

Comments of the
Semiconductor Industry Association (SIA)

On

Changes to Implement Inter Parties Review Proceedings, 77 Fed. Reg. 7401
(Feb. 10, 2012)

Proposed Rules for Post Grant Review, 77 Fed. Reg. 7060 (Feb. 10, 2012)

Proposed Rule for the Technological Invention Definition, 77 Fed. Reg. 7095
(Feb. 10, 2012)

Proposed Rule for Derivation Proceedings, 77 Fed. Reg. 7028 (Feb. 10, 2012)

April 10, 2012

The Semiconductor Industry Association (SIA), the voice of the U.S. semiconductor industry, appreciates the opportunity to provide suggestions on the new rules implementing the Leahy-Smith America Invents Act (AIA). Seven of the top 15 companies receiving patents in the U.S. are semiconductor companies, and therefore SIA has a strong interest in achieving the AIA's goal of a more efficient and streamlined patent system.

Semiconductors are one of America's top export industries and a bellwether measurement of the U.S. economy. Semiconductor innovations form the foundation for America's \$1.1 trillion dollar technology industry affecting a U.S. workforce of nearly 6 million. Founded in 1977 by five microelectronics pioneers, SIA unites over 60 companies that account for 80 percent of the semiconductor production of this country. Through this coalition SIA seeks to strengthen U.S. leadership of semiconductor design and manufacturing by working with Congress, the Administration and other key industry groups. SIA works to encourage policies and regulations that fuel innovation, propel business and drive international competition in order to maintain a thriving semiconductor industry in the United States. For more information on SIA, see www.sia-online.org.

1. Discovery Rules

SIA believes that the discovery rules governing inter parties proceedings should more limited. The PTO proposal contemplates that parties to a proceeding would provide all documents that are inconsistent with the position they are taking in the proceeding. One problem with this approach is that the discovery process is not bound to people involved in the proceeding. Instead, it would cover the whole company, requiring a very extensive search. Even if such a search were practical, the proposal raises the question of how to look for and identify anything that might be inconsistent; it is open to a very wide interpretation. Such a system is unwieldy, as it will create "sideline" arguments about whether the other side is providing the proper information. In short, we think that this policy is impractical and introduces uncertainty as to what documents must be provided. For these reasons, SIA proposes that this provision be removed from the Act.

2. Technological Invention Definition

SIA believes that in view of the broad definition of Covered Business Method Patent set forth in the statute, it is critical that the Technological Invention exclusion be as precise as possible and directed solely to a subject matter definition. As presently defined, the Technological Invention definition is ambiguous. It appears to require a preliminary patentability analysis by the PTO for a challenged claim, or a patentability analysis of a single element of a claim. This could result in an otherwise technological invention being found invalid and thus incorrectly subject to review under this program, with a preliminary finding by the Board that is prejudicial to the patent holder.

Although the legislative history states that “technological inventions are those patents whose novelty turns on technological innovation over the prior art,” we do not believe that it was the intent of Congress to require the Office to use this exact language as part of the definition, but was intended more to convey the notion that a technological invention is one in which there is a technical advancement over the prior art.

In view of the foregoing, we do not believe that it is necessary to retain part (1) of the definition. It would be preferable for the Office and the Board to focus on modifications to part (2) of the test to create a subject matter only definition which provides more clarity for stakeholders and more efficiency by the Board in its application of the definition. Furthermore, the Office should clarify that it will use a common sense approach or better yet, the example if the claim is not directed to business methods at all, but is directed to subject matter that is traditionally viewed as patentable based on PTO classification, the PTO will not examine the patent under this transitional program.

3. Discovery Period

SIA believes that, in light of the AIA's goal of creating a more efficient patent system, the discovery period for inter parties reviews should be made as streamlined as possible. The decision to expand discovery whenever a patent is challenged on obviousness beyond the present 12-month period should be determined on a case-by-case basis. Rather than automatically extending discovery by 6 months, the need for additional time should be addressed on a case-by-case basis, utilizing the “good cause” standard for additional discovery already included in the proposed rules. An automatic extension of 6 months may be too long in some instances and too short in others. By granting extensions on a case-by-case basis, time and expense relating to the review can be spent with greater efficiency.

4. Settlement

SIA supports the resolution of patent disputes through the settlement process. However, SIA finds that, under the settlement provisions of the statute, the PTO has the discretion to proceed to a final decision when the parties have already reached settlement, possibly eviscerating the settlement by the parties.

35 U.S.C. 317(a), as amended, provides that an inter parties review will be concluded “with respect to any petitioner” if the petitioner and the patent owner jointly request termination of the review, unless the PTO has already decided the on merits of the review. However, the

PTO has the discretion to continue the proceeding even if the petitioner has settled and is no longer involved in the review. The PTO "may terminate the review or proceed to a final decision under section 318(a)." This policy may discourage petitioners and patent owners from seeking settlement.

To encourage use of the settlement process and to improve efficiency, the PTO should terminate their inter parties review proceedings once a settlement is reached. If the PTO is considering a continuance, the parties should have an opportunity to respond.

5. Privy

SIA believes that the PTO should use the common law definitions for both privy and real party in interest, rather than devising its own definition. Using the common law definitions of these terms will allow for more consistent interpretation of the Act. Thus we fully support the direction the Board will take on "a case by case" basis, as indicated in the proposed trial practice guide (see pages 6870-71) using the following cases for guidance:

- Taylor v. Sturgell, 553 U.S. 880 (2008)
- Gonzalez v. Banco Cent. Corp., 27 F.3d 751 (1st Cir. 1994)
- Wright & Miller, Federal Practice & Procedure 4449

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We appreciate the opportunity to provide our views.

Respectfully,

Semiconductor Industry Association (SIA)