

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 42

[Docket No. PTO-P-2011-0083]

RIN 0651-AC71

Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents

AGENCY: United States Patent and Trademark Office, Commerce.

ACTION: Final rule.

SUMMARY: The United States Patent and Trademark Office (Office or USPTO) is revising the rules of practice to implement the provisions of the Leahy-Smith America Invents Act (“AIA”) that create the new inter partes review proceeding, post-grant review proceeding, and transitional post-grant review proceeding for covered business method patents, to be conducted before the Patent Trial and Appeal Board (Board). These

provisions of the AIA will take effect on September 16, 2012, one year after the date of enactment.

DATES: Effective Date: September 16, 2012.

Applicability Dates: The changes for inter partes review proceedings apply to any patent issued before, on, or after September 16, 2012 (subpart B).

The changes for post-grant review proceedings generally apply to patents issuing from applications subject to first-inventor-to-file provisions of the AIA (subpart C). In addition, the Chief Administrative Patent Judge may, in the interests-of-justice, order an interferences commenced before September 16, 2012, to be dismissed without prejudice to the filing of a petition for post-grant review. See 42.200(d) and § 6(f)((3)(A) of the AIA.

The changes for transitional program for covered business method patents apply to any covered business method patent issued before, on, or after September 16, 2012 (subpart D).

FOR FURTHER INFORMATION CONTACT: Michael P. Tierney,
Lead Administrative Patent Judge, Sally G. Lane, Administrative Patent Judge, Sally C. Medley, Administrative Patent Judge, Robert A. Clarke, Administrative Patent Judge, and Joni Y. Chang, Administrative Patent Judge, Board of Patent Appeals and Interferences, by telephone at (571) 272-9797.

SUPPLEMENTARY INFORMATION:

Executive Summary: Purpose: On September 16, 2011, the AIA was enacted into law (Pub. L. 112-29, 125 Stat. 284 (2011)). The purpose of the AIA and this final rule is to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. The preamble of this notice sets forth in detail the procedures by which the Board will conduct inter partes review proceedings, post-grant review proceedings, and transitional post-grant review proceedings for covered business method patents. The USPTO is engaged in a transparent process to create a timely, cost-effective alternative to litigation. Moreover, the rules are designed to ensure the integrity of the trial procedures. See 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). This final rule would provide a set of rules relating to Board trial practice for inter partes review proceedings, post-grant review proceedings, and transitional post-grant review proceedings for covered business method patents.

Summary of Major Provisions: Consistent with section 6 of the AIA, this final rule sets forth for inter partes review: (1) the requirements for a petition to institute an inter partes review of a patent; (2) the standards for showing of sufficient grounds to institute an inter partes review; (3) the standards for instituting an inter partes review; (4) the procedures for conducting an inter partes review that permits a patent owner response, a submission of written comments, and an oral hearing; (5) the standards and procedures for discovery

and for the patent owner to move to amend the patent; and (6) the time periods for completing the review (subpart B of 37 CFR part 42).

Consistent with section 6 of the AIA, this final rule sets forth for post-grant review:

(1) the requirements for a petition to institute a post-grant review of a patent; (2) the standards for showing of sufficient grounds to institute a post-grant review; (3) the standards for instituting a post-grant review; (4) the procedures for conducting a post-grant review that permits a patent owner response, a submission of written comments, and an oral hearing; (5) the standards and procedures for discovery and for the patent owner to move to amend the patent; and (6) the time periods for completing the review (subpart C of 37 CFR part 42).

Consistent with sections 6 and 18 of the AIA, this final rule further sets forth for

transitional post-grant review of covered business method patents: (1) the requirements for a petition to institute a post-grant review of a covered business method patent; (2) the standards for showing of sufficient grounds to institute a post-grant review of a covered business method patent; (3) the standards for instituting a post-grant review of a covered business method patent; (4) the procedures for conducting a post-grant review that permits a patent owner response, a submission of written comments, and an oral hearing; (5) the standards and procedures for discovery and for the patent owner to move to amend the patent; and (6) the time periods for completing the review (subpart D of 37 CFR part 42).

Costs and Benefits: This rulemaking is not economically significant, but is significant, under Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).

Background: To implement sections 6 and 18 of the AIA, the Office published the following notices of proposed rulemaking: (1) Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR 6879 (Feb. 9, 2012), to provide a consolidated set of rules relating to Board trial practice for inter partes review, post-grant review, derivation proceedings, the transitional program for covered business method patents, and judicial review of Board decisions by adding new parts 42 and 90 including a new subpart A to title 37 of the Code of Federal Regulations (RIN 0651-AC70); (2) Changes to Implement Inter Partes Review Proceedings, 77 FR 7041 (Feb. 10, 2012), to provide rules specific to inter partes review by adding a new subpart B to 37 CFR part 42 (RIN 0651-AC71); (3) Changes to Implement Post-Grant Review Proceedings, 77 FR 7060 (Feb. 10, 2012), to provide rules specific to post-grant review by adding a new subpart C to 37 CFR part 42 (RIN 0651-AC72); (4) Changes to Implement Transitional Program for Covered Business Method Patents, 77 FR 7080 (Feb. 10, 2012), to provide rules specific to the transitional program for covered business method patents by adding a new subpart D to 37 CFR part 42 (RIN 0651-AC73); (5) Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 FR 7095 (Feb. 10, 2012), to add a new rule that sets forth the definition of technological invention for determining whether a patent is for a technological invention solely for purposes of the transitional program for

covered business method patents (RIN 0651-AC75); and (6) Changes to Implement Derivation Proceedings, 77 FR 7028 (Feb. 10, 2012), to provide rules specific to derivation proceedings by adding a new subpart E to 37 CFR part 42 (RIN 0651-AC74).

This final rule adopts the proposed rules, with modifications, set forth in the three notices of proposed rulemaking: inter partes review proceedings (77 FR 7041), post-grant review proceedings (77 FR 7060), and transitional post-grant review proceedings for covered business method patents (77 FR 7080), except for definitions of the terms “covered business method patent” and “technological invention” which are set forth in a separate final rule (RIN 0651-AC75). The definition of the term “technological invention” was proposed in another notice of proposed rulemaking (77 FR 7095).

In a separate final rule, the Office adopts the proposed rules, with modifications, set forth in Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR 6879 (Feb. 9, 2012), to provide a consolidated set of rules relating to Board trial practice for inter partes review, post-grant review, derivation proceedings, and the transitional program for covered business method patents, and judicial review of Board decisions by adding new parts 42 and 90 including a new subpart A to title 37 of the Code of Federal Regulations (RIN 0651-AC70).

In a third final rule, the Office adopts the proposed definitions of a “covered business method patent” and “technological invention” set forth in the following notices of

proposed rulemaking: Changes to Implement Transitional Program for Covered Business Method Patents, 77 FR 7080 (Feb. 10, 2012); and Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 FR 7095 (Feb. 10, 2012).

Additionally, the Office published a Patent Trial Practice Guide for the proposed rules in the Federal Register to provide the public an opportunity to comment. Practice Guide for Proposed Trial Rules, 77 FR 6868 (Feb. 9, 2012) (Request for Comments) (hereafter “Practice Guide for Proposed Trial Rules” or “Office Patent Trial Practice Guide”). The Office envisions publishing a revised Patent Trial Practice Guide for the final rules. The Office also hosted a series of public educational roadshows, across the country, regarding the proposed rules for the implementation of the AIA.

In response to the notices of proposed rulemaking and the Practice Guide notice, the Office received 251 submissions of written comments from intellectual property organizations, businesses, law firms, patent practitioners, and others, including a United States senator who was a principal author of section 18 of the AIA. The comments provided support for, opposition to, and diverse recommendations on the proposed rules. The Office appreciates the thoughtful comments, and has considered and analyzed the comments thoroughly. The Office’s responses to the comments are provided in the 124 separate responses based on the topics raised in the 251 comments in the Response to Comments section infra.

In light of the comments, the Office has made modifications to the proposed rules to provide clarity and to balance the interests of the public, patent owners, patent challengers, and other interested parties, in light of the statutory requirements and considerations, such as the effect of the regulations on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceedings timely.

Differences between the Final Rule and the Proposed Rule

The major differences between the rules as adopted in this final rule and the proposed rules include:

The final rule clarifies that the one-year period for completing an inter partes or post-grant review may be adjusted by the Board in the case of joinder (§§ 42.100(c) and 42.200(c)).

The final rule clarifies that a petitioner must certify that it is not estopped from requesting an inter partes or post-grant review for the challenged claims, as opposed to the patent (§§ 42.104(a) and 42.204(a)).

The final rule eliminates the requirement that the petitioner must contact the Board to discuss alternate modes of service when the petitioner cannot effect service of the petition for inter partes, post-grant and covered business method patent reviews (§§ 42.105(b) and 42.205(b)). Instead, the final rule further clarifies that (1) upon agreement of the parties,

service may be made electronically, (2) personal service is not required, and (3) service may be by EXPRESS MAIL® or by means at least as fast and reliable as EXPRESS MAIL® (§§ 42.105(b) and 42.205(b)).

The time period for filing a patent owner preliminary response for inter partes, post-grant and covered business method patent reviews is extended from two months to three months (§§ 42.107(b) and 42.207(b)). Likewise, the default time period for filing a patent owner response is extended from two months to three months (§§ 42.120(b) and 42.220(b)).

With respect to motions to amend challenged claims, the final rule clarifies that a patent owner may file one motion to amend but only after conferring with the Board, and it must be filed no later than the filing of a patent owner response for inter partes, post-grant and covered business method patent reviews (§§ 42.121(a) and 42.221(a)). The final rule provides that an additional motion to amend may be authorized during inter partes, post-grant and covered business method patent reviews when there is a good cause showing or a settlement (§§ 42.121(c) and 42.221(c)). In addition, the final rule clarifies that a reasonable number of substitute claims is presumed to be one substitute claim per challenged claim, which may be rebutted by a demonstration of need. The final rule further clarifies that a motion to amend may be denied where: (1) the amendment does not respond to a ground of unpatentability, or (2) the amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter (§§ 42.121(a) and 42.221(a)). The final rule also clarifies that an additional motion to amend may be

authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement (§§ 42.121(c) and 42.221(c)). Moreover, the final rule provides that in determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in § 42.121(a)(1) or 42.221(a)(1).

For joinder, the final rule clarifies that a joinder may be requested by a patent owner or petitioner during inter partes, post-grant or covered business method patent reviews, but provides that such a request must be filed, as a motion, no later than one month after institution of any review for which joinder is requested (§§ 42.122(b) and 42.222(b)). With respect to inter partes reviews, the time period set forth in § 42.101(b) does not apply when the petition is accompanied by a request for joinder (§ 42.122).

As to filing a supplemental information during inter partes, post-grant and covered business method patent reviews, the final rule clarifies that a request for the authorization to file a motion to submit supplement information is made within one month of the date the trial is instituted, and the information must be relevant to a claim for which the trial has been instituted (§§ 42.123(a) and 42.223(a)). A petitioner who seeks to submit late information, or information that is not relevant to a claim under review, will be required to show why the information reasonably could not have been earlier obtained, and that consideration of the information would be in the interests-of-justice (§§ 42.123(b)-(c), 42.223(b)-(c)).

For covered business method patent reviews, the final rule defines the term “charged with infringement” to mean “a real and substantial controversy regarding infringement of a covered business method patent such that the petitioner would have standing to bring a declaratory judgment action in Federal court” (§ 42.302(a)). In addition, the final rule clarifies that a petitioner may challenge a claim based on the specific statutory grounds permitted under 35 U.S.C. 282(b)(2) or (3), except as modified by section 18(a)(1)(C) of the AIA (§ 42.304(b)).

Discussion of Relevant Provisions of the AIA

Inter Partes Review

Section 6 of the AIA is entitled “POST-GRANT REVIEW PROCEEDINGS” (Pub. L. 112-29, 125 Stat. 284, 299-305 (2011)). Section 6(a) of the AIA, entitled “INTER PARTES REVIEW,” amends chapter 31 of title 35, United States Code, also entitled “INTER PARTES REVIEW.” In particular, section 6(a) of the AIA amends 35 U.S.C. 311-318 and adds 35 U.S.C. 319.

Section 6(a) of the AIA amends 35 U.S.C. 311, entitled “Inter partes review.” 35 U.S.C. 311(a), as amended, provides that, subject to the provisions of chapter 31 of title 35, United States Code, a person who is not the owner of a patent may file a petition with the Office to institute an inter partes review of the patent. As amended, 35 U.S.C. 311(a) also provides that the Director will establish, by regulation, fees to be

paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review. 35 U.S.C. 311(b), as amended, provides that a petitioner in an inter partes review may request to cancel as unpatentable one or more claims of a patent only on a ground that could be raised under 35 U.S.C. 102 or 103 and only on the basis of prior art consisting of patents or printed publications. As amended, 35 U.S.C. 311(c) provides that a petition for inter partes review may be filed after the later of either: (1) the date that is nine months after the grant of a patent or issuance of a reissue of a patent; or (2) if a post-grant review is instituted under chapter 32 of title 35, United States Code, the date of the termination of that post-grant review.

The grounds for seeking an inter partes review will be limited compared with post-grant review. The grounds for seeking inter partes review are limited to issues raised under 35 U.S.C. 102 or 103 and only on the basis of prior art consisting of patents or printed publications. In contrast, the grounds for seeking post-grant review include any ground that could be raised under 35 U.S.C. 282(b)(2) or (3). Such grounds for post-grant review include grounds that could be raised under 35 U.S.C. 102 or 103 including those based on prior art consisting of patents or printed publications. Other grounds available for post-grant review include 35 U.S.C. 101 and 112, with the exception of compliance with the best mode requirement.

Section 6(a) of the AIA amends 35 U.S.C. 312, entitled "Petitions." 35 U.S.C. 312(a), as amended, provides that a petition filed under 35 U.S.C. 311, as amended, may be

considered only if certain conditions are met. First, the petition must be accompanied by payment of the fee established by the Director under 35 U.S.C. 311, as amended.

Second, the petition must identify all real parties in interest. Third, the petition must identify, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including: (A) copies of patents and printed publications that the petitioner relies upon in support of the petition and (B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions. Fourth, the petition must provide such other information as the Director may require by regulation.

Fifth, the petitioner must provide copies of any of the documents required under paragraphs (2), (3), and (4) of 35 U.S.C. 312(a), as amended, to the patent owner or, if applicable, the designated representative of the patent owner. 35 U.S.C. 312(b), as amended, provides that, as soon as practicable after the receipt of a petition under 35 U.S.C. 311, as amended, the Director will make the petition available to the public.

Section 6(a) of the AIA amends 35 U.S.C. 313, entitled “Preliminary response to petition.” 35 U.S.C. 313, as amended, provides that, if an inter partes review petition is filed under 35 U.S.C. 311, as amended, within a time period set by the Director, the patent owner has the right to file a preliminary response to the petition that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of chapter 31 of title 35, United States Code.

Section 6(a) of the AIA amends 35 U.S.C. 314, entitled “Institution of inter partes review.” 35 U.S.C. 314(a), as amended, provides that the Director may not authorize an inter partes review to be instituted, unless the Director determines that the information presented in the petition filed under 35 U.S.C. 311, as amended, and any response filed under 35 U.S.C. 313, as amended, shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition. 35 U.S.C. 314(b), as amended, provides that the Director will determine whether to institute an inter partes review under chapter 31 of title 35, United States Code, pursuant to a petition filed under 35 U.S.C. 311, as amended, within three months after: (1) receiving a preliminary response to the petition under 35 U.S.C. 313, as amended; or (2) if no such preliminary response is filed, the last date on which such response may be filed. 35 U.S.C. 314(c), as amended, provides that the Director will notify the petitioner and patent owner, in writing, of the Director’s determination under 35 U.S.C. 314(a), as amended, and make the notice available to the public as soon as is practicable. 35 U.S.C. 314(c), as amended, also provides that the notice will include the date on which the review will commence. 35 U.S.C. 314(d), as amended, provides that the determination by the Director whether to institute an inter partes review under 35 U.S.C. 314, as amended, will be final and nonappealable.

Section 6(a) of the AIA amends 35 U.S.C. 315, entitled “Relation to other proceedings or actions.” As amended, 35 U.S.C. 315(a)(1) provides that an inter partes review may not be instituted if, before the date on which the petition for review is filed, the petitioner or real party-in-interest had filed a civil action challenging the validity of a claim of the

patent. As amended, 35 U.S.C. 315(a)(2) provides for an automatic stay of a civil action brought by the petitioner or real party-in-interest challenging the validity of a claim of the patent and filed on or after the date on which the petition for inter partes review was filed, until certain specified conditions are met. 35 U.S.C. 315(a)(3), as amended, provides that a counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of 35 U.S.C. 315(a), as amended.

As amended, 35 U.S.C. 315(b) provides that an inter partes review may not be instituted if the petition requesting the proceeding is filed more than one year after the date on which the petitioner, real party-in-interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. However, the time limitation set forth in 35 U.S.C. 315(b), as amended, does not apply to a request for joinder under 35 U.S.C. 315(c), as amended.

As amended, 35 U.S.C. 315(c) provides that if the Director institutes an inter partes review, the Director may, in the Director's discretion, join as a party to that inter partes review any person who properly files a petition under 35 U.S.C. 311, as amended, that the Director, after receiving a preliminary response under 35 U.S.C. 313, as amended, or the expiration of the time for filing such a response, determines that the petition warrants the institution of an inter partes review under 35 U.S.C. 314, as amended.

As amended, 35 U.S.C. 315(d) provides that, notwithstanding 35 U.S.C. 135(a), as amended, 251, and 252, and chapter 30 of title 35, United States Code, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

As amended, 35 U.S.C. 315(e)(1) provides that the petitioner in an inter partes review of a claim in a patent under chapter 31 of title 35, United States Code, that results in a final written decision under 35 U.S.C. 318(a), as amended, or the real party-in-interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review. 35 U.S.C. 315(e)(2), as amended, provides for estoppel against an inter partes review petitioner, or the real party-in-interest or privy of the petitioner, in certain civil actions and certain other proceedings before the United States International Trade Commission if that inter partes review results in a final written decision under 35 U.S.C. 318(a), as amended.

Section 6(a) of the AIA amends 35 U.S.C. 316, entitled “Conduct of inter partes review.”

As amended, 35 U.S.C. 316(a) provides that the Director will prescribe regulations:

(1) providing that the file of any proceeding under chapter 31 of title 35, United States Code, will be made available to the public, except that any petition or document filed with the intent that it be sealed will, if accompanied by a motion to seal, be treated as

sealed pending the outcome of the ruling on the motion; (2) setting forth the standards for the showing of sufficient grounds to institute a review under 35 U.S.C. 314(a), as amended; (3) establishing procedures for the submission of supplemental information after the petition is filed; (4) establishing and governing inter partes review under chapter 31 of title 35, United States Code, and the relationship of such review to other proceedings under title 35, United States Code; (5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery will be limited to: (A) the deposition of witnesses submitting affidavits or declarations, and (B) what is otherwise necessary in the interest of justice; (6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding; (7) providing for protective orders governing the exchange and submission of confidential information; (8) providing for the filing by the patent owner of a response to the petition under 35 U.S.C. 313, as amended, after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response; (9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under 35 U.S.C. 316(d), as amended, to cancel a challenged claim or propose a reasonable number of substitute claims, and ensure that any information submitted by the patent owner in support of any amendment entered under 35 U.S.C. 316(d), as amended, is made available to the public as part of the prosecution history of the patent; (10) providing either party with the right to an oral hearing as part of the proceeding; (11) requiring that the final determination in

an inter partes review will be issued not later than one year after the date on which the Director notices the institution of a review under chapter 31 of title 35, United States Code, except that the Director may, for good cause shown, extend the one-year period by not more than six months, and may adjust the time periods in this paragraph in the case of joinder under 35 U.S.C. 315(c), as amended; (12) setting a time period for requesting joinder under 35 U.S.C. 315(c), as amended; and (13) providing the petitioner with at least one opportunity to file written comments within a time period established by the Director.

As amended, 35 U.S.C. 316(b) provides that in prescribing regulations under 35 U.S.C. 316, as amended, the Director will consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceedings instituted under chapter 31 of title 35, United States Code timely.

As amended, 35 U.S.C. 316(c) provides that the Patent Trial and Appeal Board will, in accordance with 35 U.S.C. 6, conduct each inter partes review instituted under chapter 31 of title 35, United States Code.

As amended, 35 U.S.C. 316(d)(1) provides that during an inter partes review instituted under chapter 31 of title 35, United States Code, the patent owner may file one motion to amend the patent in one or more of the following ways: (A) cancel any challenged patent claim; and (B) for each challenged claim, propose a reasonable number of substitute

claims. As amended, 35 U.S.C. 316(d)(2) provides that additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to advance materially the settlement of a proceeding under 35 U.S.C. 317, as amended, or as permitted by regulations prescribed by the Director. 35 U.S.C. 316(d)(3), as amended, provides that an amendment under 35 U.S.C. 316(d), as amended, may not enlarge the scope of the claims of the patent or introduce new matter.

As amended, 35 U.S.C. 316(e) provides that in an inter partes review instituted under chapter 31 of title 35, United States Code, the petitioner has the burden of proving a proposition of unpatentability by a preponderance of the evidence.

Section 6(a) of the AIA amends 35 U.S.C. 317, entitled “Settlement.” 35 U.S.C. 317(a), as amended, provides that an inter partes review instituted under chapter 31 of title 35, United States Code, will be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. 35 U.S.C. 317(a), as amended, also provides that if the inter partes review is terminated with respect to a petitioner under 35 U.S.C. 317, as amended, no estoppel under 35 U.S.C. 315(e), as amended, will attach to the petitioner, or to the real party-in-interest or privy of the petitioner, on the basis of that petitioner’s institution of that inter partes review. As amended, 35 U.S.C. 317(a) further provides that if no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under 35 U.S.C. 318(a), as amended.

As amended, 35 U.S.C. 317(b) provides that any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in the agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under 35 U.S.C. 317, as amended, will be in writing and a true copy of such agreement or understanding will be filed in the Office before the termination of the inter partes review as between the parties. As amended, 35 U.S.C. 317(b) also provides that, at the request of a party to the proceeding, the agreement or understanding will be treated as business confidential information, will be kept separate from the file of the involved patents, and will be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

Section 6(a) of the AIA amends 35 U.S.C. 318, entitled “Decision of the Board.” As amended, 35 U.S.C. 318(a) provides that if an inter partes review is instituted and not dismissed under chapter 31 of title 35, United States Code, the Patent Trial and Appeal Board will issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under 35 U.S.C. 316(d), as amended. As amended, 35 U.S.C. 318(b) provides that if the Patent Trial and Appeal Board issues a final written decision under 35 U.S.C. 318(a), as amended, and the time for appeal has expired or any appeal has terminated, the Director will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the

patent by operation of the certificate any new or amended claim determined to be patentable. As amended, 35 U.S.C. 318(c) provides that any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under chapter 31 of title 35, United States Code, will have the same effect as that specified in 35 U.S.C. 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under 35 U.S.C. 318(b), as amended. As amended, 35 U.S.C. 318(d) provides that the Office will make available to the public data describing the length of time between the institution of, and the issuance of, a final written decision under 35 U.S.C. 318(a), as amended, for each inter partes review.

