expect that third parties will generally opt to settle sometimes frivolous cases simply because the PTO fee structure left them no reasonable option from a business perspective.

Using a real life example, several patents of the infamous NTP portfolio include several hundred claims. Take NTP patent 6,317,592, which issued with 664 claims in 2001. To challenge the '592 Patent in IPR under the current system would cost \$1.6 million in USPTO fees. That kind of monetary disincentive will encourage litigants to remain in the district courts, contrary to congressional intent.

While it could be argued that third parties can if necessary resort instead to *ex parte* reexamination, that is often not considered a viable option. The statistical results and anecdotal information shared amongst members of the bar both strongly suggest that *ex parte* proceedings are quite favorable to the patent owner, perhaps unduly so.

### **Recommendation (Claim Based Fee Structure)**

To avoid these unintended consequences and corresponding adverse impact on the public, the Office should consider a surcharge that is not based on claims (a factor out of control of the Requester), but instead on the number of proposed rejections. In this way, every patent could be challenged for the base line filing fee regardless of the claim count.

#### **1. Rejection Based Fee Structure**

While the 20 separate rejection example above may seem extreme, it is not.

---

<sup>2</sup> Moreover, while the Office has provided an escalating filing fee for attacking more than 20 claims of a subject patent, there does not seem to be a provision to expand the page count in correspondence to the increased fee.



In fact, the vast majority of criticisms from the Office on current *inter partes* reexamination (IPX) practice is the number of rejections that are advanced by Requesters (driven by IPX estoppel concerns). To combat this practice, the Office proposed a “representative rejection” idea in the Spring of 2011 to cut down on the number of rejections the Office would need to consider during a given proceeding. The USPTO is now in a position to effectively force a representative rejection practice by linking the fee structure to the number of *proposed rejections*, not claims. In the vast majority of proceedings it is the number of rejections that taps the Office’s resources, not the number of claims. Indeed, in the predictable arts where trolls are far more prevalent, patents with large numbers of claims generally have a high degree of repetition; often the independent claim sets have only minor variations in scope.

Under a rejection based fee structure a Petitioner can proceed with their best art/arguments on all claims, or, if the Petitioner is so inclined, it can pay more to advance additional arguments. This will enable challengers to use these proceedings as true alternative to litigation. Where the stakes of the underlying dispute are high the Petitioner can accept the increased filing fee and propose a substantial number of alternative rejections.

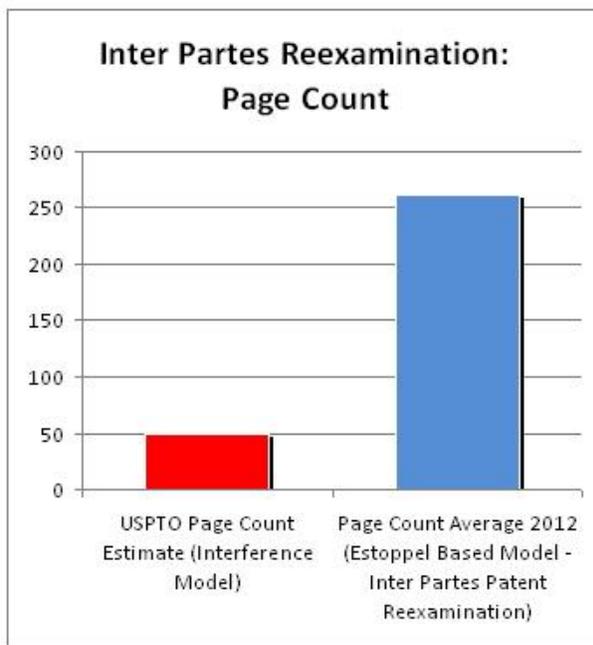
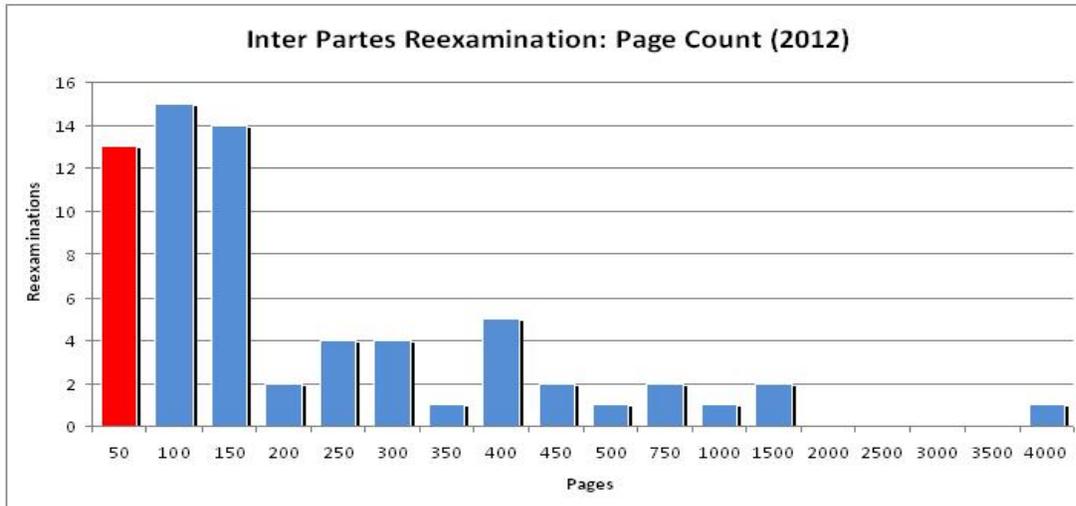
#### **B. Page Limits are Improperly Calibrated Based on Patent Interference Model**

