

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re:

RIN 0651-AC72

For: **Notice of Proposed Rulemaking:  
Changes to Implement Post-Grant  
Review Proceedings**

**77 Fed. Reg. 7060  
(February 10, 2012)**

**Comments In Reply To the Notice of Proposed Rulemaking Entitled  
“Changes to Implement Post-Grant Review Proceedings”**

Via Internet to: [post\\_grant\\_review@uspto.gov](mailto:post_grant_review@uspto.gov)

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

Due: April 10, 2012

Attention: Lead Judge Michael Tierney, Post-Grant Review Proposed Rules

Dear Judge Tierney:

In response to the Notice of Proposed Rulemaking published February 10, 2012 at 77 Fed. Reg. 7060, the undersigned respectfully submit the following comments.

**General Comments**

Post-grant review, along with other post-grant proceedings under the Leahy-Smith America Invents Act (inter-partes review and covered business methods), were devised by Congress as a way to reduce “unwarranted litigation costs and inconsistent damage awards.”<sup>1</sup> In order to accomplish this goal, these proceedings cannot simply be a substitute for district court litigation – they must be better. Better means less expensive, more balanced, fairer, and comprehensive, as well as integrating the patent law and technical expertise of the Office to the multitude of defenses that can be raised.

For post-grant proceedings to be viewed as a favorable alternative by both petitioners and patent owners, parties must have the ability to have their issues heard and considered in at least the same depth as they would be at the district courts. Coupled with the Office’s

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<sup>1</sup> House Report 112-98, p. 40 (June 1, 2011).

unique domain expertise in the technical merits, it would be possible for parties to resolve many issues outside of the courts.

However, the rules as currently drafted provide reasons to give parties pause, and may lead to the undesirable effect of keeping issues of patentability within the courts. In particular, the proposed costs for these proceedings are exorbitant, even when compared to litigation, for the narrow set of issues that they would decide. The costs are particularly unbearable for small entities seeking decisions of invalidity on patents asserted against them.

Moreover, there are unwarranted limits on opportunities for the Patent Trial and Appeal Board to hear the evidence and have the judges' questions answered at oral hearing. While basing the trial rules on existing interference practice allows the Board to begin hearing cases in a familiar format, it is important to note that the issues arising out of the new post-grant proceedings are technically challenging and require different considerations than those in interferences.

To this end, we would urge the Board to consider allowing additional time for oral arguments, and include the ability for judges to listen to cross examination in order to better gauge the merits of a case. Moreover, we would urge the Board to accelerate its timeframe for deliberations to allow more time for the parties to present the merits of their respective cases.

### **Rule-Specific Comments**

The following comments pertain to specific rules for the proposed implementation of post-grant review proceedings.

#### **1. 37 C.F.R. § 42.200**

The Office proposes to introduce new rule 42.200 regarding general procedure and pendency of a post-grant review proceeding. 35 U.S.C. § 326 describes the conduct of a post-grant review proceeding. 35 U.S.C. § 326(a)(11) in particular requires the Office to provide a final determination in a post-grant review proceeding no later than 1 year after notice of institution of the proceeding, extendable by 6 months at a maximum.

(a) Regarding the one year pendency for the proceeding, which tracks the requirements of 35 U.S.C. § 326(a)(11), will the Board take any particular action in a post-grant review proceeding that exceeds this timeframe without seeking an extension?

(b) Regarding the possible six month extension for good cause, which also tracks the requirements of 35 U.S.C. § 326(a)(11), will the Board take any particular action in a post-grant review proceeding that exceeds this timeframe?

(c) If a final determination has not been issued in a post-grant review proceeding prior to one of the statutory dates under 35 U.S.C. § 326(a)(11), what relief is available to the parties to the proceeding?

(d) If a final determination has not been issued in a post-grant review proceeding prior to one of the statutory dates under 35 U.S.C. § 326(a)(11), does the Board still have jurisdiction of the matter beyond that timeframe?

It is further noted that these compressed timeframes can be particularly disadvantageous to one or both parties to a proceeding when foreign entities are involved. In order to provide a more equitable proceeding, the Board should allot itself a shorter timeframe for deliberations as standard practice when issuing a scheduling order.

In an effort to promote prompt action by the Board and compliance with these statutory timeframes without unduly prejudicing the parties, we would suggest the possibility for a petitioner to seek a refund of any filing fees should the post-grant review proceeding exceed the statutory timeframe through no fault of their own. This remedy would provide a motivating factor for the Board to resolve proceedings within the statutory timeframes.

## **2. 37 C.F.R. § 42.201**

The Office proposes to introduce a new rule 42.201 regarding who may petition for a post-grant review. Specifically, §42.201(b) refers to the “petitioner, the petitioner’s real party in interest, or a privy of the petitioner.” However, there is no guidance on how the real party in interest is determined. Further, there are no guidelines on how far privy is established, or what types of contracts or agreements create privy. The Office should provide examples of common situations and how to identify a real party in interest.