Section 6(a) of the AIA adds 35 U.S.C. 319, entitled “Appeal.” 35 U.S.C. 319 provides that a party dissatisfied with the final written decision of the Patent Trial and Appeal Board under 35 U.S.C. 318(a), as amended, may appeal the decision pursuant to 35 U.S.C. 141-144. 35 U.S.C. 319 also provides that any party to the inter partes review will have the right to be a party to the appeal.

Section 6(c) of the AIA is entitled “REGULATIONS AND EFFECTIVE DATE.”

Section 6(c)(1) of the AIA provides that the Director will, not later than the date that is one year after the date of the enactment of the AIA, issue regulations to carry out chapter 31 of title 35, United States Code, as amended by section 6(a) of the AIA.

Section 6(c)(2)(A) of the AIA provides that the amendments made by section 6(a) of the AIA will take effect upon the expiration of the one-year period beginning on the date of the enactment of the AIA, and will apply to any patent issued before, on, or after that effective date.

Section 6(c)(2)(B) of the AIA provides that the Director may impose a limit on the number of inter partes reviews that may be instituted under chapter 31 of title 35, United States Code, during each of the first four one-year periods in which the amendments made by section 6(a) of the AIA are in effect, if such number in each year equals or exceeds the number of inter partes reexaminations that are ordered under chapter 31 of title 35, United States Code, in the last fiscal year ending before the effective date of the amendments made by section 6(a) of the AIA.

Section 6(c)(3) of the AIA provides a transition provision for the granting, conduct, and termination of inter partes reexaminations on or after the effective date of the AIA. The Office, in a separate rulemaking, revised the rules governing inter partes reexamination to implement the transition provision that changes the standard for granting a request for inter partes reexamination, and to reflect the termination of inter partes reexamination, effective September 16, 2012. See Revision of Standard for Granting an Inter partes Reexamination Request, 76 FR 59055 (Sept. 23, 2011) (final rule).

Post-Grant Review

Post-grant review may be sought in more circumstances than inter partes review. The grounds for seeking post-grant review include any ground that could be raised under 35 U.S.C. 282(b)(2) or (3), except as modified by section 18(a)(1)(C) of the AIA. Such grounds for post-grant review include grounds that could be raised under 35 U.S.C. 102 or 103 including those based on prior art consisting of patents or printed publications. Other grounds available for post-grant review include 35 U.S.C. 101 and 112, with the exception of compliance with the best mode requirement. In contrast, the grounds for seeking inter partes review are limited to issues raised under 35 U.S.C. 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

Section 6 of the AIA is entitled “POST-GRANT REVIEW PROCEEDINGS.” Section 6(d) of the AIA, entitled “POST-GRANT REVIEW,” adds chapter 32 of title 35, United States Code, also entitled “POST-GRANT REVIEW.” In particular, § 6(d) adds 35 U.S.C. 321-329. Pub. L. 112-29, 125 Stat. 284, 305-311 (2011).

Section 6(d) of the AIA adds 35 U.S.C. 321, entitled “Post-grant review.”

35 U.S.C. 321(a) provides that, subject to the provisions of chapter 32 of title 35, United States Code, a person who is not the owner of a patent may file a petition with the Office to institute a post-grant review of the patent. 35 U.S.C. 321(a) also provides that the Director will establish by regulation fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the post-grant review. 35 U.S.C. 321(b) provides that a petitioner in a post-grant

review may request to cancel as unpatentable one or more claims of a patent on any ground that could be raised under 35 U.S.C. 282(b)(2) or (3) (relating to invalidity of the patent or any claim). 35 U.S.C. 321(c) provides that a petition for post-grant review may only be filed not later than the date that is nine months after the date of the grant of the patent or of the issuance of a reissue patent.

Section 6(d) of the AIA adds 35 U.S.C. 322, entitled “Petitions.” 35 U.S.C. 322(a) provides that a petition filed under 35 U.S.C. 321 may be considered only if: (1) the petition is accompanied by payment of the fee established by the Director under 35 U.S.C. 321; (2) the petition identifies all real parties in interest; (3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including (A) copies of patents and printed publications that the petitioner relies upon in support of the petition and (B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on other factual evidence or on expert opinions; (4) the petition provides such other information as the Director may require by regulation; and (5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) of 35 U.S.C. 322(a) to the patent owner or, if applicable, the designated representative of the patent owner. 35 U.S.C. 322(b) provides that, as soon as practicable after the receipt of a petition under 35 U.S.C. 321, the Director will make the petition available to the public.

Section 6(d) of the AIA adds 35 U.S.C. 323, entitled “Preliminary response to petition.” 35 U.S.C. 323 provides that, if a post-grant review petition is filed under 35 U.S.C. 321, the patent owner has the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of chapter 32 of title 35, United States Code.

Section 6(d) of the AIA adds 35 U.S.C. 324, entitled “Institution of post-grant review.” 35 U.S.C. 324(a) provides that the Director may not authorize a post-grant review to be instituted, unless the Director determines that the information presented in the petition filed under 35 U.S.C. 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable. 35 U.S.C. 324(b) provides that the determination required under 35 U.S.C. 324(a) may also be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications. 35 U.S.C. 324(c) provides that the Director will determine whether to institute a post-grant review under chapter 32 of title 35, United States Code, pursuant to a petition filed under 35 U.S.C. 321 within three months after: (1) receiving a preliminary response to the petition under 35 U.S.C. 323; or (2) if no such preliminary response is filed, the last date on which such response may be filed. 35 U.S.C. 324(d) provide that the Director will notify the petitioner and patent owner, in writing, of the Director’s determination under 35 U.S.C. 324(a) or (b), and will make such notice available to the public as soon as is practicable. 35 U.S.C. 324(d) also provides that such notice will include the date on

which the review will commence. 35 U.S.C. 324(e) provides that the determination by the Director whether to institute a post-grant review under 35 U.S.C. 324 will be final and nonappealable.

Section 6(d) of the AIA adds 35 U.S.C. 325, entitled “Relation to other proceedings or actions.” 35 U.S.C. 325(a)(1) provides that a post-grant review may not be instituted under chapter 32 of title 35, United States Code, if, before the date on which the petition for such a review is filed, the petitioner or real party-in-interest filed a civil action challenging the validity of a claim of the patent. 35 U.S.C. 325(a)(2) provides for an automatic stay of a civil action brought by the petitioner or real party-in-interest challenging the validity of a claim of the patent and filed on or after the date on which the petition for post-grant review was filed, until certain specified conditions are met. 35 U.S.C. 325(a)(3) provides that a counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of 35 U.S.C. 325(a).

35 U.S.C. 325(b) provides that if a civil action alleging infringement of a patent is filed within three months after the date on which the patent is granted, the court may not stay its consideration of the patent owner’s motion for a preliminary injunction against infringement of the patent on the basis that a petition for post-grant review has been filed or instituted under chapter 32 of title 35, United States Code.

35 U.S.C. 325(c) provides that if more than one petition for a post-grant review under chapter 32 of title 35, United States Code, is properly filed against the same patent and the Director determines that more than one of these petitions warrants the institution of a post-grant review under 35 U.S.C. 324, the Director may consolidate such reviews into a single post-grant review.

35 U.S.C. 325(d) provides that, notwithstanding 35 U.S.C. 135(a), 251, and 252, and chapter 30 of title 35, United States Code, during the pendency of any post-grant review under chapter 32 of title 35, United States Code, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other proceeding or matter may proceed, including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding.

35 U.S.C. 325(d) also provides that, in determining whether to institute or order a proceeding under chapter 32 of title 35, United States Code, chapter 30 of title 35, United States Code, or chapter 31 of title 35, United States Code, the Director may take into account whether the same or substantially the same prior art or arguments previously were presented to the Office and reject the petition on that basis.

35 U.S.C. 325(e)(1) provides that the petitioner in a post-grant review of a claim in a patent under chapter 32 of title 35, United States Code, that results in a final written decision under 35 U.S.C. 328(a), or the real party-in-interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-

grant review. 35 U.S.C. 325(e)(2) provides for estoppel against a post-grant review petitioner, or the real party-in-interest or privy of the petitioner, in certain civil actions and certain other proceedings before the United States International Trade Commission if that post-grant review results in a final written decision under 35 U.S.C. 328(a).

35 U.S.C. 325(f) provides that a post-grant review may not be instituted under chapter 32 of title 35, United States Code, if the petition requests cancellation of a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued, and the time limitations in 35 U.S.C. 321(c) would bar filing a petition for a post-grant review for such original patent.

Section 6(d) of the AIA adds 35 U.S.C. 326, entitled “Conduct of post-grant review.”

35 U.S.C. 326(a) provides that the Director will prescribe regulations: (1) providing that the file of any proceeding under chapter 32 of title 35, United States Code, will be made available to the public, except that any petition or document filed with the intent that it be sealed will, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion; (2) setting forth the standards for the showing of sufficient grounds to institute a review under 35 U.S.C. 324(a) and (b); (3) establishing procedures for the submission of supplemental information after the petition is filed; (4) establishing and governing a post-grant review under chapter 32 of title 35, United States Code, and the relationship of such review to other proceedings under title 35, United States Code; (5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery will be limited to evidence directly related to factual assertions

advanced by either party in the proceeding; (6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding; (7) providing for protective orders governing the exchange and submission of confidential information; (8) providing for the filing by the patent owner of a response to the petition under 35 U.S.C. 323 after a post-grant review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies to support the response; (9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under 35 U.S.C. 326(d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under 35 U.S.C. 326(d) is made available to the public as part of the prosecution history of the patent; (10) providing either party with the right to an oral hearing as part of the proceeding; (11) requiring that the final determination in any post-grant review be issued not later than one year after the date on which the Director notices the institution of a proceeding under chapter 32 of title 35, United States Code, except that the Director may, for good cause shown, extend the one-year period by not more than six months, and may adjust the time periods in this paragraph in the case of joinder under 35 U.S.C. 325(c); and (12) providing the petitioner with at least one opportunity to file written comments within a time period established by the Director.

35 U.S.C. 326(b) provides that in prescribing regulations under 35 U.S.C. 326, the Director will consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely proceedings instituted under chapter 32 of title 35, United States Code.

35 U.S.C. 326(c) provides that the Patent Trial and Appeal Board will, in accordance with 35 U.S.C. 6, conduct each post-grant review instituted under chapter 32 of title 35, United States Code.

35 U.S.C. 326(d)(1) provides that during a post-grant review instituted under chapter 32 of title 35, United States Code, the patent owner may file a single motion to amend the patent in one or more of the following ways: (A) cancel any challenged patent claim; and/or (B) for each challenged claim, propose a reasonable number of substitute claims. 35 U.S.C. 326(d)(2) provides that additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to advance materially the settlement of a proceeding under 35 U.S.C. 327, or upon the request of the patent owner for good cause shown. 35 U.S.C. 326(d)(3) provides that an amendment under 35 U.S.C. 326(d) may not enlarge the scope of the claims of the patent or introduce new matter. 35 U.S.C. 326(e) provides that in a post-grant review instituted under chapter 32 of title 35, United States Code, the petitioner will have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

Section 6(d) of the AIA adds 35 U.S.C. 327, entitled “Settlement.” 35 U.S.C. 327(a) provides that a post-grant review instituted under chapter 32 of title 35, United States Code, will be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. 35 U.S.C. 327(a) also provides that if the post-grant review is terminated with respect to a petitioner under 35 U.S.C. 327, no estoppel under 35 U.S.C. 325(e) will attach to the petitioner, or to the real party-in-interest or privity of the petitioner, on the basis of that petitioner’s institution of that post-grant review. 35 U.S.C. 327(a) further provides that if no petitioner remains in the post-grant review, the Office may terminate the post-grant review or proceed to a final written decision under 35 U.S.C. 328(a).

35 U.S.C. 327(b) provides that any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of a post-grant review under 35 U.S.C. 327 will be in writing, and a true copy of such agreement or understanding will be filed in the Office before the termination of the post-grant review as between the parties. 35 U.S.C. 327(b) also provides that at the request of a party to the proceeding, the agreement or understanding will be treated as business confidential information, will be kept separate from the file of the involved patents, and will be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

Section 6(d) of the AIA adds 35 U.S.C. 328, entitled “Decision of the Board.”

35 U.S.C. 328(a) provides that if a post-grant review is instituted and not dismissed under chapter 32 of title 35, United States Code, the Patent Trial and Appeal Board will issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under 35 U.S.C. 326(d).

35 U.S.C. 328(b) provides that if the Patent Trial and Appeal Board issues a final written decision under 35 U.S.C. 328(a) and the time for appeal has expired or any appeal has terminated, the Director will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

35 U.S.C. 328(c) provides that any proposed amended or new claim determined to be patentable and incorporated into a patent following a post-grant review under chapter 32 of title 35, United States Code, will have the same effect as that specified in 35 U.S.C. 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under 35 U.S.C. 328(b).

35 U.S.C. 328(d) provides that the Office will make available to the public data describing the length of time between the institution of, and the issuance of, a final written decision under 35 U.S.C. 328(a) for each post-grant review.

Section 6(d) of the AIA adds 35 U.S.C. 329, entitled “Appeal.” 35 U.S.C. 329 provides that a party dissatisfied with the final written decision of the Patent Trial and Appeal Board under 35 U.S.C. 328(a) may appeal the decision pursuant to 35 U.S.C. 141-144. 35 U.S.C. 329 also provides that any party to the post-grant review will have the right to be a party to the appeal.

Section 6(f) of the AIA is entitled “REGULATIONS AND EFFECTIVE DATE.”

Section 6(f)(1) of the AIA provides that the Director will, not later than the date that is one year after the date of the enactment of the AIA, issue regulations to carry out chapter 32 of title 35, United States Code, as added by section 6(d) of the AIA.

Section 6(f)(2)(A) of the AIA provides that the amendments made by section 6(d) of the AIA will take effect upon the expiration of the one-year period beginning on the date of the enactment of the AIA and, except as provided in section 18 of the AIA and in section 6(f)(3) of the AIA, will apply only to patents described in section 3(n)(1) of the AIA.

Section 3(n) of the AIA is entitled “EFFECTIVE DATE.” Section 3(n)(1) of the AIA provides:

(n) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this section shall take effect upon the expiration of the 18-month period beginning on the date of the enactment of this Act, and shall apply to any application for patent, and to any patent issuing thereon, that contains or contained at any time—

(A) a claim to a claimed invention that has an effective filing date as defined in section 100(i) of title 35, United States Code, that is on or after the effective date described in this paragraph; or

(B) a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.

For example, the post-grant review provisions will apply to patents issued from applications that have an effective filing date on or after March 16, 2013, eighteen months after the date of enactment.

Section 6(f)(2)(B) of the AIA provides that the 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 four one-year periods in which the amendments made by section 6(d) of the AIA are in effect.

Section 6(f)(3) of the AIA is entitled “PENDING INTERFERENCES.” Section 6(f)(3)(A) of the AIA provides that the Director will determine, and include in the regulations issued under section 6(f)(1) of the AIA, the procedures under which an interference commenced before the effective date set forth in section 6(f)(2)(A) of the AIA is to proceed, including whether such interference: (i) is to be dismissed without prejudice to the filing of a petition for a post-grant review under chapter 32 of title 35, United States Code; or (ii) is to proceed as if the AIA had not been enacted.

Section 6(f)(3)(B) of the AIA provides that, for purposes of an interference that is commenced before the effective date set forth in section 6(f)(2)(A) of the AIA, the Director may deem the Patent Trial and Appeal Board to be the Board of Patent Appeals and Interferences, and may allow the Patent Trial and Appeal Board to conduct any further proceedings in that interference.

Section 6(f)(3)(C) of the AIA provides that the authorization to appeal or have remedy from derivation proceedings in sections 141(d) and 146 of title 35, United States Code, as amended, and the jurisdiction to entertain appeals from derivation proceedings in 28 U.S.C. 1295(a)(4)(A), as amended, will be deemed to extend to any final decision in an interference that is commenced before the effective date set forth in section 6(f)(2)(A) of the AIA and that is not dismissed pursuant to this paragraph.

Transitional Program for Covered Business Method Patents

Section 18 of the AIA provides that the Director will promulgate regulations establishing and implementing a transitional program for the review of covered business method patents. Section 18(a)(1) of the AIA provides that the transitional proceeding will be regarded as a post-grant review under chapter 32 of title 35 United States Code and will employ the standards and procedures as a post-grant review, subject to certain exceptions. For instance, a petitioner in a covered business method patent review may request to cancel as unpatentable one or more claims of a patent on any ground that could be raised under 35 U.S.C. 282(b)(2) or (3) (relating to invalidity of the patent or any claim), except as modified by section 18(a)(1)(C) of the AIA (see 35 U.S.C. 321(b)). Additionally, the

determination by the Director of whether to institute a covered business method patent review will be final and nonappealable (see 35 U.S.C. 324(e)). Section 18(a)(1)(A) of the AIA provides that 35 U.S.C. 321(c) and 35 U.S.C. 325(b), (e)(2), and (f) will not apply to a transitional proceeding.

Section 18(a)(1)(B) of the AIA specifies that a person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or person's real party-in-interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent.

Section 18(a)(1)(C) of the AIA further provides that limited prior art shall apply for those challenged covered business method patents granted under first-to-invent provisions. Specifically, section 18(a)(1)(C) provides that a petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business method patent on a ground raised under section 102 or 103 of title 35, United States Code, as in effect on the day before the effective date set forth in section 3(n)(1), may support such ground only on the basis of prior art that is described by section 102(a) of such title of such title (as in effect on the day before such effective date); or prior art that discloses the invention more than 1 year before the date of the application for patent in the United States; and would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent.

Section 18 of the AIA provides that the Director may institute a transitional proceeding only for a patent that is a covered business method patent. Section 18(d)(1) of the AIA specifies that a covered business method patent is a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions. Section 18(d)(2) provides that the Director will issue regulations for determining whether a patent is for a technological invention.

The AIA provides that the transitional program for the review of covered business method patents will take effect on September 16, 2012, one year after the date of enactment, and applies to any covered business method patent issued before, on, or after September 16, 2012. Section 18 of the AIA and the regulations issued under section 18 are repealed on September 16, 2020. Section 18 of the AIA and the regulations issued will continue to apply after September 16, 2020, to any petition for a transitional proceeding that is filed before September 16, 2020. The Office will not consider a petition for a transitional proceeding that is filed on or after September 16, 2020.

Discussion of Specific Rules

Title 37 of the Code of Federal Regulations (CFR), Chapter I, part 42, Subparts B, C, and D are added as follows:

Subpart B – Inter Partes Review

Section 42.100: Section 42.100 sets forth policy considerations for inter partes review proceedings.

Section 42.100(a) provides that an inter partes review is a trial and subject to the rules set forth in subpart A of title 42, Code of Federal Regulations.

Section 42.100(b) provides that a claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification in which it appears. This rule is consistent with the provisions of 35 U.S.C. 316, as amended, which provides for the promulgation of rules, including rules establishing and governing the proceeding and the relationship of the proceeding to other proceedings, the standards for instituting the proceeding, and standards and procedures for allowing a patent owner to amend the patent, as well as 35 U.S.C. 318, as amended, which provides that the Board will enter a final written decision on patentability. This rule is also 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 – which exists in these proceedings (§ 42.121) – distinguishes Office

proceedings from district court proceedings and justifies the broadest reasonable interpretation standard for claim interpretation. Yamamoto, 740 F.2d at 1572.

Section 42.100(c) provides a one-year time frame for administering the proceeding after institution, with up to a six-month extension for good cause. The one-year period may be adjusted by the Board in the case of joinder. This rule is consistent with 35 U.S.C. 316(a)(11), as amended.

Section 42.101: Section 42.101 provides who may file a petition for inter partes review.

Section 42.101(a) provides that a party or real party-in-interest must file a petition prior to the filing of a civil action challenging the validity of a claim of the patent. The rule follows the statutory language of 35 U.S.C. 315(a), as amended, which provides that inter partes reviews are barred by prior filing of such a civil action.

Section 42.101(b) provides that a petition may not be filed more than one year after the date on which the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner was served with a complaint alleging infringement. The rule follows the statutory language of 35 U.S.C. 315(b), as amended, which provides a one-year time limit after date of service of complaint.

Section 42.101(c) provides that a petition may not be filed where the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition. The rule is consistent with 35 U.S.C. 325(e)(1) and 315(e)(1), as amended, which provide for estoppel based upon a final written decision in a post-grant review, a covered business method patent review, or inter partes review.

Section 42.102: Section 42.102 provides a timeliness requirement for filing an inter partes review petition.

Section 42.102(a) provides that a petition for inter partes review must be filed consistent with the requirements set forth in 35 U.S.C. 311(c), as amended. Petitions requesting the institution of an inter partes review that are filed nine months after the grant of the patent or of the issuance of the reissue patent, but prior to the institution of a post-grant review would be considered timely filed. Additionally, petitions filed after termination of a post-grant review would be considered timely.

Section 42.102(b) provides that the Director may set a limit on the number of inter partes reviews that may be instituted during each of the first four one-year periods after inter partes review takes effect. This rule is consistent with section 6(c)(2)(B) of the AIA, which provides for graduated implementation of inter partes reviews. The Office, however, does not expect to limit the number of petitions for inter partes review at this time.

Section 42.103: Section 42.103 sets forth the fee requirement for filing an inter partes review petition.

Section 42.103(a) provides that a fee under § 42.15(a) must accompany a petition for inter partes review.

Section 42.103(b) provides that that no filing date will be accorded until full payment is received. This rule is consistent with 35 U.S.C. 312(a)(1), as amended, which

provides that a petition may only be considered if the petition is accompanied by the payment of the fee established by the Director.

Section 42.104: Section 42.104 provides for the content of petitions to institute an inter partes review. The rule is consistent with 35 U.S.C 312(a)(4), as amended, which allows the Director to prescribe regulations concerning the information provided with the petition.

Section 42.104(a) provides that a petition must demonstrate that the petitioner has standing. To establish standing, a petitioner, at a minimum, must certify that the patent is available for inter partes review and that the petitioner is not barred or estopped from requesting an inter partes review challenging the patent claims. This requirement is to ensure that a party has standing to file the inter partes review and would help prevent spuriously-instituted inter partes reviews. Facially improper standing will be a basis for denying the petition without proceeding to the merits of the petition.

Section 42.104(b) requires that the petition identify the precise relief requested for the claims challenged. Specifically, the rule requires that the petition identify each claim being challenged, the specific grounds on which each claim is challenged, how the claims are to be construed, why the claims as construed are unpatentable under the identified grounds, and the exhibit numbers of the evidence relied upon with a citation to the portion of the evidence that is relied upon to support the challenge. This rule is consistent with 35 U.S.C. 312(a)(3), as amended, which requires that the petition identify, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence supporting the challenge. It is also

consistent with 35 U.S.C. 312(a)(4), as amended, which allows the Director to require additional information as part of the petition. The rule provides an efficient means for identifying the legal and factual basis for satisfying the threshold for instituting inter partes review and provides the patent owner with notice as to the basis for the challenge to the claims.