Rule 42.24 proposes a maximum 50 page limit for requests to initiate IPR, 70 pages for PGR (inclusive of claim charts). The proposed rule explains that federal courts often impose page limits, and perhaps more importantly that the “Board’s experience” in patent interference leads the Office to believe that the current proposals are reasonable. The Office explains that the current page limit for prior art motions in a patent interference is 25 pages. Thus, the Office reasons that the doubling of this existing limit to 50 pages for IPR is reasonable.

However, there are important distinctions between a patent interference and an IPR/PGR. Validity challenges in patent interference do not encumber challengers with statutory estoppel that extends to the federal courts; nor are such validity based challenges the focus of a patent interference (i.e., priority dispute). Indeed, as the very ownership of the patent rights are in dispute in a patent interference, there may be strategic reasons for limiting validity challenges.

The mean page count for IPX requests (the proceeding which has similar estoppel-related consequences for the requester) in 2012 is 262....approaching an order of magnitude off of the 50 pages proposed by the Office. Of the 67 or so odd IPX request filed in 2012 (at the time of this writing), roughly 10 would be compliant if filed this time next year as a request for IPR.

The charts below shows the distribution of page counts for 2012 IPX filings, and a comparison to the mean page count for IPX and that proposed for IPR.



While it is true that the proposed limits may be waived upon successful petition for additional pages, the Office has explained that such cases would be “exceptional.”

It is understandable that the Office propose a page limit control to streamline proceedings that must be completed within 12 months, and one could certainly cite to the long pendency of IPX proceedings as justification for ignoring it as model for future proceedings. Yet the agency would be hard pressed to justify current IPX pendency issues on mere page count alone. Instead, delays are more a result of a separate examination and BPAI phases, each of which have historically taken on the order of 18-24 months. For this reason, IPR was designed to be an adjudicative

proceeding (i.e., no examination phase).

Congress has recognized the relationship between IPX and IPR by limiting the number of IPR filings (281) based upon the number of IPX filings in fiscal 2010. Consistent with this principle, the Office should use IPX as a benchmark for page limits rather than interferences.

As an additional constraint on page limits, the proposed rules require double spacing and a 14 point font (§42.24). These guidelines, taken together with the need to explain lengthy patent claims (up to 20 claims per request) and compare complex figures of the prior art, combine to present significant disincentives to the public. The “one bite at the apple” nature of the



statutory estoppel provisions of IPR and PGR is at odds with such restrictions. For example, to present more than a single proposed rejection in an IPR request directed to 10 claims or more would almost certainly exceed the 50 page limit.

Courts certainly limit page counts in motions, claim construction, etc. However, expert reports are typically hundreds of pages and often times contain the bulk of the asserted invalidity positions. If IPR/PGR is to be a true alternative to patent litigation, as Congress intended, filers must be able to present their submitted art to the USPTO in a cost effective fashion that adequately balances their risk of estoppel. Otherwise, IPR/PGR filings will be few and far between...especially at the currently proposed fee levels.