## **3. 37 C.F.R. § 42.202**

The Office proposes to introduce new rule 42.202 regarding timing requirements for filing a petition for a post-grant review of a patent. In accordance with the Leahy-Smith America Invents Act, “[t]he Director may impose a limit on the number of post-grant reviews that may be instituted under chapter 32 of title 35, United States Code, during each of the first 4 1-year periods in which the amendments made by subsection (d) are in effect.” Proposed rule 42.202(b) provides the procedure by which the Director can provide notice of the imposition of such a limit.

As required by the proposed rule, “[p]etitions filed after an established limit has been reached will be deemed untimely.” This particular rule is not statutorily required, and arbitrarily harms petitioners based on the timing of their action. We propose resolving this potential unfairness by providing more manageable quarterly limits, rather than overall yearly limits. This approach makes it more likely that a petitioner will be able to wait until the next quarterly cycle to file their petition. In the alternative, or in addition, we propose

allotting a filing date to petitions filed after the established limit is reached, but holding the matter in abeyance until the availability of the Board permits review. This is especially important for post-grant review where the 9 month window to even file a post-grant review may close.

**4. 37 C.F.R. § 42.203**

The Office proposes to introduce new rule 42.203 regarding the applicability of a fee, set forth in 42.15(b), to post-grant review proceedings. The proposed fees are based on the number of claims being reviewed. In many instances, multiple claims may be practically identical except for differences in their respective statutory classes. A petitioner will likely provide the same issues for the Board's consideration for each of these claims, such that these issues would only need to be considered and addressed once for all claims. As a result, it appears that the fee structure does not actually correspond to the amount of review necessary by the Board.

Additionally, due to the high costs for filing a petition compared to the cost of litigation, it is unlikely that this process will be accessible to many small entities. It would be desirable to provide a small-entity fee reduction for qualifying petitioners to allow the use of these new proceedings.

Post-grant review proceedings provide many traps for the unwary, which can lead to summary dismissal of the proceeding. Moreover, the Board may opt to deny a petition for post-grant review, potentially on defective grounds, with no recourse for the petitioner to recover filing fees. Given the amount of money at stake for bringing a post-grant review petition, it would appear more equitable for fees to be due at various stages of the proceeding, rather than up-front. This is also more likely to encourage settlement between the parties, motivated by an upcoming substantial fee due date, rather than the sunk cost of the initial filing fee.

**5. 37 C.F.R. § 42.204**

The Office proposes to introduce new rule 42.208 regarding the content of a petition for post-grant review. One of the requirements is "a statement of the precise relief requested for each claim challenged", which includes a statement on how each challenged claim is to be construed. Such a construction requirement is not needed and overly burdensome.

Also, the Office has indicated that, in accordance with patent prosecution practices, claims in a post-grant review proceeding will be given the traditional "broadest reasonable interpretation in light of the specification". We note that this is not a statutory requirement of the Leahy-Smith America Invents Act, and urge the Office to consider whether this standard remains appropriate in a post-grant review proceeding.

Patent owners are not given the presumption of validity that they would enjoy in the district courts. Moreover, while there are (very limited and controlled) opportunities for

patent owners to amend their claims, such amendments cannot be made with the freedom of the typical ex parte negotiations that occur in regular patent prosecution practice.

**6. 37 C.F.R. § 42.208**

The Office proposes to introduce new rule 42.208 regarding the institution of a post-grant review.

(a) Based on a reading of 35 U.S.C. § 328(a), a “final written decision” shall be issued once the post-grant review “is instituted and not dismissed”. Is it therefore the case that a decision by the Board not to institute a post-grant review under 42.208(c) cannot be a “final written decision”? Are there any estoppels that attach to a decision by the Board not to institute a post-grant review under 42.208(c)?

(b) Under 42.208(d), sufficient grounds can be shown by raising a novel or unsettled legal question. Does this mean that, for such grounds, it is not necessary to “demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable”? Must any such additional grounds still be limited to the specific statutory grounds identified in 42.204(b)(2)?

**7. 37 C.F.R. § 42.221**

The Office proposes to introduce new rule 42.221 regarding the process for amending the patent during post-grant review proceedings.

35 U.S.C. § 326(d)(1)(B) provides that the patent owner may file a motion to amend the claims by proposing a reasonable number of substitute claims. The proposed rule does not describe the process by which a reasonable number of substitute claims can be presented. The practice guide notes that claims should be labeled “original”, “cancelled”, “replaced by proposed substitute”, or “proposed substitute for original claim X”. It would be helpful to have a clear example of this practice. Can the patent owner continue to argue the original claim while presenting a proposed substitute claim? Is substitution limited to one substitute claim per one replaced patent claim?

**8. 37 C.F.R. § 42.222**

The Office proposes to introduce new rule 42.222 regarding the process for the stay, transfer, consolidation, or termination of multiple proceedings involving the same patent. If a post-grant review proceeding is initiated, and the patent owner files a request for a broadening reissue, what is the expected order in which the proceedings would be resolved?

**Conclusion**

Consideration of the above comments is respectfully requested.

Respectfully submitted,

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