Section 42.104(c) provides that a petitioner seeking to correct clerical or typographical mistakes in a petition could file a motion to correct the mistakes. The rule also provides that the grant of such a motion would not alter the filing date of the petition.

Section 42.105: Section 42.105 provides petition and exhibit service requirements in addition to the service requirements of § 42.6.

Section 42.105(a) requires that the petitioner serve the patent owner at the correspondence address of record for the subject patent and permits service at any other address known to the petitioner as likely to effect service as well. Once a patent has issued, communications between the Office and the patent owner often suffer. Ray v. Lehman, 55 F.3d 606 (Fed. Cir. 1995) (patentee's failure to maintain correspondence address contributed to failure to pay maintenance fee and therefore expiration of the patent). While the rule requires service at the correspondence address of record in the patent, the petitioner will already be in communication with the patent owner, in many cases, at a better service address than the correspondence address of record for the subject patent.

Section 42.105(b), as adopted in this final rule, provides that upon agreement of the parties, service may be made electronically, and service may be made by EXPRESS MAIL® or by means at least as fast and reliable as EXPRESS MAIL®. Personal service is not required.

Section 42.106: Section 42.106 provides for the filing date requirements of an inter partes review petition.

Section 42.106(a) specifies the requirements for a complete petition.

35 U.S.C. 312(a), as amended, states that a petition may only be considered when the petition identifies all the real parties in interest, when a copy of the petition is provided to the patent owner or the owner's representative and the petition is accompanied by the fee established by the Director. Consistent with the statute, the rule requires that a petition to institute an inter partes review will not be accorded a filing date until the petition:

(1) complies with § 42.104; (2) is served upon the patent owner at the correspondence address of record provided in § 42.105(a); and (3) is accompanied by the fee set forth in § 42.15(a).

Section 42.106(b) provides petitioners a one month time frame to correct defective petitions to institute an inter partes review. The rule is consistent with the requirement of 35 U.S.C. 312(a), as amended, that the Board may not consider a petition that fails to meet the statutory requirements for a petition. In determining whether to grant a filing date, the Board will review the petitions for procedural compliance. Where a procedural defect is noted, e.g., failure to state the claims being challenged, the Board

will notify the petitioner that the petition was incomplete and identify any non-compliance issues.

Section 42.107: Section 42.107 sets forth the procedure in which the patent owner may file a preliminary response.

Section 42.107(a) provides that the patent owner may file a preliminary response to the petition. The rule is consistent with 35 U.S.C. 313, as amended, which provides for such a response.

Section 42.107(b) provides that the due date for the preliminary response to the petition is no later than three months from the date of the notice that the request to institute an inter partes review has been granted a filing date. This rule is consistent with 35 U.S.C. 313, as amended, which provides that the Director shall set a time period for filing the patent owner preliminary response.

Under 35 U.S.C. 314(b), as amended, the Board has three months from the filing of the patent owner preliminary response, or three months from the date such a response was due, to determine whether to institute the review. A patent owner seeking a shortened period for such a determination may wish to file a patent owner preliminary response well before the date the patent owner preliminary response is due, or file a paper stating that no patent owner preliminary response will be filed. No adverse inferences will be drawn where a patent owner elects not to file a response or elects to waive the response.

Section 42.107(c) provides that the patent owner preliminary response is not allowed to present new testimony evidence, for example, expert witness testimony on

patentability. 35 U.S.C. 313, as amended, provides that a patent owner preliminary response set forth reasons why no inter partes review should be instituted. In contrast, 35 U.S.C. 316(a)(8), as amended, provides for a patent owner response after institution and requires the presentation, through affidavits or declarations, of any additional factual evidence and expert opinions on which the patent owner relies in support of the response. The difference in statutory language demonstrates that 35 U.S.C. 313, as amended, does not require the presentation of evidence in the form of testimony in support of a patent owner preliminary response and the rule reflects this distinction. In certain instances, however, a patent owner may be granted additional discovery before filing its preliminary response and submit any testimonial evidence obtained through the discovery. For example, additional discovery may be authorized where patent owner raises sufficient concerns regarding the petitioner's certification of standing.

Section 42.107(d) provides that the patent owner preliminary response cannot include any amendment. See § 42.121 for filing a motion to amend the patent after an inter partes review has been instituted.

Section 42.107(e) provides that the patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a), disclaiming one or more claims in the patent, and no inter partes review will be instituted to review disclaimed claims.

Section 42.108: Section 42.108 provides for the institution of an inter partes review.

35 U.S.C. 314(a), as amended, states that the Director may not authorize an inter partes review to be instituted, unless the Director determines that the information in the petition, and any patent owner preliminary response, shows that there is a reasonable

likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition. Section 42.108 is consistent with this statutory requirement and identifies how the Board may authorize such a review to proceed. In considering whether to authorize the review, the Board may take into account its ability to complete the proceeding timely. 35 U.S.C. 316(b), as amended.

Section 42.108(a) provides that the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim. Specifically, in instituting the review, the Board may authorize the review to proceed on the challenged claims for which the threshold requirements for the proceeding have been met. The Board will identify the grounds upon which the review will proceed on a claim-by-claim basis. Any claim or issue not included in the authorization for review is not part of the review. The Office intends to publish a notice of the institution of an inter partes review in the Official Gazette.

Section 42.108(b) provides that the Board, prior to institution of a review, may deny some or all grounds for unpatentability on some or all of the challenged claims. The rule is consistent with the efficient administration of the Office, which is a consideration in prescribing inter partes review regulations under 35 U.S.C. 316(b), as amended.

Section 42.108(c) provides that the institution is based on a reasonable likelihood standard and is consistent with the requirements of 35 U.S.C. 314(a), as amended. A reasonable likelihood standard is a somewhat flexible standard that allows the judge room for the exercise of judgment.

Section 42.120: Section 42.120 sets forth the procedure in which the patent owner may file a patent owner response.

Section 42.120(a) provides for a patent owner response and is consistent with the requirements of 35 U.S.C. 316(a)(8), as amended.

Section 42.120(b) provides that if no time for filing a patent owner response to a petition is provided in a Board order, the default time for filing the response is three months from the date the inter partes review was instituted. The Board's experience with patent owner responses is that three months provides a sufficient amount of time to respond in a typical case, especially as the patent owner would already have been provided three months to file a patent owner preliminary response prior to institution of the inter partes review. Additionally, the time period for response is consistent with the requirement that the trial be conducted such that a final written decision is rendered within one year of the institution of the review. 35 U.S.C. 316(a)(11), as amended.

Section 42.121: Section 42.121 provides standards and procedures for a patent owner to file motions to amend the patent. The rule is consistent with 35 U.S.C. 316(a)(9), as amended, which requires the Office to promulgate rules setting forth the standards and procedures for allowing the patent owner to amend the patent.

Section 42.121(a) makes it clear that the first motion to amend need not be authorized by the Board. The motion will be entered so long as it complies with the timing and procedural requirements. Additional motions to amend will require prior Board authorization. All motions to amend, even if entered, will not result automatically in entry of the proposed amendment into the patent. The requirement to consult the

Board reflects the Board's need to regulate the substitution of claims and the amendment of the patent to control unnecessary proliferation of issues and abuses. The rule aids the efficient administration of the Office and the timely completion of the review under 35 U.S.C. 316(b), as amended.

Section 42.121(a) also provides that a motion to amend the claims may be denied where the amendment does not respond to the ground of unpatentability involved in the trial or seeks to enlarge the scope of the claims or introduce new matter. Section 42.121(a) further provides that a reasonable number of substitute claims is presumed to be one substitute claim per challenged claim which may be rebutted by a demonstration of need. The rule aids the efficient administration of the Office and the timely completion of the review under 35 U.S.C. 316(b), as amended, and also is consistent with 35 U.S.C. 316(d)(3), as amended, which prohibits enlarging the scope of the claims or introducing new matter. Further, the rule is consistent with 35 U.S.C. 316(a)(9), as amended, which requires the Office to promulgate rules setting forth the standards and procedures for the patent owner to amend the patent.

Section 42.121(b) provides that a motion to amend the claims must include a claim listing, show the changes clearly, and set forth: (1) the support in the original disclosure of the patent for each claim that is added or amended, and (2) the support in an earlier filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

Under § 42.121(c), a patent owner may request filing more than one motion to amend its claims during the course of the proceeding. Additional motions to amend may

be permitted upon a demonstration of good cause by the patent owner or a joint request of the petitioner and the patent owner to materially advance a settlement.

In considering whether good cause is shown, the Board will take into account how the filing of such motions would impact the timely completion of the proceeding and the additional burden placed on the petitioner. Specifically, belated motions to amend may cause the integrity and efficiency of the review to suffer as the petitioner may be required to devote significant time and resources on claims that are of constantly changing scope. Further, due to time constraints, motions to amend late in the process may not provide a petitioner a full and fair opportunity to respond to the newly presented subject matter. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in § 42.121(a)(1). Similarly, motions to amend may be permitted upon a joint request of the petitioner and the patent owner to advance settlement where the motion does not jeopardize the ability of the Office to complete the proceeding timely.

Section 42.122: Section 42.122(a) is consistent with the requirements of 35 U.S.C. 315(d), as amended, regarding multiple proceedings involving the subject patent. When there is a question of a stay concerning a matter for which a statutory time period is running in one of the proceedings, it is expected that the Director would be consulted prior to issuance of a stay, given that the stay would impact the ability of the Office to meet the statutory deadline. For example, it is expected that the Board would

consult the Director prior to the issuance of a stay in an ex parte reexamination proceeding where the three-month statutory time period under 35 U.S.C. 303 is running.

Under § 42.122(b), a patent owner or petitioner may request joinder, but such a request must be filed no later than one month after institution. Further, the time period set forth in § 42.101(b) shall not apply when the petition is accompanied by a request for joinder. This is consistent with the last sentence of 35 U.S.C. 315(b), as amended.

Section 42.123: Section 42.123 provides for the filing of supplemental information. 35 U.S.C. 316(a)(3), as amended, provides that the Director will issue regulations establishing procedures for filing supplemental information after the petition is filed. 35 U.S.C. 314(a), as amended, provides that the institution of an inter partes review is based upon the information filed in the petition under 35 U.S.C. 311, as amended, and any response filed under 35 U.S.C. 313, as amended. As the institution of the inter partes review is not based upon supplemental information, the rule provides that motions identifying supplemental information be filed after the institution of the inter partes review.

Subpart C – Post-Grant Review

Section 42.200: Section 42.200 sets forth policy considerations for post-grant review proceedings.

Section 42.200(a) provides that a post-grant review is a trial and subject to the rules set forth in subpart A of title 42, Code of Federal Regulations.

Section 42.200(b) provides that a claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification in which it appears. This rule is consistent with 35 U.S.C. 326, which provides for the promulgation of rules, including rules establishing and governing the proceeding and the relationship of the proceeding to other proceedings, the standards for instituting the proceeding, and standards and procedures for allowing a patent owner to amend the patent, as well as 35 U.S.C. 328, which provides that the Board will enter a final written decision on patentability. This rule is also 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 – which exists in these proceedings (§ 42.221) – distinguishes Office proceedings from district court proceedings and justifies the broadest reasonable interpretation standard for claim interpretation. Yamamoto, 740 F.2d at 1572.

Section 42.200(c) provides a one-year timeframe for administering the proceeding after institution, with up to a six-month extension for good cause. The one-year period may be adjusted by the Board in the case of joinder. This rule is consistent with 35 U.S.C. 326(a)(11).

Section 42.200(d) provides that interferences commenced within one year of enactment of the AIA shall proceed under part 41 of 37 CFR except as the Chief Administrative Patent Judge may otherwise order in the interests-of-justice. The expectation is that dismissal will be rarely, if ever, ordered. Hence, any case where such an order arises would be exceptional and should be handled as its circumstances require.

This rule is consistent with section 6(f)(3) of the AIA, which provides that the Director shall include in regulations the procedures under which an interference commenced before the effective date of the act is to proceed.

Section 42.201: Section 42.201 provides who may file a petition for post-grant review.

Section 42.201(a) provides that a person who is not the patent owner may file a petition to institute a post-grant review, unless the petitioner or real party-in-interest had already filed a civil action challenging the validity of a claim of the patent. The rule follows the statutory language of 35 U.S.C. 325(a)(1), which provides that post-grant reviews are barred by prior civil action.

Section 42.201(b) provides that a petition may not be filed where the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition. The rule is consistent with 35 U.S.C. 325(e)(1) and 315(e)(1), as amended, which provide for estoppel based upon a final written decision in a post-grant review, a covered business method patent review, or inter partes review.

Section 42.202: Section 42.202 sets forth the timeliness requirement for filing a post-grant review petition.

Section 42.202(a) provides that a petition for a post-grant review of a patent must be filed no later than the date that is nine months after the date of the grant of a patent or of the issuance of a reissue patent. Section 42.202(a) also provides that a petition may not request a post-grant review for a claim in a reissue patent that is identical to or

narrower than a claim in the original patent from which the reissue patent was issued unless the petition is filed not later than the date that is nine months after the date of the grant of the original patent. The rule is consistent with the requirements of 35 U.S.C. 321(c).

Section 42.202(b) provides that the Director may limit the number of post-grant reviews that may be instituted during each of the first four one-year periods after post-grant review takes effect. This rule is consistent with section 6(f)(2)(B) of the AIA, which provides for graduated implementation of post-grant reviews. The Office, however, does not expect to limit the number of petitions at this time.

Section 42.203: Section 42.203 provides that a fee must accompany a petition for post-grant review and that no filing date will be accorded until full payment is received. This rule is consistent with 35 U.S.C. 322(a)(1), which provides that a petition may only be considered if the petition is accompanied by the payment of the fee established by the Director.

Section 42.204: Section 42.204 provides for the content of petitions to institute a post-grant review. The rule is consistent with 35 U.S.C 322(a)(4), which allows the Director to prescribe regulations concerning the information provided with the petition.

Section 42.204(a) provides that a petition must demonstrate that the petitioner has standing. To establish standing, a petitioner, at a minimum, must certify that the patent is available for post-grant review and that the petitioner is not barred or estopped from requesting a post-grant review challenging the patent claims. This requirement is to

ensure that a party has standing to file the post-grant review and would help prevent spuriously-instituted post-grant reviews. Facially improper standing will be a basis for denying the petition without proceeding to the merits of the petition.

Section 42.204(b) requires that the petition identify the precise relief requested for the claims challenged. Specifically, the rule requires that the petition identify each claim being challenged, the specific grounds on which each claim is challenged, how the claims are to be construed, how the claims as construed are unpatentable, why the claims as construed are unpatentable under the identified grounds, and the exhibit numbers of the evidence relied upon with a citation to the portion of the evidence that is relied upon to support the challenge. This rule is consistent with 35 U.S.C. 322(a)(3), which requires that the petition identify, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence supporting the challenge. It is also consistent with 35 U.S.C. 322(a)(4), which allows the Director to require additional information as part of the petition. The rule provides an efficient means for identifying the legal and factual basis satisfying the threshold for instituting a proceeding and provides the patent owner with a minimum level of notice as to the basis for the challenge to the claims.

Section 42.204(c) provides that a petitioner seeking to correct clerical or typographical mistakes in a petition could file a procedural motion to correct the mistakes. The rule also provides that the grant of such a motion would not alter the filing date of the petition.

Section 42.205: Section 42.205 provides petition and exhibit service requirements in addition to the service requirements of § 42.6.

Section 42.205(a) requires the petitioner to serve the patent owner at the correspondence address of record for the patent, and permits service at any other address known to the petitioner as likely to effect service as well. Once a patent has issued, communications between the Office and the patent owner often suffer. Ray v. Lehman, 55 F.3d 606 (Fed. Cir. 1995) (patentee's failure to maintain correspondence address contributed to failure to pay maintenance fee and therefore expiration of the patent). While the rule requires service at the correspondence address of record in the patent, the petitioner will already be in communication with the patent owner, in many cases, at a better service address than the official correspondence address.

Section 42.205(b), as adopted in this final rule, provides that upon agreement of the parties, service may be made electronically, and service may be made by EXPRESS MAIL® or by means at least as fast and reliable as EXPRESS MAIL®. Personal service is not required.

Section 42.206: Section 42.206 provides for the filing date requirements of a post-grant review petition.

Section 42.206(a) sets forth the requirements for a complete petition. 35 U.S.C. 322 states that a petition may only be considered when the petition identifies all the real parties in interest, when a copy of the petition is provided to the patent owner or the owner's representative, and when the petition is accompanied by the fee

established by the Director. Consistent with the statute, the rule requires that a complete petition be filed along with the fee and that it be served upon the patent owner.

Section 42.206(b) provides one month to correct defective requests to institute a post-grant review, unless the statutory deadline in which to file a petition for post-grant review has expired. The rule is consistent with the requirement of 35 U.S.C. 322 that the Board may not consider a petition that fails to meet the statutory requirements for a petition. In determining whether to grant a filing date, the Board will review a petition for procedural compliance. Where a procedural defect is noted, e.g., failure to state the claims being challenged, the Board will notify the petitioner that the petition was incomplete and identify any non-compliance issues.

Section 42.207: Section 42.207(a) provides that the patent owner may file a preliminary response to the petition. The rule is consistent with 35 U.S.C. 323, which provides for such a response.

Section 42.207(b) provides that the due date for the preliminary response to petition is no later than three months from the date of the notice that the request to institute a post-grant review has been granted a filing date. This rule is consistent with 35 U.S.C. 323, which provides that the Director shall set a time period for filing the patent owner preliminary response.

Within three months from the filing of the patent owner preliminary response, or three months from the date such a response was due, the Board will determine whether to institute the review. A patent owner seeking a shortened period for the determination may wish to file a preliminary response well before the date the response is due, or file a

paper stating that no preliminary response will be filed. No adverse inference will be drawn where a patent owner elects not to file a response or elects to waive the response.

Section 42.207(c) provides that the patent owner preliminary response may not present new testimony evidence, for example, expert witness testimony on patentability. 35 U.S.C. 323 provides that a patent owner preliminary response set forth reasons why no post-grant review should be instituted. In contrast, 35 U.S.C. 326(a)(8) provides for a patent owner response after institution and requires the presentation, through affidavits or declarations, of any additional factual evidence and expert opinions on which the patent owner relies in support of the response. The difference in statutory language demonstrates that 35 U.S.C. 323 does not permit the presentation of evidence as a matter of right in the form of testimony in support of a patent owner preliminary response, and the proposed rule reflects this distinction. In certain instances, however, a patent owner may be granted additional discovery before filing its preliminary response and may submit any testimonial evidence obtained through the discovery. For example, additional discovery may be authorized where the patent owner raises sufficient concerns regarding the petitioner's certification of standing.

Although 35 U.S.C. 324 does not require that a patent owner preliminary response be considered, the Board expects to consider such responses in all but exceptional cases.

Section 42.207(d) provides that the patent owner preliminary response cannot include any amendment. See § 42.221 for filing a motion to amend the patent after a post-grant review has been instituted.

Section 42.207(e) provides that the patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a), disclaiming one or more claims in the patent, and no post-grant review will be instituted to review disclaimed claims.

Section 42.208: Section 42.208 provides for the institution of a post-grant review.

35 U.S.C. 324(a), as amended, states that the Director may not authorize a post-grant review to be instituted, unless the Director determines that the information in the petition, if such information is not rebutted, demonstrates that it is more likely than not that at least one of the claims challenged in the petition is unpatentable. Alternatively, the Director may institute a post-grant review by showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

Section 42.208 is consistent with this statutory requirement and identifies how the Board may authorize such a review to proceed. In considering whether to authorize the review, the Board may take into account its ability to complete the proceeding timely.

35 U.S.C. 326(b).

Section 42.208(a) provides that the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim. Specifically, in instituting the review, the Board may authorize the review to proceed on the challenged claims for which the threshold requirements for the proceeding have been met. The Board may identify which of the grounds the review will proceed upon on a claim-by-claim basis. Any claim or issue not included in the authorization for review would not be part of the post-grant review. The Office intends to publish a notice of the institution of a post-grant review in the Official Gazette.

Section 42.208(b) provides that the Board, prior to institution of a review, may deny some or all grounds for unpatentability on some or all of the challenged claims. This rule is consistent with the efficient administration of the Office, which is a consideration in prescribing post-grant review regulations under 35 U.S.C. 326(b).

Section 42.208(c) provides that the institution may be based on a more likely than not standard and that standard is consistent with the requirements of 35 U.S.C. 324(a).

Section 42.208(d) provides that a determination under § 42.208(c) may be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications. This rule is consistent with 35 U.S.C. 324(b). The expectation is that this ground for a post-grant review would be used sparingly.

Section 42.220: Section 42.220 sets forth the procedure in which the patent owner may file a patent owner response.

Section 42.220(a) provides for a patent owner response and is consistent with the requirements of 35 U.S.C. 326(a)(8).

Section 42.220(b) provides that if no time for filing a patent owner response to a petition is provided in a Board order, the default time for filing the response is three months from the date the post-grant review is instituted. The Board's experience with patent owner responses is that three months provides a sufficient amount of time to respond in a typical case, especially as the patent owner would already have been provided three months to file a patent owner preliminary response prior to institution. Additionally, the time period for response is consistent with the requirement that the trial

be conducted such that the Board renders a final decision within one year of the institution of the review. 35 U.S.C. 326(a)(11).

Section 42.221: Section 42.221 provides standards and procedures for a patent owner to file motions to amend the patent. The rule is consistent with 35 U.S.C. 326(a)(9), which requires the Office to promulgate rules setting forth standards and procedures for allowing the patent owner to amend the patent.

Section 42.221(a) makes it clear that the first motion to amend need not be authorized by the Board. If the motion complies with the timing and procedural requirements, the motion would be entered. Additional motions to amend would require prior Board authorization. All motions to amend, even if entered, will not result automatically in entry of the proposed amendment into the patent. The requirement to consult the Board reflects the Board's need to regulate the substitution of claims and the amendment of the patent to control unnecessary proliferation of issues and abuse of the system. The proposed rule aids in the efficient administration of the Office and the timely completion of the proceeding. 35 U.S.C. 326(b).

Section 42.221(a) also provides that a motion to amend the claims may be denied where the amendment does not respond to the ground of unpatentability involved in the trial or seeks to enlarge the scope of the claims or introduce new matter. Section 42.221(a) further provides that a reasonable number of substitute claims is presumed to be one substitute claim per challenged claim which may be rebutted by a demonstration of need. The rule aids the efficient administration of the Office and the timely completion of the review under 35 U.S.C. 326(b) and also is consistent with

35 U.S.C. 326(d)(3) which prohibits enlarging the scope of the claims or introducing new matter.

Section 42.221(b) provides that a motion to amend the claims must include a claim listing, show the changes clearly, and set forth: (1) the support in the original disclosure of the patent for each claim that is added or amended, and (2) the support in an earlier filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

Under § 42.221(c), a patent owner may request the filing of more than one motion to amend its claims during the course of the proceeding. Additional motions to amend may be permitted upon a demonstration of good cause by the patent owner or a joint request of the petitioner and the patent owner to materially advance a settlement.