An additional side effect of the proposed limits may be that filers present their proposed rejections across several requests filed in parallel; a strategy that is encouraged by the Office in their AIA road show presentations<sup>3</sup>. Thus, a filer seeking to attack 30 claims of a patent, can file a single 50 page request in IPR seeking to address all claims for \$34K, or file two 50 page requests that divide the claims (100 pages total) for a fee of \$54k. It seems whether filing a request directed to 20 claims or 1000, the Office intends to impose a 50 page limit.

With respect, this approach appears unbalanced and ill considered. Creating incentives which will lead to the multiplication of proceedings seems, at the very least, inconsistent with Office's and Congress' stated intention of providing a viable alternative to litigation. If third parties feel that they are unable to effectively present their case within the page restriction, many will opt instead for more costly litigation. Third parties who file piecemeal petitions, as suggested by the Office, will incur a financial burden far out of balance relative to the actual burden imposed on the Office.

#### **Recommendation (Revise Page Count and Font Requirements)**

Font and spacing requirements should be 12 point and 1.5, respectively, consistent with existing IPX practice. Page limits for IPR and PGR petitions should be reset to 150 and 200 pages respectively.

#### **II. Rule 42.73(d)(3) is Not Statutorily Authorized and Would Undermine Investment in Intellectual Property**

The proposed rules provide for a type of "patentee estoppel" for PGR and IPR. This rule is not authorized by Congress and exceeds the PTO's rulemaking authority. Perhaps more importantly, the proposed estoppel would unduly prejudice the United States' most prolific innovators.

---

<sup>3</sup> Unlike *inter partes* patent reexamination, which precludes multiple filings after an initial Order under 35 U.S.C. § 317(a), no such prohibition exists for IPR or PGR.



After a final written decision cancelling a claim the Patentee would be precluded from later obtaining any patent claim that could have been presented in the Post Grant Review (PGR) and Inter Partes Review (IPR) proceedings. More specifically, Rule 42.73 (d)(3) of the PTAB Rules of Practice provides as follows:

*(3) Patent applicant or owner. A patent applicant or owner whose claim is canceled is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent:*

*(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 of a drawing that was denied during the trial proceeding.*

Under proposed Rule when one or more of the parent patent claims are cancelled in a post grant proceeding the question arises as to whether claims in the continuation applications “could have been filed in response to any properly raised ground of unpatentability” in the post grant proceeding.

Consider the situation where the parent patent has a broad, generic claim that is cancelled. If the continuation (or reissue) applications present claims narrower in scope than the broad claim which was cancelled and if one assumes that the specification is identical in relevant respect, arguably, the narrow claim could have been presented as a substitute claim in the post grant proceeding. If the Office operates under the premise the continuation application claim should be barred under Rule 42.73(d), the Patentee would be effectively forced to introduce the narrowed, continuation claims in the IPR or PGR proceeding or lose them altogether. Yet, the proposed rules do not provide a mechanism for introducing distinctions *en masse* outside of a “reasonable number of substitute claims.” In fact, there is a “presumption” that a reasonable number of claims are those presented in one-to-one correspondence with respect to cancelled claims.

On the other hand, where continuation claims (or those in a broadening patent reissue) are broader in one or more respect than the parent patent the Patentee may have a meritorious argument that the claim could not have been properly presented in the post grant proceeding in view of the statutory prohibition against broadening claims in such a proceeding. This may enable Patentees to circumvent the Rule 42.73 estoppel by simply ensuring that their claims are broader than the cancelled claim in at least one respect. Historically, this type of analysis has proven far from straightforward. *See In re Mostafazadeh*, No. 10-1260 (Fed. Cir. May 3, 2011)



**Recommendation (Drop Proposed Rule 42.73(d)(3))**

As final promulgation of this rule is beyond the powers granted the USPTO by statute and in any event would be harmful to the patent system, this aspect of the rule proposal should be dropped.

Should you require further clarification or explanation with regard to any of the above, please feel free to contact us.

Very truly yours,

Oblon, Spivak, McClelland,  
Maier & Neustadt L.L.P

A handwritten signature in black ink, appearing to read "S. McKeown".

Scott A. McKeown

A handwritten signature in black ink, appearing to read "Stephen G. Kunin".

Stephen G. Kunin

A handwritten signature in black ink, appearing to read "G. Gardella".

Greg H. Gardella