In considering whether good cause is shown, the Board will take into account how the filing of such motions would impact the timely completion of the proceeding and the additional burden placed on the petitioner. Specifically, belated motions to amend may cause the integrity and efficiency of the review to suffer as the petitioner may be required to devote significant time and resources on claims that are of constantly changing scope. Furthermore, due to time constraints, motions to amend late in the process may not provide a petitioner a full and fair opportunity to respond to the newly presented subject matter. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in § 42.221(a)(1). Similarly, a motion to amend may be permitted upon a joint request of the petitioner and the patent owner to

advance settlement where the motion does not jeopardize the ability of the Office to complete the proceeding timely.

Section 42.222: Section 42.222 is consistent with the requirements of 35 U.S.C. 325(d) regarding multiple proceedings involving the subject patent. When there is a question of a stay concerning a matter for which a statutory time period is running in one of the proceedings, where the stay would impact the ability of the Office to meet the statutory deadline, it is expected that the Director would be consulted prior to issuance of a stay, given that the stay would impact the ability of the Office to meet the statutory deadline for completing the post-grant review. For example, it is expected that the Board would consult the Director prior to the issuance of a stay in an ex parte reexamination proceeding where the three-month statutory time period under 35 U.S.C. 303 is running.

Under § 42.222(b), a patent owner or petitioner may request a joinder, but such a request must be filed no later than one month after institution.

Section 42.223: Section 42.223 provides for the filing of supplemental information.

35 U.S.C. 326(a)(3) provides that the Director shall promulgate regulations establishing procedures for filing supplemental information after the petition is filed.

35 U.S.C. 324(a) provides that the institution of a post-grant review is based upon the information filed in the petition under 35 U.S.C. 321 and any response filed under 35 U.S.C. 323. As the institution of the post-grant review is not based upon supplemental information, the rule provides that motions identifying supplemental information be filed after the institution of the post-grant review.

Section 42.224: Section 42.224 provides that additional discovery in a post-grant review is limited to evidence directly related to factual assertions advanced by a party to the proceeding and that the standard for additional discovery is good cause. The rule is consistent with 35 U.S.C. 326(a)(5), which provides that the Director shall prescribe regulations setting forth the standards and procedures for discovery of relevant evidence that is directly related to factual assertions by either party.

While an interests-of-justice standard will be employed in granting additional discovery in inter partes reviews and derivation proceedings, new subpart C will provide that a good cause standard is employed in post-grant reviews, and by consequence, in covered business method patent reviews. Good cause and interests-of-justice are closely related standards, but on balance, the interests-of-justice standard is a slightly higher standard than good cause. While a good cause standard requires a party to show a specific factual reason to justify the needed discovery, interests-of-justice would mean that the Board would look at all relevant factors. The interests-of-justice standard covers considerably more than the good cause standard, and in using such a standard the Board will attempt to consider whether the additional discovery is necessary in light of “the totality of the relevant circumstances.” U.S. v. Roberts, 978 F.2d 17, 22 (1st Cir. 1992).

Subpart D – Transitional Program for Covered Business Method Patents

Section 42.300: Section 42.300 sets forth policy considerations for covered business method patent review proceedings.

Section 42.300(a) provides that a covered business method patent review is a trial and subject to the rules set forth in subpart A and also subject to the post-grant review procedures set forth in subpart C except for §§ 42.200, 42.201, 42.202, and 42.204. This is consistent with section 18(a)(1) of the AIA, which provides that the transitional proceeding shall be regarded as, and shall employ the standards and procedures of, a post-grant review with certain exceptions.

Section 42.300(b) provides that a claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification in which it appears. This rule is consistent with the provisions of 35 U.S.C. 326, which provides for the promulgation of rules, including rules establishing and governing the proceeding and the relationship of the proceeding to other proceedings, the standards for instituting the proceeding, and standards and procedures for allowing a patent owner to amend the patent, as well as 35 U.S.C. 328, which provides that the Board will enter a final written decision on patentability. This rule would also be consistent with longstanding established principles of claim construction before the Office. See, e.g., 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 – which exists in these proceedings (§ 42.221) – distinguishes Office proceedings from district court proceedings and justifies the broadest reasonable interpretation standard for claim interpretation. Yamamoto, 740 F.2d at 1572.

Section 42.300(c) provides a one-year timeframe for administering the proceeding after institution, with a six-month extension for good cause. The one-year period may be

adjusted by the Board in the case of joinder. This rule is consistent with 35 U.S.C. 326(a)(11).

Section 42.300(d) provides that the rules in subpart D are in effect until September 15, 2020, except that the rules shall continue to apply to any covered business method patent review filed before the date of repeal. This is consistent with section 18(a)(3)(A) of the AIA, which provides that the regulations issued are repealed effective upon the expiration of the eight-year period beginning on the date that the regulations take effect, and section 18(a)(3)(B) which provides that the rules in effect until before the repeal will govern covered business method patent reviews filed before the date of appeal.

Section 42.302: Section 42.302 specifies who may file a petition for a covered business method patent review.

Section 42.302(a) provides that a petitioner may not file a petition to institute a covered business method patent review of the patent unless the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner has been sued for infringement of the patent or has been charged with infringement under that patent. This rule is consistent with section 18(a)(1)(B) of the AIA. Section 42.302(a) also defines the term "charged with infringement" to mean "a real and substantial controversy regarding infringement of a covered business method patent such that the petitioner would have standing to bring a declaratory judgment action in Federal court."

Section 42.302(b) provides that a petitioner may not file a petition to institute a covered business method patent review of the patent where the petitioner, the petitioner's

real party-in-interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition. The rule is consistent with 35 U.S.C. 325(e)(1), which provides for estoppel based upon a final written decision in a post-grant review.

Section 42.303: Section 42.303 provides that a petition for a covered business method patent review may be filed at any time except during the period in which a petition for a post-grant review of the patent would satisfy the requirements of 35 U.S.C. 321(c). This rule is consistent with section 18(a)(2) of the AIA.

Section 42.304: Section 42.304 provides for the content of petitions to institute a covered business method patent review. The rule is consistent with 35 U.S.C. 322(a)(4), which allows the Director to prescribe regulations concerning the information provided with the petition to institute a covered business patent review.

Section 42.304(a) provides that a petition under this section must demonstrate that the petitioner has grounds for standing. To establish standing, a petitioner, at a minimum, would be required to certify with explanation that the patent is a covered business method patent and that the petitioner meets the eligibility requirements of § 42.302. This requirement is to ensure that a party has standing to file the covered business method patent review and would help prevent spuriously instituted reviews. Facially improper standing will be a basis for denying the petition without proceeding to the merits of the decision.

Section 42.304(b) requires that the petition identify the precise relief requested for the claims challenged. Specifically, the rule requires that the petition identify each claim

being challenged, the specific grounds on which each claim is challenged, how the claims are to be construed, why the claims as construed are unpatentable, and the exhibit numbers of the evidence relied upon with a citation to the portion of the evidence that is relied upon to support the challenge. This rule is consistent with 35 U.S.C. 322(a)(3), which requires that the petition identify, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence supporting the challenge. It is also consistent with 35 U.S.C. 322(a)(4), which allows the Director to require additional information as part of the petition. The rule provides an efficient means for identifying the legal and factual bases supporting a prima facie case of relief and would provide the patent owner with a minimum level of notice as to the basis for the challenge to the claims.

Section 42.304(c) provides that a petitioner seeking to correct clerical or typographical mistakes could file a motion to correct the mistakes. The rule also provides that the grant of such a motion would not alter the filing date of the petition.

Response to Comments

The Office received 251 written submissions of comments from intellectual property organizations, businesses, law firms, patent practitioners, and others. The comments provided support for, opposition to, and diverse recommendations on the proposed rules. The Office appreciates the thoughtful comments, and has considered and analyzed the comments thoroughly. The Office's responses to the comments that are directed to the consolidated set of rules relating to Board trial practice and judicial review of Board decisions are provided in a separate final rule (RIN 0651-AC70), and the

Office's responses to the comments that are directed to the definitions of the terms "covered business method patent" and "technological invention" are also provided in another separate final rule (RIN 0651-AC75).

The Office's responses to comments that are directed to inter partes review proceedings (77 FR 7041), post-grant review proceedings (77 FR 7060), and transitional post-grant review proceedings for covered business method patents (77 FR 7080) are provided as follows:

Eligibility

Comment 1: One comment requested clarification on whether an inter partes review may be requested for a patent issued from an application filed before November 29, 1999.

Response: Inter partes review is applicable to a patent issued from an application filed before November 29, 1999. See section 6(c)(2)(A) of the AIA.

Who may petition (§§ 42.101, 42.201)

Comment 2: Several comments suggested that patent owners should be permitted to petition for inter partes review to provide a low cost alternative to small companies seeking to defend their patents.

Response: This suggestion is not adopted because 35 U.S.C. 311, as amended, requires that the petition in an inter partes review be filed by a person who is not the owner of the patent.

Comment 3: Several comments suggested that the Office should interpret the terms “real parties in interest” and “privies” in a flexible manner consistent with common law principles and Federal case law, and set forth common law definitions in the regulation. One comment was in favor of the proposed rules related to the identification of real party-in-interest and related matters under § 42.8. However, another comment expressed concerns related to the predictability of the Office’s case-by-case approach in view of the estoppel effects.

Response: Because “real party-in-interest” and “privy” disputes involve highly fact-dependent issues, the Office believes that the case-by-case approach is the best way to resolve these disputes. The Board will make the determination based on controlling case law and the particular facts of each case as suggested by several of the comments. The Office Patent Trial Practice Guide provides further discussion to assist parties in identifying “real parties in interest” and “privies.”

Comment 4: Several comments requested additional guidance regarding the definitions for the terms “real party-in-interest” and “privy.” Some of the comments requested examples, such as whether a third party who provides financial, legal, and technical assistance will be considered a real party-in-interest or privy.

Response: The Office Patent Trial Practice Guide provides further discussion to assist parties in identifying “real parties in interest” and “privies.” Since “real party-in-interest”

and “privy” issues are highly fact dependent, the Office will also provide more guidance through its opinions and will publish relevant decisions promptly.

Comment 5: A few comments recommended that the Office should maintain the control-focused approach to non-party estoppel and requested more information regarding control-focused understandings of the terms “real party-in-interest” and “privy.”

Response: The Office may consider: (1) whether the non-party exercised, or could have exercised, control over a party’s participation in a proceeding, and (2) the degree of that control, in determining whether a party may be recognized as a “real party-in-interest” or “privy.” Furthermore, the Office may consider other relevant factors. The Office Patent Trial Practice Guide provides further discussion to assist in identifying the relevant parties. The Office will also provide more guidance through its opinions, and will publish relevant decisions promptly.

Comment 6: A few comments suggested that the Office should describe how its practice in making “real party-in-interest” and “privy” determinations will differ from its current approach in inter partes reexaminations.

Response: The Office Patent Trial Practice Guide provides a few examples of relevant petition decisions issued in reexaminations. Since “real party-in-interest” and “privy”

determinations are fact dependent, the Office will consider the particular facts of each case and controlling case law.

Comment 7: A few comments requested clarification on the relevance of Joint Defense Agreements to a “real party-in-interest” or “privy” determination.

Response: Since “real party-in-interest” and “privy” determinations depend on the particular facts of each case, the Office will decide these issues on a case-by-case basis. As to Joint Defense Agreements, the Office Patent Trial Practice Guide discusses their role in the determination. In short, a party’s membership in a Joint Defense Agreement with the petitioner does not, standing alone, make the party a “real party in interest” or “privy” of the petitioner, but the fact is relevant to those inquiries. Of particular relevance is the party’s level of participation in, and control over, the requested trial.

Comment 8: A few comments suggested that the Office should require that challenges to “real party-in-interest” identifications be brought no later than the deadline for filing a patent owner preliminary response in order to provide sufficient time for the Board to decide the challenge before deciding whether to institute a review. Another comment requested clarification that standing may be challenged at any time.

Response: The Office agrees with the comments that such a challenge should be brought before or with the filing of the patent owner preliminary response. During that period, the patent owner may seek authorization to take pertinent discovery. After the patent

owner preliminary response, the likelihood of granting an authorization for additional discovery related to the challenge before institution will decrease because the Board is required to determine whether to institute a review within three months from the filing of the patent owner preliminary response. After institution, standing issues may still be raised during the trial. A patent owner may seek authority from the Board to take pertinent discovery or to file a motion to challenge the petitioner's standing.

Comment 9: A few comments requested clarification that the burdens of proof and persuasion will be on the patent owner to come forward with objective evidence to support a challenge to the "real party-in-interest" identification. One comment suggested that the Office should require petitioners to update the submissions related to estoppel throughout the pendency of a review proceeding, and disclose any facts relevant to the certification.

Response: The Office generally will accept the petitioner's "real party-in-interest" identification at the time of filing the petition. Section 42.8(a)(3) requires a party to file an update within 21 days of a change of the "real party-in-interest" identification. The patent owner may provide objective evidence to challenge the identification in a preliminary response, which the Board will consider in determining whether to grant the petition.

Comment 10: A few comments suggested that the discovery rules should be expanded to permit the patent owner to investigate the petitioner's compliance with the identification of the real party-in-interest.

Response: Additional discovery may be authorized where a patent owner raises sufficient concerns regarding the petitioner's certification.

Comment 11: One comment recommended that the estoppel effects should be enforced against the named petitioner and privies of the named petitioner, as well as the actual real parties in interest and its privies.

Response: Depending on the particular facts of each case, including whether there is any intent of misrepresentation, the Board has the discretion to impose an appropriate sanction against a party for misconduct e.g., a petitioner willfully misleads the Office that it is a proper petitioner for a review of certain claims in a patent when the party knew on filing that they were a privy of a previously unsuccessful petitioner who had sought review of the same claims in the same patent. See § 42.12.

Pendency (§§ 42.100(c) and 42.200(c))

Comment 12: One comment opposed any policy that would allow extension of the one-year period whenever a petition possesses certain indicia of complexity, e.g., when the petition involves an obviousness challenge, and urged the Office to remain firm in its

commitment to complete proceedings within the one-year period, with only rare use of the six-month extension.

Response: The rules require final determinations to be issued in both post-grant and inter partes review within the one-year period. §§ 42.100(c) and 42.200(c). Extensions of the one-year period are anticipated to be rare.

Comment 13: Several comments supported a high threshold for granting an extension of the one-year period and asked for guidance as to what would constitute good cause to extend the one-year period.

Response: Extensions of the one-year period are anticipated to be rare. §§ 42.100(c) and 42.200(c). Whether good cause is shown will depend on the particular facts of a given case and cannot be articulated with certainty in the abstract. One example may be where, through no fault of either party, new evidence is uncovered late in the proceeding that necessitates a motion to amend the patent.

Comment 14: Several comments asked for guidance as to the impact of the Board missing the one-year period in post-grant or inter partes review; for example whether the Board retains jurisdiction and what recourse is available to the parties.

Response: As amended, 35 U.S.C. 316(a)(11) and 35 U.S.C. 326(a)(11) require the Director to prescribe regulations requiring that the final determination be issued within

one year (extendable up to six months with good cause). Consistent with these statutory provisions, the Office adopted §§ 42.100(c) and 42.200(c) in this final rule to set forth the one-year time period. The Office does not envision at this time extending any review beyond the time periods set forth in §§ 42.100(c) and 42.200(c).

Comment 15: Several comments suggested that meeting the one-year period will be difficult where a party is outside the United States and that allowing less time for judicial deliberations should be considered in such instances.

Response: The rules allow the Board to take into consideration any factor that might affect the ability to meet the one-year period and to adjust the schedule accordingly, including providing less time for judicial deliberations.

Comment 16: One comment suggested that the Office should confirm in the Office Patent Trial Practice Guide or the rules that “good cause” exists for a six-month extension of the one-year period where a motion to amend is filed after the patent owner’s response so that the patent owners cannot “sandbag” the petitioners by holding back substitute claims.

Response: This suggestion is not adopted because extensions of the one-year period are anticipated to be rare. Whether good cause is shown will depend on the particular facts of a given case. Sections 42.121 and 42.221 require a patent owner to seek authorization for filing a motion to amend claims after a patent owner response, so that the Board will

be able to determine proper scheduling for completing the review within the one-year period, and possibly to deny a patent owner's request to file a motion to amend if it comes too late in the proceeding.

Time for filing petition (§§ 42.102, 42.202, and 42.303)

Comment 17: A comment indicated that nine months is a sufficient amount of time for filing a petition for post-grant review.

Response: Nine months is the time required by statute. 35 U.S.C. 321(c).

Comment 18: A comment suggested that the statement in the discussion of the notice of proposed rulemaking (77 FR at 7044) indicating that petitions requesting inter partes review would be considered timely if filed prior to the institution of a post-grant review is in conflict with the requirement that a petition for inter partes review not be filed until nine months after issuance.

Response: The statute states that a petition for inter partes review must be filed after the later of nine months from issuance or the termination of an instituted post-grant review. The statement in the discussion refers to the situation where nine months have passed since issuance, yet no decision on whether to institute a post-grant review has been entered. In such a situation, a party need not wait until a decision on whether the post-grant review will be instituted, but may proceed and file a petition for inter partes review.

Comment 19: Several comments expressed concern about any decision by the Director to limit the number of petitions for inter partes or post-grant review.

Response: Although the AIA authorizes the Director to limit the number of petitions under sections 6(c)(2)(B) and 6(f)(2)(B) of the AIA, as stated previously in the discussion of §§ 42.102(b) and 42.202(b), the Office does not plan to limit the number of petitions at this time.

Comment 20: One comment suggested that the petition fees should allow the Office to cover the demand that may exist for post-grant proceedings.

Response: The fees have been set with consideration for the aggregate cost of the proceeding. See 35 U.S.C. 321(a). At this time the Office expects to be able to provide the resources necessary to avoid limiting the number of petitions.

Comment 21: Several comments suggested that guidance should be provided for consequences if the Director makes a decision to limit the number of petitions. In particular, the comments requested clarification on whether a petition, filed after the limit is reached, would be afforded any benefit of priority or would be required to be resubmitted.

Response: At this time, it is not anticipated that a limit on the number of petitions will be imposed. Under §§ 42.102(b) and 42.202(b), a petition that is filed after any established

limit would be considered untimely. If a limit were to be imposed, it is expected that the Office would provide sufficient notice and guidance well prior to the imposition of such limit.

Comment 22: One comment suggested that if a limit on the number of petitions is imposed it should be done on a quarterly basis, noting that having petitions filed after an established limit be deemed untimely arbitrarily harms petitioners based on the timing of their actions and is not statutorily required.

Response: This suggestion is not adopted. The statutes allow the Director to impose a limit on the number of proceedings that may be instituted on a yearly basis but do not provide for quarterly limits. Sections 6(c)(2)(B) and 6(f)(2)(B) of the AIA. Any petition filed after the Director has established a limit, and that limit has been exceeded, will be untimely because the petition would have been filed beyond a time when the Office is receiving petitions for the year.

Comment 23: Several comments suggested that the Office should provide a monthly or quarterly count of the number of filed petitions and instituted proceedings and notice prior to and when any limit is reached.

Response: At this time it is not anticipated that a limit on the number of proceedings instituted will be imposed and therefore, no limit has been established. If a limit is set in the future it is expected that the Office would provide sufficient notice, including periodic

reporting of the number of petitions received and proceedings instituted, well prior to the time any limit would be met.

Comment 24: One comment suggested that the Office accept petitions for covered business method patent review prior to the effective date of the program pursuant to section 18(a)(2) of the AIA, so that the Office can begin immediate consideration of those petitions as of September 16, 2012.

Response: The suggestion is not adopted. The AIA provides that regulations issued for the transitional covered business method patent program shall take effect one year from the date of the enactment of the Act, as set forth in section 18(a)(2). Consistent with the provision, the regulations for the transitional covered business method patent program will take effect September 16, 2012. At that time, the Office will accept petitions for the program.

Content of petition (§§ 42.104, 42.204, and 42.304)

Comment 25: One comment suggested that the Office consider a “more rational and fair” scheme for presenting challenges based on a proposed-rejection-by-proposed-rejection approach allowing the patent owner to challenge the grouping and grounds of a proposed rejection.

Response: The rules do not prohibit petitioners from grouping claims where the basis for the alleged unpatentability of the grouped claims is the same. When grouping claims, the

petitioner must provide sufficient notice as to the merits of the challenge for each claim so challenged.

Comment 26: One comment suggested that the Office should require proof in the petition sufficient to meet the statutory grounds for unpatentability alleged, including requiring corroboration for “on sale” and “public use” challenges with an explanation of the grounds and specific citation to supporting evidence.

Response: This suggestion is adopted in part. The rules require the petition to set forth a full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence. § 41.22(a)(3). In addition, the petition must show how each challenged claim is unpatentable under the statutory ground identified, must specify where each element is found in the prior art, and must provide specific citations to the evidence. §§ 41.104 and 41.204. If corroborating evidence is necessary to show unpatentability of a challenged claim, the evidence must be included with the petition to meet the requirements of the rules.

Comment 27: One comment suggested that the second sentence of §§ 42.104(b) and 42.204(b) be amended to read “in addition to the precise relief requested, the statement must identify the following.”

Response: This suggestion is not adopted. Sections 42.104 and 42.204 state that the requirements of paragraph (b) are in addition to the requirements of §§ 42.8, 42.22, and 42.24. “A statement of the precise relief requested” is required by § 42.22(a)(1).

Claim construction (§§ 42.100(b), 42.200(b), and 42.300(b))

Comment 28: Several comments suggested that proposed §§ 42.100(b), 42.200(b), and 42.300(b) are substantive rules and appear to exceed the authority of the Office, which does not have substantive rulemaking authority under 35 U.S.C. 2(b)(2). Those comments further stated that the AIA did not amend 35 U.S.C. 2(b)(2) to provide such an authority. However, several other comments were in favor of the proposed rules and recognized that the longstanding, established claim construction standard set forth in the proposed rules is consistent with the AIA and current case law.

Response: The rules are consistent with the AIA requirements to prescribe regulations that set forth standards and procedures. In any event, the Office believes that it has the statutory authority to prescribe in the regulations a claim construction standard for inter partes review, post-grant review, and covered business method patent review proceedings. While the Leahy-Smith America Invents Act requires the Office to establish the procedures for instituting and conducting the reviews, the Leahy-Smith America Invents Act also provides that the Office shall prescribe regulations setting forth certain standards. For instance, the Leahy-Smith America Invents Act amended 35 U.S.C. 316(a)(2) and (a)(4) to provide that the Director shall prescribe regulations setting forth the standards for the showing of sufficient grounds to institute, establish and

govern an inter partes review, as well as the relationship of the review to other proceedings. 35 U.S.C. 326(a)(2) and (a)(4) provide the same mandate for post-grant review and covered business method patent review. Therefore, the Office, at a minimum, has the authority to prescribe the claim construction standard by which inter partes review, post-grant review, and covered business method patent review are instituted.

As to the propriety of the broadest reasonable interpretation standard, its adoption here does not change any substantive rights relative to the current practice. For nearly thirty years, the United States Court of Appeals for the Federal Circuit has continued to require the Office to give patent claims their broadest reasonable construction consistent with the specification in patentability determination proceedings. See In re Yamamoto, 740 F.2d 1569, 1571 (Fed. Cir. 1984). Even in the situation where the patent claims had been previously construed by the district court using a different standard in an action that involved invalidity and infringement issues, the Office was required to apply the “broadest reasonable interpretation” standard in its own proceedings. See, e.g., In re NTP, Inc., 654 F.3d 1268, 1274 (Fed. Cir. 2011). Indeed, the Federal Circuit has acknowledged the longstanding practice that the patent system has two claim construction standards, the “broadest reasonable interpretation” standard applied to Office’s proceedings, and that used by district courts in actions involving invalidity and infringement issues. See, e.g., Phillips v. AWH Corp., 415 F.3d 1303, 1316 (Fed. Cir. 2005) (en banc). The “broadest reasonable interpretation” standard has been well established for nearly thirty years in the judicial precedent for construing patent claims in patentability determination proceedings before the Office.

The provisions of the Leahy-Smith America Invents Act indicate that the typical standard applicable to USPTO proceedings should apply as well to these trial proceedings. The typical justifications for using the “broadest reasonable interpretation standard”--- particularly the ability to amend claims, application of the lower “preponderance of the evidence standard” for determining patentability (35 U.S.C. 316(e), as amended, and 35 U.S.C. 326(e), and the absence of a presumption of validity)---are explicitly provided for by the Act, or consistent with it. In contrast, district courts must use the clear and convincing standard, and the patent claims are presumed to be valid in infringement litigation. Microsoft Corp. v. i4i Ltd. P’ship, 131 S. Ct. 2238, 2243 (2011) (“[Section] 282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker. That burden is constant and never changes and is to convince the court of invalidity by clear evidence.” (quoting Am. Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1360 (Fed. Cir. 1984))). Furthermore, courts construe patent claims, if possible, to avoid invalidity. See, e.g., Star Scientific, Inc. v. R.J. Reynolds Tobacco Co., 655 F.3d 1364, 1373 (Fed. Cir. 2011); Exxon Research & Eng’g Co. v. U.S., 265 F.3d 1371, 1375 (Fed. Cir. 2001) (A claim is found to be indefinite only where it is not “amenable to construction” or “insolubly ambiguous.”).

The adoption of the “broadest reasonable interpretation” standard is further consistent with the legislative history of the Leahy-Smith America Invents Act, which indicates that Congress was aware of the “broadest reasonable interpretation” standard and expected the Office to apply the standard to the new Leahy-Smith America Invents Act review

proceedings. See, e.g., 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). Nothing in the legislative history indicates that Congress or the drafters of the legislation considered a different standard for inter partes review, post-grant review, and covered business method patent review proceedings. Congress could have set forth a different standard in the Leahy-Smith America Invents Act, but instead, Congress provided the statutory mandate for the Office to prescribe regulations to set forth a standard.

Further, the Leahy-Smith America Invents Act amended 35 U.S.C. 315(d) to provide that, during the pendency of an inter partes review, if another proceeding involving the patent is before the Office, the Director may consolidate the inter partes review with the other proceeding into a single inter partes review proceeding. A similar provision is provided in 35 U.S.C. 325(d) for post-grant review and covered business method patent review. The Office, thus, has the discretion to consolidate a review proceeding with a pending reissue application or reexamination that involves the same patent, for example. Federal courts and the Office have applied the “broadest reasonable interpretation” standard for nearly thirty years to patent claims in reissue applications and reexamination proceedings. Yamamoto, 740 F.2d at 1571-72; In re Reuter, 651 F.2d 751, 756 (CCPA 1981). It would be anomalous for the Board to have to apply two different standards in the merged proceeding.

Lastly, the Leahy-Smith America Invents Act also amended 35 U.S.C. 318(a) to provide that the Board shall issue a final written decision with respect to the patentability of any

patent claim challenged by the petitioner and any new claim added under 35 U.S.C. 316(d), as amended. The same directive is provided in 35 U.S.C. 328(a) for post-grant review and covered business method patent review. As such, the Board is to determine the patentability of the challenged patent claims and any new claims, as opposed to the validity of the claims, which is the analysis conducted by a district court. See also 35 U.S.C. 318(b), as amended, and 328(b). That distinction confirms Congress' intent for the USPTO to apply the typical framework it currently applies in existing patentability determinations.

The Office has taken into account the considerations identified in 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) in promulgating the rules. To prevent inconsistencies and inefficiencies, a single claim construction standard must be used throughout a proceeding reviewing the patentability of the claims of a patent. In other words, the “broadest reasonable interpretation” standard must be applied to all of the involved claims in a single review proceeding including the challenged patent claims; any new claims added under 35 U.S.C. 316(d), as amended, or 35 U.S.C. 326(d); any claims from a merged derivation proceeding; any original, new, or amended claims from a merged reissue application; and any original, new, or amended claims from a merged reexamination.

For the foregoing reasons, the Office has the authority to prescribe regulations to set forth the claim construction standard for inter partes review, post-grant review, and covered

business method patent review proceedings, and believes that the “broadest reasonable interpretation” standard should be employed.

Comment 29: Several comments suggested that the claim construction standard set forth in the proposed rules is inconsistent with 35 U.S.C. 301(d) because the statute recognizes that the claim construction in an infringement action should be used in an inter partes review. A comment suggested that the claim construction standard should be guided by 35 U.S.C. 301(d), and the Office should determine the “proper meaning” of the claim, rather than applying the “broadest reasonable interpretation” standard.

Response: The legislative history of the AIA shows that 35 U.S.C. 301(d) was not intended to change the “broadest reasonable interpretation” standard. Rather, it was to help the Office to identify inconsistent statements made by a patent owner about claim scope. In particular, Senator Kyl stated the following:

Section 5(a) of the 2009 version of the bill, which would amend section 301, has been modified and moved to section 5(g) of the bill. This provision allows written statements of the patent owner regarding claim scope that have been filed in court or in the Office to be made a part of the official file of the patent, and allows those statements to be considered in reexaminations and inter partes and post-grant reviews for purposes of claim construction. This information should help the Office understand and construe the key claims of a patent. It should also allow the Office to identify inconsistent statements made about claim scope—for example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the “broadest reasonable construction” that he now urges in an inter partes review.

157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (emphasis added).

Further, 35 U.S.C. 301(d) provides that: “[a] written statement submitted pursuant to [section 301](a)(2), and additional information submitted pursuant to [section 301](c), shall not be considered by the Office for any purpose other than to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324.” The statutory language of 35 U.S.C. 301(d) does not set forth any claim construction standard, nor require the Office to adopt the claim construction standard used by district courts. Indeed, the statutory provision merely provides limitations on when the Office may consider such a statement or information. The Office has the discretion, but is not required, to consider such a statement or information in an instituted review (inter partes review, post-grant review, or covered business method patent review). Therefore, the “broadest reasonable interpretation” standard is consistent with 35 U.S.C. 301(d).

As to the comment regarding the “proper meaning” of the claim, the comment is incorrect when it implies that claims are not properly construed using the “broadest reasonable interpretation.” Consistent with the judicial precedent of Federal Circuit, the Office recognizes that it is proper to construe patent claims by applying the “broadest reasonable interpretation” standard in patentability determination proceedings. See, e.g., NTP, 654 F.3d at 1274 (the Board’s construction “is legally correct and is reasonable in view of the written description and how the written description would be interpreted by one of ordinary skill in the art”).

Comment 30: Several comments opposed proposed §§ 42.100(b), 42.200(b), and 42.300(b) and believed that the Office’s claim construction should be the same as that used in the district courts for invalidity or infringement suits. In particular, the comments suggested that the proposed rules should be revised to state that “[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification and the prosecution of the patent in which it appears.” To support their position, those comments suggested that if the Office adopts the proposed rules, the patent owner will be faced with a broad construction in the validity litigation and a narrow construction in the infringement phase. Several comments stated that the case law before the enactment of the AIA (e.g., Yamamoto) is inapplicable to inter partes review, post-grant review, and covered business method patent review proceedings, because the justification for applying the “broadest reasonable interpretation” standard in reexaminations and reissue applications, in which patent owners have unlimited ability to amend claims, does not extend to the review proceedings. On the other hand, several other comments were in favor of the proposed rules. Those comments recognized that the claim construction standard used in administrative trials before the Office should be different from the one used by the district courts in invalidity and infringement actions, and noted that two different standards for claim construction existed before the AIA.

Response: The Office has considered carefully those comments that suggested use of the district court’s standard and the comments that supported use of the “broadest reasonable interpretation” standard as set forth in the proposed rules. The Office adopts the

“broadest reasonable interpretation” standard in this final rule in light of statutory language in the AIA, legislative history, and judicial precedent.

As stated previously, both the Federal Circuit and Congress recognize that the patent system has two claim construction standards: (1) the “broadest reasonable interpretation” used by the Office in patentability determination proceedings; and (2) the other used by district courts in invalidity and infringement actions. See, e.g., Phillips, 415 F.3d at 1316; 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). The Office and courts have been applying these standards for nearly thirty years when construing patent claims. Congress recognized the “broadest reasonable interpretation” standard in the legislative history of the AIA, and did not set forth a different standard or mandate the Office to apply the district court’s standard. As explained in previous Responses, these and multiple other statutory and legal considerations suggest that the Board should not apply the district court’s claim construction standard.

Although the comments not in favor of the proposed rules implied that the suggested standard (“[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification and the prosecution of the patent in which it appears”) is used by the district courts, the district courts do not use this suggested standard. In any event, the Office may take into consideration inconsistent statements made by a patent owner about claim scope, such as those submitted under 35 U.S.C. 301(a), when applying the “broadest reasonable interpretation” standard.

As to the comments that the “broadest reasonable interpretation” standard applies only where patent owners have unlimited ability to amend in reexaminations and reissue applications, the Office does not believe those comments are correct. There is no indication that an unlimited ability to amend is required when employing the current USPTO construction standard; the rationale is simply that the broader standard serves to identify ambiguities in the claims that can then be clarified through claim amendments. That rationale applies under the current proceedings. For inter partes review, post-grant review, and covered business method patent review proceedings, §§ 42.121 and 42.221 provide patent owners the opportunity to file a motion to amend after conferring with the Board. Moreover, additional motions to amend may be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to advance materially a settlement. Further, the current practice for reexaminations and reissue applications allows for limited opportunity to amend patent claims. For instance, the current practice provides that the second Office action generally will be made final. §§ 1.116(b) and 41.33(b); MPEP §§ 706.07(a) and 2271 (“[A] reexamination may result in the final cancellation of claims from the patent and that the patent owner does not have the right to renew or continue the proceedings.”).

Comment 31: One comment requested clarification on whether the Office will consider a written statement and information submitted pursuant to 35 U.S.C. 301 when deciding whether to institute a review if such a statement or information is submitted in a petition for a review.

Response: The Office may consider statements of the patent owner filed in a proceeding before a Federal court or the Office regarding the claim scope of a patent. However, if the petition merely presents a copy of a submission under 35 U.S.C. 301, the Office’s consideration of such a submission is limited by 35 U.S.C. 301(d).

Comment 32: Several comments suggested that the Office should not prescribe a claim construction standard in the regulation, but rather apply applicable judicial precedent or adopt the district court’s construction when there is one. Several comments, however, were in favor of the Office setting the “broadest reasonable interpretation” standard in the regulations. One of the comments pointed out that the Office has done the public a service by announcing the standard in a rule.

Response: The AIA provides that the Office shall prescribe regulations setting forth the standard for the showing of sufficient grounds to institute, establish and govern a review and the relationship of the review to other proceedings. 35 U.S.C. 316(a)(2) and (a)(4), as amended; 35 U.S.C. 326(a)(2) and (a)(4). Therefore, setting forth a claim construction standard for the proceedings is consistent with the mandates in the AIA. As discussed previously, the “broadest reasonable interpretation” is also consistent with the AIA and the judicial precedent for construing patent claims in patentability determination proceedings before the Office.

Comment 33: One comment sought clarification on whether the “broadest reasonable interpretation” standard will be applied throughout the proceeding.

Response: The claim construction standard set forth in §§ 42.100(b), 42.200(b), and 42.300(b) will apply throughout the proceeding when the Board determines whether to institute the review and when the Board determines the patentability of any challenged patent claim and new claims.

Motion to correct petition (§§ 42.104(c), 42.204(c), and 42.304(c))

Comment 34: Two comments suggested that the rules should specify that only non-substantive clerical or typographical errors can be corrected in a petition without changing the filing date of the petition since allowing correction of substantive mistakes without changing the filing date can substantially disadvantage the patent owner.

Response: Sections 42.104(c), 42.204(c) and 42.304(c) only allow for a motion to correct due to clerical or typographical mistakes without a change in filing date. There is no provision allowing for the correction of a mistake that is not clerical or typographical in nature without a change in filing date. Furthermore, when determining whether to grant a motion to correct a petition, the Board will consider any substantial substantive effect, including any effect on the patent owner's ability to file a preliminary response.

Requirement for claim construction (§§ 42.104(b)(3), 42.204(b)(3), and 42.304(b)(3))

Comment 35: Several comments recommended that the requirement for setting forth the claim construction of the challenged claims in the petition should be eliminated because, according to the comments, the requirement is burdensome and will create delays.

Further, one comment suggested that claim construction should only be required to the extent necessary to establish the challenged claim is unpatentable. Other comments were in favor of the requirement.

Response: The Office believes that the petitioner's claim construction requirement is not burdensome and will improve the efficiency of the proceeding. In particular, the petitioner's claim construction will help to provide sufficient notice to the patent owner on the proposed grounds of unpatentability, and assist the Board in analyzing to how a cited prior art reference meets the claim limitation(s). During a proceeding, a claim of an unexpired patent will be given its broadest reasonable construction in light of the specification of the patent in which it appears. See, e.g., § 42.100(c). This means that the words of the claim will be given their plain meaning unless the plain meaning is inconsistent with the specification. In re Zletz, 893 F.2d 319, 321 (Fed. Cir. 1989). In the absence of a special definition in the specification, a claim term is presumed to take on its ordinary and customary meaning, a meaning that the term would have to a person of ordinary skill in the art. In re Am. Acad. of Sci. Tech Ctr., 367 F.3d 1359, 1364 (Fed. Cir. 2004). Therefore, petitioners are not required to define every claim term, but rather merely provide a statement that the claim terms are presumed to take on their ordinary and customary meaning, and point out any claim term that has a special meaning and the definition in the specification.

Comment 36: A few comments suggested that the Office should adopt claim construction procedures similar to those in the district courts, as opposed to requiring the petitioner to submit a statement to identify how the challenged claim is to be construed.

Response: The Office believes that the petitioner's claim construction requirement will improve the efficiency of the proceeding. As discussed previously, the petitioner's claim construction will help to provide sufficient notice to patent owner on the proposed grounds of unpatentability, and assist the Board in analyzing how a cited prior art meets the claim limitation.

Comment 37: One comment suggested that the requirement of a claim construction is not set forth in 35 U.S.C. 312(a)(3), as amended.

Response: Although the claim construction requirement is not provided expressly in the AIA, 35 U.S.C. 312(a)(4), as amended, states that "the petition provides such other information as the Director may require by regulation." Furthermore, 35 U.S.C. 316(a), as amended, provides that the Director shall prescribe regulations setting forth the standards for the showing of sufficient grounds to institute an inter partes review. Therefore, the claim construction requirement is consistent with the AIA.

Comment 38: One comment requested more guidance as to the claim construction requirements. The comment further expressed a concern that it is unclear whether the patent owner is required to take a claim construction position. A few comments

suggested that the patent owner should address the petitioner's claim construction, and the parties should have an opportunity to respond to the Board's decision. Another comment suggested that the rules should set forth the procedure for claim construction.

Response: As discussed previously, a claim of an unexpired patent will be given its broadest reasonable construction in light of the specification. See, e.g., § 42.100(c). Petitioners must identify how the challenged claim is to be construed. See, e.g., § 42.104(b)(3). Petitioners are not required to define every claim term, but merely to provide a statement that the claim terms are presumed to take on their ordinary and customary meaning, and to point out any claim term that has a special meaning and the definitions in the specification. A patent owner may file a preliminary response to set forth reasons why no review should be instituted, including a response to any claim construction issues. See, e.g., § 42.107(a). After the review is instituted, the patent owner may file a response to the petition addressing any ground for unpatentability not already denied, including a response to the decision on petition and any claim constructions set forth therein. See, e.g., § 42.120(a). The petitioner may file a reply to the patent owner's response. See § 42.23.

Comment 39: One comment suggested that a petitioner's claim construction should have no effect on other proceedings, and requested clarification that the petitioner's claim construction is relevant only to the proceeding and will not vary or limit the scope of the claims in litigation.

Response: The determination of the meaning of the claim terms and the scope of the claims depends on the particular facts of each case. The Office cannot prejudge the effect, if any, of the petitioner's claim construction on other proceedings, or know whether a district court will consider such information or not.

Comment 40: One comment expressed a concern as to restricting claim construction later in the proceeding and suggested that the rules should permit alternative claim construction in the petition, and revised claim construction later in the process.

Response: The rules do not preclude providing alternative claim constructions in a petition or in later-authorized filings.

Service (§§ 42.105 and 42.205)

Comment 41: A few comments suggested that proposed §§ 42.105(a) and 42.205(a) should be revised to provide that service by mailing is sufficient, and clarified to provide that there is no requirement for personal service or proof of service on a current patent owner who is not of record. In particular, one comment suggested that the rules should expressly provide that service must be made by EXPRESS MAIL® or by means at least as fast and reliable, or upon agreement of the parties, that service may be made by facsimile or electronically.

Response: In view of the comments, §§ 42.105 and 42.205, as adopted in this final rule, expressly provide that, upon agreement of the parties, service may be made

electronically, and service may be made by EXPRESS MAIL® or by means at least as fast and reliable as EXPRESS MAIL®. Under the rules, personal service is not required. The rules also do not require serving a patent owner who is not of record.

Comment 42: A few comments suggested that the Office should eliminate the requirement set forth in proposed §§ 42.105(b) and 42.205(b) for contacting the Board when the petitioner cannot effect service of the petition on the patent owner at the correspondence address of record of the patent.

Response: The suggestion has been adopted. Sections 42.105(b) and 42.205(b), as adopted in this final rule, do not include the requirement for contacting the Board when the petitioner cannot effect service.

Comment 43: One comment recommended that the rules should provide that service on the last designated representative of the patent owner is also sufficient.

Response: Sections 42.105 and 42.205(a) provide that petitioner may additionally serve the petition and supporting evidence on the patent owner at any other address known to the petitioner as likely to effect service. Serving on the correspondence address of record for the subject patent is consistent with the Office's current practice (§ 41.106(e)). Therefore, service on the last designated representative of the patent owner of record is sufficient if that is the same as the correspondence address of record for the subject patent.

Comment 44: One comment suggested that each party should be required to specify its preferred method for service as part of the mandatory notices.

Response: Each party may express its preferred method for service. However, the Office does not believe such a requirement in the rule is necessary.

Filing date (§§ 42.106(b) and 42.206(b))

Comment 45: A few comments suggested that the Office should accept petitions that have minor deficiencies. A few comments also requested clarification on whether, for minor omissions or mistakes, the Office would waive the rule requirements and grant a filing date as soon as the statutory requirements are met.

Response: The Board generally will accord a filing date and accept minor deficiencies that do not impact the Board's ability to determine whether to institute the review or the patent owner's ability to file a preliminary response. It is important to note that petitioners should make every effort to complete their petitions accurately. While the Board may accept minor omissions or mistakes, certain omissions or mistakes may nonetheless impact the Board's determination. For instance, citing to an incorrect portion of a reference may cause the Board to determine not to adopt the proposed ground of unpatentability, or an omission of a challenged claim may cause the Board not to institute the review for that claim. The Board plans to process the petitions and accord the filing date as soon as practical.

Comment 46: One comment suggested that the word “request” in the title of § 42.206(b) be changed to “petition.”

Response: This suggestion has been adopted.

Comment 47: One comment stated that the Office should revise §§ 42.106(b) and 42.206(b) to include expressly the right to cure a failure to include the specific relief requested.

Response: This suggestion is not adopted because the failure to include a statement for the precise relief requested for each claim challenged is not considered a minor deficiency.

Comment 48: Two comments requested a longer time period for correcting an incomplete petition.

Response: In most situations, one month is sufficient for correcting deficiencies in a petition. If a longer period is needed, however, the petitioner may re-file a complete petition as no filing date is accorded for the initial petition.

Preliminary response (§§ 42.107(b) and 42.207(b))

Comment 49: Several comments recommended that the time period for filing the patent owner preliminary response should be extended because, according to the comments, a two-month time period is too short for the patent owner to prepare and develop a meaningful response. In particular, several comments suggested that the time period should be extended to three months; two comments suggested four months; and one comment suggested that extensions of time should be provided upon a showing of good cause. However, another comment suggested shortening the two-month time period to one month because the patent owner will have a right to amend and present evidence after the review is instituted.

Response: In view of these comments, the Office extended the time period for filing a patent owner preliminary response to three months to provide the patent owner sufficient time to prepare a meaningful response. Sections 42.107(b) and 42.207(b). A patent owner may expedite the proceeding by filing the preliminary response earlier or an election to waive the preliminary response.

Comment 50: One comment suggested that allowing testimonial evidence in response to the petition at the preliminary response stage would simply cause more delays in starting the process and appears to be contrary to the statutory language of 35 U.S.C. 313 and 316(a)(8), as amended, and 35 U.S.C. 323 and 326(a)(8). The comment further suggested that any provision for new testimonial evidence on the part of the patent owner prior to institution undermines the simplicity of the process, as once competing testimony

is offered, it is evident that cross examination of that competing testimony must be provided.

Response: The AIA only explicitly provides for submission of testimonial evidence from a patent owner after a proceeding has been instituted. As noted in the comment, 35 U.S.C. 313, as amended, and 35 U.S.C. 323 provide that the patent owner may set forth “reasons” in the patent owner preliminary response, but do not expressly provide for the submission of testimonial evidence by the patent owner prior to institution of a proceeding. In contrast, 35 U.S.C. 316(a)(8), as amended, and 35 U.S.C. 326(a)(8) specifically provide for the submission of testimonial evidence in the patent owner response after a proceedings has been initiated. Moreover, cross-examination would be provided in most situations in which the patent owner relies on testimonial evidence, resulting in the delay to which the commenter refers.

Comment 51: Several comments suggested that the patent owner be allowed to respond to the petition with testimonial evidence in order to be fair since a challenger is permitted to rely upon such evidence in the petition. Within these comments, there were further suggestions that testimony should be allowed, especially for claim construction, and for rebuttal of expert testimony relied upon in the petition, that allowing testimony in the response would allow for early development of the record and promote settlement, that early development of the record would be useful given the short time to complete post-grant review and that the incongruity between what type of evidence the petitioner and patent owner are permitted to file may implicate due process issues.

Response: These suggestions are not adopted. Patent owners are permitted to rely upon new testimonial evidence in response to a petition but the AIA provides for submission of this testimonial evidence after a proceeding has been instituted. As noted in the comment, 35 U.S.C. 313, as amended, and 35 U.S.C. 323 state that the patent owner may set forth “reasons” in the patent owner response, but do not expressly provide for the submission of testimonial evidence by the patent owner prior to institution of a proceeding. In contrast, 35 U.S.C. 316(a)(8), as amended, and 35 U.S.C. 326(a)(8) specifically provide for the submission of testimonial evidence in the patent owner response filed after a proceeding has been instituted. If new testimonial evidence were to be submitted by a patent holder, then cross-examination of the witness providing the testimony is likely to be permitted. 35 U.S.C. 316(5)(a), as amended. Allowing for new testimony and the resulting cross-examination prior to the institution of a proceeding would negatively impact the ability of the Office to meet the statutory requirements set out in 35 U.S.C. 314(b), as amended, and 35 U.S.C. 324(c) and would result in more upfront costs to the parties. If a patent owner wishes to submit new testimonial evidence with its preliminary response, the patent owner may seek relief through filing an authorized motion.

Comment 52: One comment suggested that the Office should recognize that the difficulty in finding technical experts should qualify as good cause or as being in the interests-of-justice for the purpose of the extension of time for a patent owner to respond.

The comment indicated that there seems to be little institutional barrier to granting the extension since the statutory deadline does not run until the date of institution.

Response: Under the rules, a party may seek authorization to file a motion seeking an extension of time. The moving party would have the burden of proving that it is entitled to the relief requested. § 42.20(a)-(c). Whether a motion is authorized or granted depends on the particular facts presented.

Comment 53: One comment stated that as an alternative to allowing testimonial evidence in the patent owner preliminary response, the Office should clarify that attorney arguments in the response will be given the same weight with respect to technical issues as any testimonial evidence presented by the petitioner, and that the Office should confirm that it will consider early motions to dismiss a proceeding where testimonial evidence presented by the patent owner effectively disproves expert testimony presented in the petition.

Response: Arguments of counsel cannot take the place of factually supported objective evidence. See, e.g., In re Huang, 100 F.3d 135, 139-40 (Fed. Cir. 1996); In re De Blauwe, 736 F.2d 699, 705 (Fed. Cir. 1984). Although attorney arguments are not evidence, the patent owner preliminary response may include evidence, other than new testimonial evidence, to support such contentions made. § 42.107(a). A party wishing to file a motion to dismiss must seek authorization to do so. Whether the motion will be authorized is based on a case-by-case determination. § 42.20(a) and (b).

Comment 54: One comment stated that it appears that the petitioner cannot add or revise grounds based on how the patent owner responds. Another comment suggested that the petitioner should have the right to reply within one month of any patent owner preliminary response allowing a petitioner to sharpen its arguments and further the Office's streamlining goals and that without a reply, some arguments may go unanswered and result in an unwarranted rejection of a petition that leaves an invalid patent standing.

Response: This suggestion is not adopted. The statutes provide for only a petition and a patent owner preliminary response prior to institution. Allowing a reply as a matter of right would negatively impact the ability of the Office to meet the time requirements of 35 U.S.C. 314(b), as amended, and 35 U.S.C. 324(c).

Institution (§§ 42.108 and 42.208)

Comment 55: A few comments expressed concerns regarding piecemeal challenges against specific claims in the same patent, and encouraged the Board to use its authority under 35 U.S.C. 325(d) to discourage efforts by petitioners to avoid estoppel through successive petitions against different claims within a patent.

Response: The Office recognizes these concerns and will exercise its authority under 35 U.S.C. 325(d), where appropriate, to deny petitions that submit the same or substantially the same prior art or arguments previously presented to the Office.

Comment 56: One comment expressed agreement with the proposed rules providing that the decision to institute review be made only as to those claims for which the required threshold has been met and only as to those grounds of unpatentability that meet the threshold.

Response: Under the rules, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim. §§ 42.108(a) and 42.208(a)

Comment 57: One comment suggested that because institution of a proceeding might impose an economic hardship on many patentees, the requested review should be instituted after consideration of the effect on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceeding timely.

Response: Under the rules, review will not be instituted unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood, for inter partes proceedings, or more likely than not, for post-grant proceedings, that at least one of the claims is unpatentable. §§ 42.108 and 42.208. The rules utilize the statutory threshold. 35 U.S.C. 314, as amended, and 35 U.S.C. 324. The Office has considered the effect on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceeding timely in prescribing the rules as required by 35 U.S.C. 316(b), as amended, and

35 U.S.C. 326(b). That said, the Office, in determining whether to institute a proceeding, may take into account whether the review could be timely completed. For example, the Board may decline to institute a proceeding where the Board determines that it could not complete the proceeding timely. For example, the Board could exercise its discretion to decline to institute a petition that seeks review of several hundred claims based upon a thousand references or when the patent owner demonstrates that a determination of patentability would require dozens of depositions of non-party controlled witnesses in foreign countries for which the testimony would need to be compelled.

Comment 58: One comment suggested that the Office should clarify the effect of proposed §§ 42.108(a) and 42.108(b) to resolve the inconsistencies between the Office’s ability to “authorize” the review to proceed on some or all ground asserted and to “deny” some or all grounds asserted. Another comment asked for guidance as to the impact of denying review with respect to one or more claims when another claim of the same patent qualifies for review. Another comment asked that the rules be amended to state that the denial of a ground is not considered a final Board decision under 35 U.S.C. 324(e) and may be appealed.

Response: The Board may deny a ground at any time prior to institution before or after receiving any patent owner preliminary response. Denial of a ground is a final Board decision and thus is subject to request for reconsideration at that time. § 42.71(c)(2). The decision of the Director on whether to institute review on any ground is not reviewable. 35 U.S.C. 314(d), as amended, and 35 U.S.C. 324(e).

Comment 59: Several comments suggested that the Office should provide more guidance as to how the “reasonable likelihood” and “more likely than not” standards will be applied and what level of proof will be required and how the standards differ. One comment stated that, given the experience of the Office in inter partes reexamination and the legislative record, it is reasonable for the Office to provide more than a bald reference to the standards, that lack of clarity has an unnecessary “chilling effect” and that significant fees must accompany the petition.

Response: The rules utilize the statutory threshold. 35 U.S.C. 314(a), as amended, and 35 U.S.C. 324(a). Whether a petitioner has met the threshold must be considered on a case-by-case basis. A “reasonable likelihood” requirement is a lower threshold than a “more likely than not” requirement. Although the Office disagrees that any “chilling effect” will result, any such effect would be the unavoidable result of the statutory language, not of the regulatory language.

Comment 60: Several comments suggested that the Office should allow all challenged claims to be included in the inter partes review when there is a reasonable likelihood of prevailing with respect to one challenged claim. A comment indicated that instituting review on a claim-by-claim basis is unfairly prejudicial to challengers and potentially at odds with the statute. The comment stated that the rule is being used to decide portions of the case without all the evidence before the Office whereas claims or issues deemed not to have a reasonable likelihood of prevailing are cut off from further review in a final

and non-appealable decision, at the same time alerting a patent owner of a potential infringement and raising legitimate concerns about being estopped from further civil proceedings under 35 U.S.C. 315(e), as amended. Another comment suggested that the rule be changed to provide that a review will be instituted for a ground so long as the threshold is met for one claim. Another comment suggested that the rule use the language of 35 U.S.C. 314(a), as amended. Another comment stated that the rule appears to give the Board discretion to choose which issues will be subject to trial in contradiction to the Practice Guide for Proposed Trial Rules and that the trials should proceed on all issues for which statutory standards are met.

Response: The suggestions have been considered, but are not adopted. The Office believes that the rules are consistent with the statute. In particular, 35 U.S.C. 312(a)(3), as amended, and 35 U.S.C. 322(a)(3) provide that petitions to institute a review identify each claim challenged. As provided in 35 U.S.C. 314, as amended, and 35 U.S.C. 324, the Director may not institute a review unless certain thresholds are met. More importantly, 35 U.S.C. 315(e), as amended, and 35 U.S.C. 325(e) provide for estoppel on a claim-by-claim basis, for claims in a patent that result in a final written decision. As amended, 35 U.S.C. 316(a)(2) and 35 U.S.C. 326(a)(2) require the Director to prescribe regulations setting forth the standards for showing sufficient grounds to institute a review, and 35 U.S.C. 316(a)(4), as amended, and 35 U.S.C. 326(a)(4) require the promulgation of rules establishing and governing the review. Further, 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11) require that rules be promulgated that require the final written determination in a review to be issued one year

after the date of institution, except that the review may be extended by not more than six months for good cause shown. The AIA identifies considerations that are to be taken into account in promulgating rules including the integrity of the patent system, the efficient administration of the Office and the ability of the Office to complete the proceedings timely. See 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b).

The petition requesting institution of a review is required to identify the claims being challenged, and only those claims upon which review is instituted are subject to estoppel. In prescribing rules, the Office considered the effect of allowing all challenged claims to be subject to review where the threshold for instituting was met for only a subset of claims. In order to streamline and converge the issues for consideration, the decision to institute should limit the claims in the review to only those claims that meet the threshold. By limiting the review in such a manner, the patent owner is provided with a defined set of potentially meritorious challenges and will not be burdened with responding to non-meritorious grounds that fail to meet the initial thresholds. This convergence of issues for review streamlines the proceeding and aids in the efficient operation of the Office and the ability of the Office to complete the proceeding within the one-year timeframe. It is inefficient and unfair to patent owner to require a full response to challenges on claims that do not meet the initial threshold.

Comment 61: One comment stated that the Board should state the reason(s) for denying any ground of a request for review which may help facilitate the understanding of the proper scope for a patent claim and suggested that §§ 42.108(b) and 42.208(b) further

state that “[t]he Board shall provide a written statement explicitly stating each reason for denial of the ground.”

Response: Under § 42.4(a), each party is notified of the institution of a trial. Under 35 U.S.C. 314(c), as amended, and 35 U.S.C. 324(d), the Notice is required to inform the parties in writing of the Director’s determination of whether to institute a proceeding. The Board will provide sufficient notice to the parties in its decision to institute a trial.

Comment 62: One comment asked for clarification that the Board will take into account a patent owner preliminary response to a post-grant review petition only to determine whether estoppel or a procedural flaw requires rejection of the petition.

Response: For post-grant review, 35 U.S.C. 323 provides that the patent owner may set forth “reasons” why no review should be instituted based upon the failure of the petition to meet any requirement of the corresponding chapter. Under 35 U.S.C. 324, the Director may not institute unless the Director determines that the information contained in the petition, if not rebutted, would demonstrate that it is more likely than not that at least one claim challenged is unpatentable. Additionally, under 35 U.S.C. 324, the Director may institute a proceeding where the petition raises a novel or unsettled legal question that is important to other patents or patent applications. The Board will take into account a patent owner’s preliminary response where such a response is filed. § 42.208(c).

Comment 63: Two comments suggested that the phrase “if un rebutted” in § 42.108(c) makes the rule unclear. One comment indicated that the language makes the Office’s intent ambiguous and should be modified to read “the petition supporting the ground demonstrates a reasonable likelihood” Another comment stated that under the rule a patent owner preliminary response might seem to constitute rebuttal and encourages the Office to clarify the provisions.

Response: Section 42.108(c), as adopted in this final rule, does not contain the phrase “if un rebutted.” The rule requires the petitioner to set forth in the petition sufficient grounds to justify the institution of a review. If sufficient grounds are not set forth in the petition, the Office may deny the petition prior to receiving any patent owner preliminary response.

Comment 64: One comment requested clarification on proposed § 42.208(d) and asked if the “unsettled question” has to be of importance to existing patents or is it enough if future applications might be impacted. Another comment asked if the question has to meet the “more likely than not” threshold and whether the question is limited to the ground identified at § 42.204(b)(2). One comment asked that no artificial or unwarranted restriction be placed on the “novel or unsettled legal question” basis for review.

Response: The determination of whether a petition raises a novel or unsettled legal question that is important to other patents or patent applications will be made on a case-by-case basis. The statute indicates that the Director’s determination required to

authorize a post-grant review may be met by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

35 U.S.C. 324(b). The scope of any post-grant review is limited to the grounds set forth at 35 U.S.C. 324(b). Under the rules, there is no restriction of whether review can be instituted on the basis of a “novel or unsettled legal question.”

Comment 65: A few comments requested clarification on whether petitioners may request reconsideration of: (1) a decision not to institute a review; and (2) a decision to institute a review, where the decision also denies a ground of unpatentability asserted in the petition.

Response: Pursuant to § 42.71, a petitioner may file a request for rehearing of a decision not to institute a review within thirty days of the entry of the decision. Likewise, a petitioner may request a rehearing of a decision to institute a review that denies a ground of unpatentability, within fourteen days, because a decision to institute is a nonfinal decision.

Comment 66: One comment requested clarification on whether a decision not to institute a review is a final written decision, and whether estoppel attaches to a decision not to institute a review.

Response: The Board’s determination not to institute an inter partes review, post-grant review, or covered business method patent review is not a final written decision within

the meaning of 35 U.S.C. 318(a), as amended, and 35 U.S.C. 328(a), and thereby does not trigger the estoppel provisions under 35 U.S.C. 315(e), as amended, and 35 U.S.C. 325(e). However, pursuant to 35 U.S.C. 314(d) and 35 U.S.C. 324(e), a decision not to institute a trial is “final and nonappealable,” foreclosing review by the federal courts.

Comment 67: One comment suggested that the Practice Guide for Proposed Trial Rules or the rules should provide that an entity is not estopped from requesting inter partes review or post-grant review (or from certifying that no estoppel exists) if it was involved in a prior proceeding but reached a settlement before the entry of a final written decision.

Response: Section 42.73(d)(1) expressly provides that “estoppel shall not apply to a petitioner, or to the real party-in-interest or privy of the petitioner who has settled under 35 U.S.C. 317 or 327.” Therefore, if the joint request of a petitioner and the patent owner under 35 U.S.C. 317(a), as amended, or 35 U.S.C. 327(a) is filed before the Office enters the final written decision, the review is terminated with respect to the petitioner and no estoppel under 35 U.S.C. 315(e), as amended, or 325(e) will attach to the petitioner, or to the real party-in-interest or privy of the petitioner, on the basis of that petitioner’s institution of that review.

Comment 68: One comment requested that the Office clarify whether it will consider evidence properly submitted by a party in connection with the petition process, including relevant statements on claim construction previously filed by the patent owner in a

proceeding with either the Office or a Federal court or, if such evidence is not considered, will consider an early motion by the patent owner to dismiss the proceedings.

Response: Under the rules, a patent owner may include evidence except for new testimony evidence beyond that which is already of record, §§ 42.107(a) and (c), 42.207(a) and (c), which the Office will take into account, and the Office will consider whether to authorize a motion to dismiss based on the facts of the given case. § 42.20(b).

Patent owner response (§§ 42.120(b) and 42.220(b))

Comment 69: A number of comments recommended that the default two-month time period for filing a patent owner response should be extended to three or four months, or extensions of time should be provided upon a showing of good cause. Another comment suggested that the four-month time period shown in the Practice Guide for Proposed Trial Rules for the patent owner to conduct discovery and file its response should be shortened to three months.

Response: In view of these comments, the Office, in this final rule, extended the default time period for filing a patent owner response to 3 months. Sections 42.120(b) and 42.220(b). Thus, if no time for filing a patent owner response to a petition is provided in a Board order, the default date for filing a patent owner response is three months from the date the review was instituted.

Motion to amend the patent (§§ 42.121 and 42.221)

Comment 70: Several comments were in favor of the proposed rules and guidelines governing claim amendments. Several comments also suggested that the deadline for filing the first motion to amend should be prescribed in the rules rather than in the Office Patent Trial Practice Guide. A few comments stated that the deadline would provide petitioners with sufficient time to respond meaningfully, avoid undue complexity, and ensure fast resolution as mandated by the statute. The comments further recommended that the rules should include the good cause showing requirement for any motion to amend filed after the patent owner's response, unless for a settlement.

Response: In view of these comments, the Office adopted the deadline for filing the first motion to amend and the requirement of a good cause showing for any additional motion to amend, unless it is for a settlement. Specifically, §§ 42.121(a)(1) and 42.221(a)(1), as adopted in this final rule, provide that “[u]nless a due date is provided in a Board order, a motion to amend must be filed no later than the filing of a patent owner response.”

Additionally, §§ 42.121(c) and 42.221(c), as adopted in this final rule, provide that an additional “motion to amend may be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement.”

Comment 71: Several comments stated that the rules should clearly set forth the patent owner's right to amend the claims. According to a few comments, the patent owner has the right to present a reasonable number of substitute claims at any time up to the time of filing the patent owner's response and should be subject only to the restrictions set forth

in the AIA. The comments stated that the requirements for “conferring with the Board” and “respond[ing] to a ground of unpatentability” are inconsistent with the statute.

However, several other comments were in favor of the requirements. Another comment recommended that the Office should require a clear explanation as to how the proposed amendment responds to a ground of unpatentability involved in the trial and clarify that the amendment is to be entered on a claim-by-claim basis only when all proposed changes within a claim are responsive to a ground of unpatentability involved in the trial.

Response: In view of the comments, the Office, in this final rule, clarified that the patent owner’s first motion to amend does not require an authorization from the Board, but merely requires that the patent owner “confer[] with the Board.” This means that a patent owner would simply identify its intent in a conference call to file a motion to amend, and the number and general scope of substitute claims that would be filed in the motion to amend so that the petitioner and Board are notified of the patent owner’s intent. The patent owner is not required to identify a fully developed claim set. As a result of the call, the patent owner would receive feedback from the Board on whether the proposed number of substitute claims is reasonable. This procedure, thus, will save the patent owner time and resources to prepare a motion to amend that would otherwise be denied because of an unreasonable number of substitute claims. It also will save the petitioner time and resources to prepare an opposition to a motion that contains an unreasonable number of substitute claims.

The AIA amended 35 U.S.C. 316(a)(9) to provide that the Director shall prescribe regulations setting forth standards and procedures for allowing the patent owner to move to amend the patent under 35 U.S.C. 316(d), as amended, to cancel a challenged claim or propose a reasonable number of substitute claims. A similar mandate is provided in 35 U.S.C. 326(a)(9) for post-grant review and covered business method patent review. Pursuant to these statutory provisions, the Office is setting the standards and procedures for filing motions to amend in §§ 42.121 and 42.221. The Office also has taken into account the considerations provided in 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b), and believes the standards and procedures set forth in this final rule will enhance efficiency of the review proceedings. Furthermore, any amendment that does not respond to a ground of unpatentability most likely would cause delay, increase the complexity of the review, and place additional burdens on the petitioner and the Board. Therefore, the rules are consistent with the statute.

As to the comment that the Office should require a clear explanation as to how the proposed amendment responds to a ground of unpatentability, §§ 42.121 and 42.221, as adopted in this final rule, expressly provide that a motion to amend may be denied where the amendment does not respond to a ground of unpatentability involved in the trial.

Comment 72: A few comments were in favor of the “reasonable number of substitute claims” presumption that permits only one substitute claim in exchange for cancellation of an original claim. A few comments suggested that the rule should expressly permit multiple amended claims for each challenged claim.

Response: In view of the comments, the Office added the presumption that only one substitute claim per challenged claim is reasonable expressly in §§ 42.121(a) and 42.221(a). Before submitting any amendment, a patent owner would already have the opportunity to: (1) review all of the grounds of unpatentability proposed by the petitioner and supporting evidence, (2) submit a preliminary response to set forth reasons why the claims are patentable over any cited prior art and the grounds of unpatentability, and (3) review the Board decision to institute the review. To overcome a ground of unpatentability, a patent owner would need to add merely a patentably distinct feature to the claim. Therefore, in most situations, only one substitute claim per challenged claim is needed to address a ground of unpatentability. Where the patent owner needs more than one substitute claim, the patent owner may rebut the presumption by a demonstration of need. Adding more claims beyond those that are needed to respond to a ground of unpatentability most likely would cause delay, increase the complexity of the review, and place additional burdens on the petitioner and the Board.

Comment 73: One comment stated that the “reasonable number of substitute claims” presumption is inconsistent with 35 U.S.C. 316(d), as amended, and 35 U.S.C. 326(d) because, according to the comment, the statute refers to a plurality of “substitute claims.”

Response: The presumption that only one substitute claim per challenged claim is reasonable is consistent with the AIA. The provisions of 35 U.S.C. 316(d), as amended, and 35 U.S.C. 326(d) should be interpreted together with other statutory provisions in the

AIA. Under 35 U.S.C. 316(a)(9), as amended, and 35 U.S.C. 326(a)(9), the Office has the authority to prescribe regulations to set forth the standards and procedures for motions to amend, including setting the standard for determining a reasonable number of substitute claims. The Office has further taken into account the considerations provided in 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b), and believes the standards and procedures set forth in this final rule will enhance efficiency of the review proceedings. Moreover, 35 U.S.C. 316(d), as amended, and 35 U.S.C. 326(d) permit the Office to accept more than one substitute claim for each challenged claim in situations where the patent owner meets the standards and procedures set forth in the regulations promulgated pursuant to 35 U.S.C. 316(a)(9), as amended, and 35 U.S.C. 326(a)(9). Therefore, the presumption is consistent with these provisions of the AIA.

Comment 74: A few comments recommended that the Office prohibit patent owners from amending patent claims that currently are being asserted against a defendant-petitioner because the patent owner may file a reissue application to amend the claims.

Response: This suggestion is not adopted. Such a requirement is unnecessary in view of 35 U.S.C. 318(c), as amended, and 35 U.S.C. 328(c) because any amendment of a patent claim gives rise to intervening rights in the same manner as amendments in reexamination proceedings that mature into certificates or in a reissue applications that result in reissued patents.

Comment 75: Several comments suggested that the Office should permit the patent owner to submit alternative claim sets or contingent amendments.

Response: Alternative claim sets or contingent amendments may be permitted if the total number of substitute claims is reasonable. See §§ 42.121(a)(3) and 42.221(a)(3).

Comment 76: A few comments requested clarification on the procedure by which a reasonable number of substitute claims can be presented, and additional information on the conditions and manner of making amendments. Another comment requested guidance as to how the patent owner rebuts the presumption that only one substitute claim is reasonable by a demonstration of need, and how to obtain a ruling as to the number of substituted claims that will be permitted. Another comment requested examples of acceptable kinds of substitute claims, and encouraged the Office to standardize the manner in which claim amendments are indicated, similar to reissue and reexamination practice.

Response: The Board will enter a Scheduling Order concurrently with the decision to institute the review. The Scheduling Order will set due dates for the proceeding. An initial conference call will be held about one month from the date of institution to discuss the motions that the parties intend to file and to determine if any adjustment needs to be made to the Scheduling Order. During the conference call, the patent owner would identify the number of substitute claims that the patent owner intends to file in the motion to amend, and any reasons why more than one substitute claim is needed for each

challenged claim. The Board may provide an indication as to whether the number of substitute claims seems reasonable based on the reasons given. The patent owner will not be required to identify a fully developed claim set. An example of an acceptable substitute claim is a substitute claim that adds a patentably distinct feature to respond to a ground of unpatentability, without adding new matter or enlarging the scope of the claim.

Amendments must clearly state “original,” “cancelled,” “replaced by proposed substitute,” or “proposed substitute for original claim X” and the motion must clearly describe the changes. Part II, Item G of the Office Patent Trial Practice Guide.

Appropriate conforming amendments may be presented (e.g., changing dependent claims to depend from another claim when the original parent claim is canceled). Amendments should clearly state where the specification and any drawings disclose all the limitations in the proposed substitute claims. Amendments should also clearly state the patentably distinct features for the proposed substitute claims. This will aid the Board in determining whether the amendment narrows the claims and if the amendment is responsive to the grounds of unpatentability involved in the trial.

If the amendment adds more than one substitute claim per claim, the patent owner may be required to pay excess claims fees. 35 U.S.C. 41(a)(2). In view of the comments, the Office provided the amounts for the excess claim fees expressly in § 42.15(e) and (f) for clarity. For example, if the patent originally has three independent claims and the patent owner presents two new independent claims and cancels one independent claim in the

proceeding, the patent owner must submit a payment of the excess claim fee under § 42.15(e) (e.g., \$110 for a small entity) with the motion to amend.

The Office is also in a separate rulemaking proposing to set or adjust patent fees subsequently under section 10 of the AIA. Consequently, the fees set in this final rule will be superseded by the fees ultimately set in the section 10 rulemaking.

Comment 77: One comment requested clarification on whether the patent owner may continue to argue the original claim is patentable while presenting a proposed substituted claim.

Response: The patent owner may file a patent owner response that contains arguments to respond to the grounds of unpatentability and a motion to amend to present substituted claims.

Comment 78: A few comments requested clarification on whether the patent owner may present substitute claims without cancellation of existing claims.

Response: The patent owner may file a patent owner response that contains arguments to respond to the grounds of unpatentability and a motion to amend to present substituted claims. The presumption is that only one substitute claim would be needed to replace each challenged claim. In other words, each challenged claim that is being replaced

should be canceled unless the patent owner rebuts the presumption by a demonstration of need.

Comment 79: One comment sought clarification on whether the reexamination amendment rule, § 1.530, applies to inter partes review, post-grant review, and covered business method patent review proceedings.

Response: Patent owners are not required to submit amendments in accordance with § 1.530 in inter partes review, post-grant review, or covered business method patent review proceedings. Rather, amendments should be filed in compliance with § 42.121 or § 42.221, as noted in the Office Patent Trial Practice Guide.

Comment 80: A few comments suggested that patent owners should be permitted to file additional amendments throughout the proceeding, and that the rules should prescribe the standard for determining whether additional motions to amend are authorized, such as a good cause showing.

Response: In view of these comments, §§ 42.121(c) and 42.221(c), as adopted in this final rule, provide that an additional motion to amend may be authorized when there is a good cause showing.

Comment 81: One comment recommended that amendments be permitted in the patent owner's preliminary response.

Response: This suggestion is not adopted. A motion to amend the patent is not provided for until after the institution of a review. See 35 U.S.C. 316(d)(1), as amended, and 35 U.S.C. 326(d)(1).

Comment 82: One comment recommended that examples of claim language in papers other than a motion to amend the patent should be permitted and should not be considered to be an amendment.

Response: For the conference call with the Board, a patent owner may present the scope of the substitute claims that would be filed in the motion to amend. Otherwise, the recommendations of claim language should be filed in a motion to amend.

Comment 83: One comment was in favor of proposed §§ 42.121(b)(2) and 42.221(b)(2), and suggested that if the earlier filed disclosure is not in the English language, then a certified translation of the disclosure must be submitted with the amendment.

Response: Section 42.63(b) requires an English language translation of any non-English language document relied upon by a party, and an affidavit attesting to the accuracy of the translation.

Comment 84: A few comments suggested that proposed §§ 42.121(c)(2) and 42.221(c)(2) would procedurally deny amendments on substantive grounds. In particular,

the comments recommended that the Office should enter the amendment and substantively reject the claims. Another comment stated that this is a departure from the way the Office has implemented nearly identical statutory language in reissue and reexamination proceedings under 35 U.S.C. 251, 305, and 314 and that there is no statutory language that permits the Office to limit the first motion to amend. The second comment also stated that the proposed rules are inefficient because the Board's refusal of entry will constitute a determination of unpatentability of the substitute claims and substantial re-work will be required.

Response: In view of the comments, the Office reorganized the rules and added titles to clarify that the requirement for authorization applies only to additional motions to amend. In addition, the Office modified §§ 42.121(a) and 42.221(a) to make clear that any motions to amend (including the first motion to amend and any additional motions to amend) may be denied where the amendment does not respond to a ground of unpatentability, or seeks to enlarge the scope of the claims or introduce new matter. Failure to comply with this, or any other, requirement in the regulation may result in denial of the proposed amendment(s).

The requirements are consistent with the AIA. As discussed previously, 35 U.S.C. 316(a)(9), as amended, and 35 U.S.C. 326(a)(9) provide the Office with the authority to set forth standards and procedures for filing motions to amend the patent under 35 U.S.C. 316(d), as amended, and 35 U.S.C. 326(e). These statutory provisions of the AIA are not provided in the statutory provisions for reissue and reexamination

proceedings, e.g., 35 U.S.C. 251 and 305. In particular, since the reissue and reexamination statutory provisions do not provide that a patentee seeking the relief of amending a claim does so by motion, the reissue and reexamination statutory provisions for amendment were implemented in a different manner. The Office has also taken into account the considerations provided in 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) and believes the standards and procedures set forth in this final rule will enhance efficiency of the review proceedings.

Moreover, these rules will increase efficiency and prevent delays. For instance, when a patent owner facially cannot meet one of the requirements (e.g., no support for the new claims), it is more efficient to deny the authorization to file the additional motion to amend, because it would not be necessary for the petitioner to file an opposition and for the Board to wait for the opposition and provide a written decision on such a motion.

Comment 85: One comment suggested that the Office should establish a one-month deadline for the petitioner to propose any new grounds of rejection necessitated by the patent owner's amendment. Another comment suggested that the Office should prescribe a six-month deadline for filing the opposition to the first motion to amend in the rules.

Response: Concurrent with the decision to institute the review, the Board will enter a Scheduling Order. As discussed previously, the Scheduling Order will set due dates for the review taking into account the complexity of the proceeding, but ensuring that the trial is completed within one year of institution. The default Scheduling Order generally

will provide the petitioner with three months for discovery and for filing a petitioner's reply to the patent owner's response and any opposition to the motion to amend. Parties may request adjustments to the Scheduling Order at the initial conference call.

Comment 86: One comment suggested that the rules should expressly provide for the petitioner's right to present new evidence in an opposition to an amendment, and the patent owner's right to file a reply to petitioner's opposition to an amendment.

Response: Section 42.23 provides for oppositions and replies. As noted in the Office Patent Trial Practice Guide (Section H), a petitioner will be afforded an opportunity to respond fully to an amendment. The time for filing an opposition generally will be set in a Scheduling Order. No authorization is needed to file an opposition to an amendment. Petitioners may supplement evidence submitted with their petition to respond to new issues arising from proposed substitute claims. This includes the submission of new expert declarations that are directed to the proposed substitute claims. Additionally, § 42.23 provides that oppositions and replies must comply with the content requirements for motions, and a reply may only respond to arguments raised in the corresponding opposition. Section I of the Office Patent Trial Practice Guide also provides that a reply that raises a new issue or belatedly presents evidence will not be considered.

Multiple proceedings and joinder (§§ 42.122 and 42.222)

Comment 87: One comment asked for clarification as to what effect consolidating proceedings, for example, two post-grant review proceedings, would have on the total number of post-grant reviews allowed in a given year.

Response: Where multiple instituted proceedings are consolidated, each proceeding would be counted towards any limit that might be established as each is a separately instituted proceeding that is thereafter consolidated into a single proceeding.

Comment 88: One comment requested clarification on the timing for requesting joinder of parties or replacement of a consenting petitioner, and suggested that the Office permit joinder and replacement until the time of a final written decision under appropriate circumstances. The comment further suggested a list of factors that the Office might consider in determining whether to permit voluntary joinder or replacement (e.g., the impact on the Scheduling Order). Another comment requested guidance as to when joinder might occur.

Response: Joinder may be requested by filing a motion within one month of the date that the trial is instituted. When the Office determines whether to grant a motion for joinder, the Office will consider the particular facts of each case including how the consolidation of the reviews impacts the Office's ability to complete reviews timely. In view of this comment, the Office modified §§ 42.122 and 42.222 to provide expressly for the time period for filing a request for joinder.

The AIA, however, does not provide for the “replacement” of a party. A petitioner may settle with the patent owner and upon entering the joint request, the review will terminate with respect to the petitioner. 35 U.S.C. 317, as amended, and 35 U.S.C. 327.

Comment 89: Several comments requested clarification regarding the effect of a stay or joinder on the ability of the Office to complete review within the one-year period.

Response: In the case of joinder, the Director may adjust the time periods allowing the Office to manage the more complex case. 35 U.S.C. 316 (a)(11), as amended, and 35 U.S.C. 326(a)(11). When multiple proceedings involving a single patent are instituted, joinder would allow the Office to consolidate issues and to account for timing issues that may arise. If another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes or post-grant review will proceed including providing for a stay of one of the matters or proceedings. 35 U.S.C. 315(d), as amended, and 35 U.S.C. 325(d). A stay of a matter that suspends the time for taking actions is expected to be a rare occurrence. In considering whether to order a stay, the goal of completing the proceeding in a timely manner will be taken into account.

Comment 90: One comment asked what effect a reissue application filed after institution of post-grant or inter partes review would have on the order in which the proceedings

would be resolved. Another comment urged the Office not to merge an inter partes review with an ex parte proceeding due to different standards for conducting the proceedings.

Response: Under the rules, a stay, transfer, consolidation or termination would be an option in this situation. §§ 42.122 and 42.222. Both whether a stay, transfer, consolidation or termination would be ordered and the order of resolution would depend on particular facts and circumstances. The Board will take into consideration the impact on each proceeding on a case-by-case basis.

Supplemental Information (§§ 42.123 and 42.223)

Comment 91: Several comments opposed proposed §§ 42.123 and 42.223, providing for motions to file supplemental information. According to the comments, the petition should disclose the entirety of the petitioner's case, and the comments also expressed concerns that the petitioner may intentionally hold back some evidence which would be unfair to the patent owner. Conversely, other comments were in favor of the proposed rules, and noted that the procedure for submitting supplemental information is expressed provided in the AIA.

Response: Since the request must be made within one month of the date the trial is instituted, the patent owner will have sufficient time to address any new information submitted by the petitioner, except in the situation where the party satisfies the requirements of § 42.123(b) or 42.223(b). The Office understands the concerns related to

late submissions of supplemental information. Therefore, the Office has modified the proposed provisions set forth in §§ 42.123 and 42.223 to provide that any request not made within one month must show why the information reasonably could not have been obtained earlier, and that consideration for the supplemental information would be in the interests-of-justice. See §§ 42.123(b) and 42.223(b).

Further, supplemental information must be relevant to a claim for which the trial has been instituted. The final rule clarifies that if the submission is not relevant to a claim for which the trial has been instituted, the party must show that the information reasonably could not have been obtained earlier and that consideration of the supplemental information would be in the interests-of-justice. See §§ 42.123(c) and 42.223(c).

As other comments pointed out, 35 U.S.C. 316(a)(3), as amended, and 35 U.S.C. 326(a)(3) provide that the Director shall prescribe regulations establishing procedures for the submission of supplemental information after the petition is filed. Consistent with these statutory provisions, §§ 42.123 and 42.223, as adopted in this final rule, establish the procedures in which parties may file supplemental information.

Comment 92: Several comments suggested that the rules should permit a party to file a motion to file supplemental information, and suggested that the motion should be granted only for good cause or be limited to rebuttal evidence and/or evidence bearing on the credibility of witnesses.

Response: Petitioners are encouraged to set forth their best grounds of unpatentability and supporting evidence in their petitions, lest the petitioner risk a determination by the Board not to institute the review or deny the asserted grounds of unpatentability (§ 42.108(b)). Moreover, the Board may impose a sanction against a party for misconduct, including any action that harasses or causes unnecessary delay or cost (§ 42.12(a)(7)). Where a party needs to submit late supplemental information, the party must explain why the information reasonably could not have been obtained earlier, and that the consideration of the information would be in the interests-of-justice. If the Board grants such a motion, the Board may authorize the patent owner to take additional discovery or to file a motion to amend. Sections 42.121(c) and 42.221(c), as adopted in this final rule, clarify that in determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in § 42.121(a) or 42.221(a). The Board may also extend the time period for completing the review. Additionally, the Board may take into account whether a late submission represents an improper use of the proceeding. 35 U.S.C. 316(a)(6), as amended, and 35 U.S.C. 326(a)(6).

Comment 93: One comment stated that providing petitioners with a right to submit supplemental information will help ensure that all pertinent issues are resolved in the same proceeding, and suggested that the rule should allow petitioners to present new evidence obtained during discovery even for a new ground of unpatentability.

Response: As discussed previously, petitioners are strongly encouraged to submit all of the evidence that supports the grounds of unpatentability asserted in the petition.

Sections 42.123 and 42.223, as adopted in this final rule, provide that a party may seek authorization to file a motion to submit supplemental evidence relevant to a claim for which the trial has been instituted within one month of the date the trial is instituted. The rules also provide standards by which later motions may be granted where the evidence reasonably could not have been obtained earlier. While the evidence may be relevant to a new ground of unpatentability, the party, however, must additionally show that consideration of the supplemental evidence would be in the interests-of-justice.

Comment 94: One comment recommended the time period for requesting the authorization to file supplemental information should be shortened to two weeks.

Response: The Office believes that the one-month time period is appropriate so that a party has sufficient opportunity to request the authorization to file the motion at the initial conference call.

Comment 95: One comment noted that the rules do not provide for raising new grounds of unpatentability and suggested that the rules should clarify that no estoppel applies for new grounds of unpatentability.

Response: 35 U.S.C. 316(a)(3), as amended, and 35 U.S.C. 326(a)(3) provide that the Director is to promulgate regulations that establish procedures for the submission of

supplemental information after the petition is filed. The rules provide a timeframe for the submission of the supplemental information during the review. Whether a party is authorized to raise new grounds of unpatentability based upon the supplemental information will be determined on a case-by-case basis taking into account the particular facts surrounding supplemental information submitted.

Since estoppel applies for any ground that the petition raised or reasonably could have raised during the review (35 U.S.C. 315(e), as amended, and 35 U.S.C. 325(e)), estoppel would apply where a new ground is authorized.

Intervening rights

Comment 96: One comment recommended that the rules or Practice Guide should note that the intervening rights applicable to an inter partes review or post-grant review shall be based on 35 U.S.C. 318(c), as amended, and 35 U.S.C. 328(c) and 252 as interpreted by case law.

Response: Since the issue of intervening rights is not one decided by the Office in an inter partes review, post-grant review, or covered business method patent review, it is not necessary to include information regarding intervening rights in the rules of practice before the Office.

Practice Guide

Comment 97: One comment suggested that the timeline of the Practice Guide for Proposed Trial Rules favors the patentee and should be modified to allow the petitioner an additional month while shortening the patentee's time by a month. One comment suggested that in the scheduling order timeline of the Practice Guide for Proposed Trial Rules, a provision should be made for modification of the scheduling order based on good cause.

Response: The scheduling order in the Office Patent Trial Practice Guide is a general guideline based on the rules. The parties are encouraged to recommend particular dates within the general framework of the scheduling order that work for both, prior to the initial conference call. The parties also may stipulate to modify most of the deadlines set within the scheduling order. Any further modification must be by authorized motion. § 42.20(b). Whether such a motion would be authorized or granted depends on the particular circumstances of the case including the Office's ability to complete the review in a timely manner.

Covered Business Method Patent Review

Who may petition for a covered business method patent review (§ 42.302(a))

Comment 98: Several comments requested that the Office provide guidance as to the standard for satisfying the "charged with infringement" requirement. One comment suggested that the Office should clarify that the "charged with infringement" criterion is something more than the showing required to establish declaratory judgment jurisdiction.

Several other comments suggested that the standard should be based on the test for declaratory judgment jurisdiction. Lastly, one comment suggested that the rule should clarify that a patentee can discuss licensing with a party without making a charge of infringement.

Response: The suggestions are adopted in part. The Office will provide more guidance by providing a rule that sets forth the standard for “charged with infringement” in a revision to the Office Patent Trial Practice Guide. The final rule includes the standard based on the test for declaratory judgment jurisdiction in Federal court. The final rule provides that “charged with infringement” means a real and substantial controversy regarding infringement of a covered business method patent such that the petitioner would have standing to bring a declaratory judgment action in Federal court.

Time for filing petition for a covered business method patent review (§ 42.303)

Comment 99: One comment suggested that the proposed rule apparently precludes the filing of a business method patent review of any patent (i.e., first-to-invent and first-to-file patents) within the first nine months after that patent is issued, in violation of the AIA. The comment proposed that the Office change the language of the rule to make it clearer.

Response: The transitional review program is available for non-first-to-file patents, even within the first nine months of the grant of such patents. The rule is consistent with the

limitation set forth in section 18(a)(2) of the AIA, and therefore no change was made.
See § 42.302(a).

Content of petition for a covered business method patent review (§ 42.304(a))

Comment 100: Several comments suggested that the patentee should bear the burden of proof or persuasion to show that the patent in question is a technological invention. One comment suggested that the petitioner bears the burden to demonstrate that at least one claim is not directed to a technological invention.

Response: The Office adopts proposed § 42.304(a) without any modifications. The petitioner bears the burden to demonstrate that at least one claim is not directed to a technological invention to show that the petitioner has standing to proceed. Section 42.304(a) requires that the petitioner demonstrate that the patent for which review is sought is a covered business method patent. A covered business method patent is defined in part as not being for a technological invention. As part of demonstrating that the patent for which review is sought is a covered business method patent, the petitioner must demonstrate that the patent in question meets the definition of a covered business method patent, including demonstrating that the patent is not for a technological invention. The showing for both covered business method patent and technological invention is based on what is claimed.

Comment 101: One comment suggested that the Office clarify that the petitioner need only make a prima facie showing (rather than demonstrate) that the patent for which

review is sought is a covered business method patent and that the ultimate burden of persuasion be on the patentee to show that the patent is a technological invention.

Another comment suggested that the petitioner bears the burden of going forward and has the burden of persuasion that the subject matter is eligible for the Transitional Program for Covered Business Method Patents review.

Response: The Office adopts proposed § 42.304(a) in this final rule without any modifications. Section 42.304(a) requires that the petitioner demonstrate that the patent for which review is sought is a covered business method patent. A covered business method patent is defined in part as not being for a technological invention. As part of demonstrating that the patent for which review is sought is a covered business method patent, the petitioner must demonstrate that the patent in question meets the definition of a covered business method patent, including demonstrating that the patent is not for a technological invention. As provided in the preamble, to establish standing, a petitioner would be required to certify that the petitioner meets the eligibility requirements of § 42.302 and demonstrate that the patent is a covered business method.

Comment 102: One comment suggested that the proposed rules appear to contemplate that a petitioner could establish standing simply by certifying that it has standing, without any supporting facts or reasoning. The comment further expressed that proof of standing (showing that the petitioner has been sued for or charged with infringement) should be required, as well as a showing that the patent is a covered business method patent and that the technological invention exception does not apply.

Response: The Office adopts proposed § 42.304(a) in this final rule without any modifications. Section 42.304(a) requires that the petition under this section demonstrate that the petitioner has grounds for standing. To establish standing, a petitioner, at a minimum, would be required to certify with explanation that the patent is a covered business method patent and that the petitioner meets the eligibility requirements of § 42.302. This requirement is to ensure that a party has standing to file the covered business method patent review and would help prevent spuriously instituted reviews. Facially improper standing is a basis for denying the petition without proceeding to the merits of the decision.

Comment 103: One comment suggested that the Office conduct its eligibility requirements for a covered business method patent on a claim-by-claim basis and indicate in § 42.304(a) that the petitioner must demonstrate the grounds for standing for each claim for which review is sought.

Response: The petitioner must demonstrate standing and that the patent for which review is sought is a covered business method patent. § 42.304(a). The AIA defines a covered business method patent as a patent that claims a method or corresponding apparatus, as set forth at Section 18(d)(2). The AIA provides for a challenge to one or more claims within such a covered business method patent. The AIA does not limit the claims that may be challenged to those that are directed specifically to the covered business method.

Comment 104: One comment suggested that proposed § 42.301 fails to address the required nexus between a challenged business method patent and a financial product or service.

Response: Under the rules, the petitioner must demonstrate that the patent for which review is sought is a covered business method patent. § 42.304(a). Thus, a petitioner must show the challenged patent to be a patent that claims a method or corresponding apparatus for performing data processing or other operation used in the practice, administration, or management of a financial product or service, and which is not a technological invention.

Comment 105: One comment suggested that shortly after institution of a proceeding, the patent owner should be authorized to file a threshold motion challenging the standing of the petitioner.

Response: Under the rules, a patent owner should challenge standing no later than the filing of the patent owner preliminary response. § 42.207(a). Once a proceeding is initiated, a party wishing to challenge standing may challenge standing in its patent owner response.

Comment 106: Several comments suggested that the rules should require proof of standing for a transitional covered business method patent review, i.e., require a showing

that the petitioner has been sued or charged for infringement and that the patent at issue it is a covered business method patent.

Response: Under the rules, the petitioner must demonstrate standing and that the patent for which review is sought is a covered business method patent. § 42.304(a). The petition is required to show specifically that it meets the requirements of § 42.302, i.e., that the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner has been sued for infringement of the patent or has been charged with infringement under that patent. A showing can only be made through sufficient proof.

Comment 107: One comment suggested that the rules should implement the requirements of section 18(a)(1)(C) of the AIA.

Response: The comment is adopted. Section 42.304(b)(2), as adopted in this final rule, implements the requirements of section 18(a)(1)(C) of the AIA.

Rulemaking Considerations

The rulemaking considerations for the series of final rules for implementing the administrative patent trials as required by the AIA have been considered together and are based upon the same assumptions, except where differences between the regulations and proceedings that they implement require additional or different information. Notably, this final rule is directed to specific procedures for inter partes review, post-grant review,

and covered business method patent review, and therefore, does not depend on or discuss the responses or information related to other than derivations.

A. Administrative Procedure Act (APA): This final rule revises the rules of practice concerning the procedure for requesting an inter partes review, post-grant review, and covered business method patent review, and the trial process after initiation of such a review. The changes being adopted in this notice do not change the substantive criteria of patentability. These changes involve rules of agency practice, standards and procedure and/or interpretive rules. See *Bachow Commc'ns Inc. v. F.C.C.*, 237 F.3d 683, 690 (D.C. Cir. 2001) (rules governing an application process are procedural under the Administrative Procedure Act); *Inova Alexandria Hosp. v. Shalala*, 244 F.3d 342, 350 (4th Cir. 2001) (rules for handling appeals were procedural where they did not change the substantive standard for reviewing claims); *Nat'l Org. of Veterans' Advocates, Inc. v. Sec'y of Veterans Affairs*, 260 F.3d 1365, 1375 (Fed. Cir. 2001) (rule that clarifies interpretation of a statute is interpretive); *JEM Broad. Co. v. F.C.C.*, 22 F.3d 320, 328 (D.C. Cir. 1994) (The rules are not legislative because they do not “foreclose effective opportunity to make one’s case on the merits”). Moreover, sections 6 and 18 of the AIA require the Director to prescribe regulations for implementing the new trials.

Accordingly, prior notice and opportunity for public comment are not required pursuant to 5 U.S.C. 553(b) or (c) (or any other law), and thirty-day advance publication is not required pursuant to 5 U.S.C. 553(d) (or any other law). See *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus

35 U.S.C. 2(b)(2)(B), does not require notice and comment rulemaking for “interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice”) (quoting 5 U.S.C. 553(b)(A)). The Office, however, published these proposed changes for comment as it sought the benefit of the public’s views on the Office’s proposed implementation of these provisions of the AIA. See Changes to Implement Inter Partes Review Proceedings, 77 FR 7041 (Feb. 10, 2012); Changes To Implement Post-Grant Review Proceedings, 77 FR 7060 (Feb. 10, 2012); and Changes To Implement Transitional Program for Covered Business Method Patents, 77 FR 7080 (Feb. 10, 2012).

The Office received one written submission of comments from the public regarding the Administrative Procedure Act. Each component of that comment directed to the APA is addressed below.

Comment 108: One comment suggested that almost all of the proposed regulations were legislative and not interpretive rules. That leads the USPTO to omit required steps in the rulemaking process.

Response: At the outset, it should be noted that the Office did not omit any steps in the rulemaking process. Even though not legally required, the Office published notices of proposed rulemaking in the Federal Register, solicited public comment, and fully considered and responded to comments received. Although the Office sought the benefit of public comment, these rules are procedural and/or interpretive. Stevens v. Tamai, 366

F3d. 1325, 1333-34 (Fed. Cir. 2004) (upholding the Office’s rules governing the procedure in patent interferences). The final written decisions on patentability which conclude the reviews will not be impacted by the regulations, adopted in this final rule, as the decisions will be based on statutory patentability requirements, e.g., 35 U.S.C. 101 and 102.

Comment 109: One comment suggested that, even if the rules are merely procedural, reliance on Cooper Technologies. Co. v. Dudas was not appropriate and therefore notice and comment was required.

Response: These rules are consistent with the AIA requirements to prescribe regulations to set forth standards and procedures. The rules are procedural and/or interpretative. Stevens v. Tamai, 366 F.3d 1325, 1333-34 (Fed. Cir. 2004) (upholding the Office’s rules governing the procedure in patent interferences). The Office nevertheless published notices of proposed rulemaking in the Federal Register, solicited public comment, and fully considered and responded to comments received. In both the notice of proposed rulemaking and this final rule, the Office cites Cooper Technologies. Co v. Dudas, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008), for the proposition that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), does not require notice and comment rulemaking for “interpretive rules, general statement of policy, or rules of agency organization, procedure or practice.” The Office’s reliance on Cooper Technologies is appropriate and remains an accurate statement of administrative law. In any event, the Office sought the benefit of public

comment on the proposed rules and has fully considered and responded to the comments received.

B. Final Regulatory Flexibility Act Analysis:

The Office estimates that 420 petitions for inter partes review and 50 petitions for post-grant review and covered business method patent review combined will be filed in fiscal year 2013. In fiscal year 2014, it is estimated that 450 inter partes review and 60 petitions for post-grant review and covered business method patent review combined will be filed. In fiscal year 2015, it is estimated that 500 inter partes review and 110 petitions for post-grant review and covered business method patent review combined will be filed.

The estimate for inter partes review petitions is based partially on the number of inter partes reexamination requests under § 1.915 that have been filed in fiscal years 2010, 2011 and the first half of fiscal year 2012. The rate of growth of inter partes reexamination filing has slowed considerably in FY 2012 to roughly 2.6% (374 filings in FY 2011, 192 filings in the first half of FY 2012). Assuming some increase in growth rate had the AIA not been enacted, it is reasonable to estimate that no more than 420 inter partes reexamination requests would have been filed in FY 2012 and that a similar number of inter partes reviews will be filed in FY 2013.

The Office received 281 requests for inter partes reexamination in fiscal year 2010. See Table 13B of the United States Patent and Trademark Office Performance and

Accountability Report Fiscal Year 2010, available at
<http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf>.

The Office received 374 requests for inter partes reexamination in fiscal year 2011.
See Table 14B of the United States Patent and Trademark Office Performance and
Accountability Report for Fiscal Year 2011, available at
<http://www.uspto.gov/about/stratplan/ar/2011/USPTOFY2011PAR.pdf>.

The Office received 192 requests for inter partes reexamination in the first half of fiscal
year 2012.
See http://www.uspto.gov/patents/stats/reexam_operational_statistics_FY12Q2.pdf.

Additionally, the Office takes into consideration the recent moderate growth rate in the
number of requests for inter partes reexamination, the projected growth due to an
expansion in the number of eligible patents under the inter partes review provisions of
section 6(c) of the AIA, and the more restrictive filing time period in 35 U.S.C. 315(b) as
amended by the AIA.

In fiscal year 2013, it is expected that no post-grant review petitions will be received,
other than those filed under the transitional program for covered business method patents.
Thus, the estimated number of post-grant review petitions including covered business
method patent review petitions is based on the number of inter partes reexamination
requests filed in fiscal year 2011 for patents having an original classification in class 705

of the United States Patent Classification System. Class 705 is the classification for patents directed to data processing in the following areas: financial, business practice, management, or cost/price determination. See
<http://www.uspto.gov/web/patents/classification/uspc705/sched705.pdf>.

The following is the class definition and description for Class 705:

This is the generic class for apparatus and corresponding methods for performing data processing operations, in which there is a significant change in the data or for performing calculation operations wherein the apparatus or method is uniquely designed for or utilized in the practice, administration, or management of an enterprise, or in the processing of financial data.

This class also provides for apparatus and corresponding methods for performing data processing or calculating operations in which a charge for goods or services is determined.

This class additionally provides for subject matter described in the two paragraphs above in combination with cryptographic apparatus or method.

Subclasses 705/300-348 were established prior to complete reclassification of all project documents. Documents that have not yet been reclassified have been placed in 705/1.1. Until reclassification is finished a complete search of 705/300-348 should include a search of 705/1.1. Once the project documents in 705/1.1 have been reclassified they will be moved to the appropriate subclasses and this note will be removed.

SCOPE OF THE CLASS

1. The arrangements in this class are generally used for problems relating to administration of an organization, commodities or financial transactions.
2. Mere designation of an arrangement as a “business machine” or a document as a “business form” or “business chart” without any particular business function will not cause classification in this class or its subclasses.

3. For classification herein, there must be significant claim recitation of the data processing system or calculating computer and only nominal claim recitation of any external art environment. Significantly claimed apparatus external to this class, claimed in combination with apparatus under the class definition, which perform data processing or calculation operations are classified in the class appropriate to the external device unless specifically excluded therefrom.

4. Nominally claimed apparatus external to this class in combination with apparatus under the class definition is classified in this class unless provided for in the appropriate external class.

5. In view of the nature of the subject matter included herein, consideration of the classification schedule for the diverse art or environment is necessary for proper search.

See Classification Definitions (Feb. 2011) available at

<http://www.uspto.gov/web/patents/classification/uspc705/defs705.htm>.

Accordingly, patents subject to covered business method patent review are anticipated to be typically classifiable in Class 705. It is anticipated that the number of patents in Class 705 that do not qualified as covered business method patents would approximate the number of patents classified in other classes that do qualify.

The Office received 20 requests for inter partes reexamination of patents classified in Class 705 in fiscal year 2011. The Office estimates the number of petitions for covered business method patent review to be higher than 20 requests due to an expansion of grounds for which review may be requested including subject matter eligibility grounds, the greater coordination with litigation, and the provision that patents will be eligible for the proceeding regardless of filing date of the application which resulted in the patent.

The Office estimates zero growth in the number of petitions for covered business method review in fiscal year 2014 and 2015.

It is not anticipated that any post-grant review petitions will be received in fiscal year 2013 as only patents issuing based on certain applications filed on or after March 16, 2013, or certain applications involved in an interference proceeding commenced before September 16, 2012, are eligible for post-grant review. See Pub. L. 112-29, sec. 6(f), 125 Stat. 284, 311 (2011). It is estimated that 10 petitions for post-grant review will be filed in fiscal year 2014 and 60 petitions will be filed in fiscal year 2015.

The Office has updated its review of the entity status of patents for which inter partes reexamination was requested from October 1, 2000, to May 18, 2012. This data only includes filings granted a filing date rather than filings in which a request was received. The first inter partes reexamination was filed on July 27, 2001. A summary of that review is provided in Table 1 below. As shown by Table 1, patents known to be owned by a small entity represented 32.09% of patents for which inter partes reexamination was requested. Based on an assumption that the same percentage of patents owned by small entities will be subject to inter partes review, it is estimated that 146 petitions for inter partes review would be filed to seek review of patents owned by a small entity annually in fiscal years 2013-2015. Based on an assumption that the same percentage of patents owned by small entities will be subject to post-grant or covered business method patent review, it is estimated that 24 petitions for covered business method patent review would

be filed to seek review of patents owned by a small entity annually in fiscal years 2013-2015.

Table 1:

<u>Inter partes</u> Reexamination Requests Filed with Parent Entity Type*			
Fiscal Year	<u>Inter partes</u> Reexamination Requests Filed	Number Filed Where Parent Patent Is Small Entity Type	Percentage of Small Entity- Type of Total
2012	226	85	37.61%
2011	369	135	36.59%
2010	255	89	34.9%
2009	237	61	25.74%
2008	155	51	32.9%

2007	127	32	25.2%
2006	61	16	26.23%
2005	59	20	33.9%
2004	26	5	19.23%
2003	21	12	57.14%
2002	4	1	25.00%
2001	1	0	0.00%
	1315	422	32.09

* Small entity status determined by reviewing preexamination small entity indicator for the parent patent.

Based on the number of patents issued during fiscal years 1995 through 1999 that paid the small entity third-stage maintenance fee, the number of patents issued during fiscal years 2000 through 2003 that paid the small entity second stage maintenance fee, the number of patents issued during fiscal years 2004 through 2007 that paid the small entity first-stage maintenance fee, and the number of patents issued during fiscal years 2008 through 2011 that paid a small entity issue fee, there are approximately 375,000 patents owned by small entities in force as of October 1, 2011.

Furthermore, the Office recognizes that there would be an offset to this number for patents that expire earlier than 20 years from their filing date due to a benefit claim to an earlier application or due to a filing of a terminal disclaimer. The Office likewise recognizes that there would be an offset in the opposite manner due to the accrual of patent term extension and adjustment. The Office, however, does not maintain data on the date of expiration by operation of a terminal disclaimer. Therefore, the Office has not adjusted the estimate of 375,000 patents owned by small entities in force as of October 1, 2011. While the Office maintains information regarding patent term extension and adjustment accrued by each patent, the Office does not collect data on the expiration date of patents that are subject to a terminal disclaimer. As such, the Office has not adjusted the estimate of 375,000 patents owned by small entities in force as of October 1, 2011, for accrual of patent term extension and adjustment, because in view of the incomplete terminal disclaimer data issue, any adjustment would be incomplete and would be

administratively burdensome to estimate. Thus, it is estimated that the number of small entity patents in force in fiscal year 2013-2015 will be approximately 375,000.

Based on the estimated number of patents in force, the average number of small entity-owned patents impacted by inter partes review annually in fiscal year 2013-2015 (146 patents) would be less than 0.05% (146/375,000) of all patents in force that are owned by small entities. Moreover, post-grant review and covered business method patent review would have an even smaller impact.

1. Description of the Reasons That Action by the Office Is Being Considered: The Office is revising the rules of practice to implement inter partes review, post-grant review, and the transitional program for covered business method patent review provisions of the AIA, which take effect September 16, 2012. Pub. L. 112-29, §§ 6 (c) and (f), and § 18, 125 Stat. 284, 304, 311 and 330 (2011). The AIA requires the Office to issue regulations to implement the new administrative trials.

2. Statement of the Objectives of, and Legal Basis for, the Final Rules: This final rule is part of a series of rules that implement the new administrative trials authorized by the AIA. Specifically, this final rules implement specific aspects of the inter partes review, post-grant review, and the transitional program for covered business method patent review proceedings as authorized by the AIA. The AIA requires that the Director prescribe rules for the inter partes reviews, post-grant reviews, and covered business method patent reviews that result in a final determination not later than one year after the

date on which the Director notices the institution of a proceeding. The one-year period may be extended for not more than six months if good cause is shown. See 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11). The AIA also requires that the Director, in prescribing rules for inter partes reviews, post-grant reviews, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete, in a timely fashion, the instituted proceedings. See 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). Consistent with the time periods provided in 35 U.S.C. 316(a)(11), as amended, and 35 U.S.C. 326(a)(11), the rules are designed to result in a final determination by the Patent Trial and Appeal Board within one year of the notice of initiation of the review, except where good cause is shown to exist. This one-year review will enhance the economy, improve the integrity of the patent system, and promote the efficient administration of the Office.

3. Statement of significant issues raised by the public comments in response to the IRFA and the Office's response to such issues.

The Office published an IRFA analysis to consider the economic impact of the proposed rules on small entities. See [Changes to Implement Inter Partes Review Proceedings](#), 77 FR 7041, 7048-55 (Feb. 10, 2012). The Office received one written submission of comments from the public concerning the Regulatory Flexibility Act. Each component of that comment directed to the Regulatory Flexibility Act is addressed below.

Comment 110: One comment argued that non-office costs and burden should include the burden on small entity patent owners, petitioners, and licensees, as well as settlement burdens, disruption of businesses, or effects on investment, business formation or employment. The comment further argued that prophylactic application steps (e.g., filing of reissue applications) were not considered and that the offsets for inter partes reexamination's elimination were not appropriate.

Response: As explained in the notice of proposed rulemaking, the Office notes that inter partes reexamination is the appropriate baseline for estimating economic impacts because the use or outcome of the prior reexamination process and the new trial are largely the same. See OMB Circular A4, at (e)(3). The Office estimated that the same number of patents would be subject to inter partes review as would have been subject to inter partes reexamination. The comment did not argue that this estimate was unreasonable or provide an alternative estimate. Considering the similarities in the grounds of review and the number of patents subject to the proceedings, it is anticipated that the existing inter partes reexamination process, if not eliminated for new filings, would have had similar impact on the economy as the new review proceedings and therefore the impacts noted in the comment would simply replace existing analogous impacts and effects in inter partes reexamination. The comment argues that no offset for the replaced process should be considered although OMB guidance provides otherwise. See OMB Circular A4. Additionally, although the comment argues that the new proceedings may result in patent owners taking additional prophylactic measures that would have their own burdens for small businesses, any patent owner motivated by the regulations adopted in this final rule

to take prophylactic application steps would similarly have been motivated to take those steps under the former inter partes reexamination regime. Thus, the burdens on small entity patent owners, petitioners, and licensees, as well as settlement burdens, disruption of businesses, or effects on investment, business formation or employment that are caused by the final rules would have been similarly caused by the former inter partes reexamination proceedings as the same effects and impacts are caused by the two types of proceedings.

Additionally, the Office's estimates of the burden on small entities are likely overstated. As noted in the notice of proposed rulemaking, it is anticipated that the current significant overlap between district court litigation and inter partes reexamination may be reduced by improvement in the coordination between the two processes. See Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR at 6903. Similarly, it is anticipated that the public burden will be reduced because the longer duration of the inter partes reexamination process will be reduced owing to the anticipated shorter duration of the new procedure. Id.

Comment 111: A comment indicated that the underlying data for the 98.7 hours of judge time for an inter partes review proceeding was not provided.

Response: Based on the Office's experience involving similar proceedings, the Office estimates that, on average, an inter partes review proceeding will require 35 hours of

judge time to make a decision on institution, 20 hours of judge time to prepare for and conduct hearings, 60 hours of judge time to prepare and issue a final decision, and 15 hours of judge time to prepare and issue miscellaneous interlocutory decisions. It is also estimated that 2.5% of proceedings will settle before a decision of whether to institute is made and another 2.5% of proceedings will terminate by patent owners filing a default judgment motion after institution. The Office estimates that 10% of proceedings will not be instituted and another 20% of proceedings will settle after institution. In settled cases it is estimated that 50% of the anticipated motions would not be filed. It should be appreciated that cases that terminate prior to the need to render a decision on institution, that do request an oral hearing or do not require a final decision because of an earlier termination result in an average judge time per proceeding which is less than the time needed to perform all possible steps in a proceeding.

4. Description and Estimate of the Number of Affected Small Entities:

A. Size Standard and Description of Entities Affected. The Small Business Administration's (SBA) small business size standards applicable to most analyses conducted in compliance with the Regulatory Flexibility Act are set forth in 13 CFR 121.201. These regulations generally define small businesses as those with fewer than a specified maximum number of employees or less than a specified level of annual receipts for the entity's industrial sector or North American Industry Classification System (NAICS) code. As provided by the Regulatory Flexibility Act, and after consultation with the Small Business Administration, the Office formally adopted an alternate size standard as the size standard for the purpose of conducting an analysis or

making a certification under the Regulatory Flexibility Act for patent-related regulations. See Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations, 71 FR 67109 (Nov. 20, 2006), 1313 Off. Gaz. Pat. Office 60 (Dec. 12, 2006). This alternate small business size standard is the SBA's previously established size standard that identifies the criteria entities must meet to be entitled to pay reduced patent fees. See 13 CFR 121.802. If patent applicants identify themselves on a patent application as qualifying for reduced patent fees, the Office captures this data in the Patent Application Location and Monitoring (PALM) database system, which tracks information on each patent application submitted to the Office.

Unlike the SBA small business size standards set forth in 13 CFR 121.201, the size standard for the USPTO is not industry-specific. Specifically, the Office's definition of small business concern for Regulatory Flexibility Act purposes is a business or other concern that: (1) meets the SBA's definition of a "business concern or concern" set forth in 13 CFR 121.105; and (2) meets the size standards set forth in 13 CFR 121.802 for the purpose of paying reduced patent fees, namely, an entity: (a) whose number of employees, including affiliates, does not exceed 500 persons; and (b) which has not assigned, granted, conveyed, or licensed (and is under no obligation to do so) any rights in the invention to any person who made it and could not be classified as an independent inventor, or to any concern which would not qualify as a non-profit organization or a small business concern under this definition. See Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-

Related Regulations, 71 FR at 67112 (Nov 20, 2006), 1313 Off. Gaz. Pat. Office at 63 (Dec. 12, 2006).

B. Overview of Estimates of Number of Entities Affected. The rules will apply to any small entity that either files a petition for inter partes review, post-grant review, or covered business method patent review or owns a patent subject to such review. As discussed above (which is incorporated here), it is anticipated that 420 petitions for inter partes review and 50 petitions for post-grant review and covered business method patent review combined will be filed in fiscal year 2013. In fiscal year 2014, it is estimated that 450 inter partes review and 60 petitions for post-grant review and covered business method patent review combined will be filed. In fiscal year 2015, it is estimated that 500 inter partes review and 110 petitions for post-grant review and covered business method patent review combined will be filed. The Office has reviewed the percentage of patents owned by small entities for which inter partes reexamination was requested from October 1, 2000, to May 18, 2012. A summary of that review is provided in Table 1 above. As demonstrated by Table 1, patents known to be owned by a small entity represent 32.09% of patents for which an inter partes reexamination was requested. Based on an assumption that the same percentage of patents owned by small entities will be subject to the new review proceedings, it is estimated that 146 patents owned by small entities would be affected annually by inter partes review, and that 24 patents owned by small entities would be affected annually by a post-grant review or covered business method patent review.

The USPTO estimates that 2.5% of patent owners will file a request for adverse judgment prior to a decision to institute and that another 2.5% will file a request for adverse judgment or fail to participate after initiation. Thus, an estimated 22 patent owners will annually file a request for adverse judgment or fail to participate after institution in inter partes review, and an estimated four patent owners will annually do so in post-grant review and covered business method patent review proceedings combined. Based on the percentage of small entity-owned patents that were the subject of inter partes reexamination (32.09%) from October 1, 2000, to May 18, 2012, it is estimated that seven small entities will annually file such requests or fail to participate in inter partes review proceedings, and an estimated one small entity will annually do so in post-grant review or covered business method patent review combined.

Under the final rules, prior to determining whether to institute a review, the patent owner may file an optional patent owner preliminary response to the petition. Given the new time period requirements to file a petition for review before the Board, relative to patent enforcement proceedings, and the desire to avoid the cost of a trial and delays to related infringement actions, it is anticipated that 90% of petitions, other than those for which a request for adverse judgment is filed, will annually result in the filing of a patent owner preliminary response. Where an inter partes review petition is filed close to the expiration of the one-year period set forth in 35 U.S.C. 315(b), as amended, a patent owner likely would be advantaged by filing a successful preliminary response. In view of these considerations, it is anticipated that 90% of patent owners will annually file a preliminary response. Specifically, the Office estimates that 401 patent owners will

annually file a preliminary response to an inter partes review petition, and an estimated 64 patent owners will annually file a preliminary response to a post-grant review or covered business method patent review petition. Based on the percentage of small entity-owned patents that were the subject of inter partes reexamination (32.09%), it is estimated that on average 129 small entities will annually file a preliminary response to an inter partes review petition, and 21 small entities will annually file a preliminary response to a post-grant review or covered business method patent review petition in fiscal years 2013-2015.

Under the final rules, the Office will determine whether to institute a trial within three months after the earlier of: (1) the submission of a patent owner preliminary response, (2) the waiver of filing a patent owner preliminary response, or (3) the expiration of the time period for filing a patent owner preliminary response. If the Office decides not to institute a trial, the petitioner may file a request for reconsideration of the Office's decision. In estimating the number of requests for reconsideration, the Office considered the percentage of inter partes reexaminations that were denied relative to those that were ordered (24 divided by 342, or 7%) in fiscal year 2011. See Reexaminations – FY 2011, available at http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf. The Office also considered the impact of: (1) patent owner preliminary responses newly authorized in 35 U.S.C. 313, as amended, and 35 U.S.C. 323; (2) the enhanced thresholds for instituting reviews set forth in 35 U.S.C. 314(a), as amended, and 35 U.S.C. 324(a), which would tend to increase the likelihood of dismissing a petition for

review; and (3) the more restrictive time period for filing a petition for review in 35 U.S.C. 315(b), as amended, and 35 U.S.C. 325(b), which would tend to reduce the likelihood of dismissing a petition. Based on these considerations, it is estimated that approximately 10% of the petitions for review (51 divided by 516) would be dismissed annually based on reviews filed during FY 2013-2015.

During fiscal year 2011, the Office issued 21 decisions following a request for reconsideration of a decision on appeal in inter partes reexamination. The average time from original decision to decision on reconsideration was 4.4 months. Thus, the decisions on reconsideration were based on original decisions issued from July 2010 until June 2011. During this time period, the Office mailed 63 decisions on appeals in inter partes reexamination. See BPAI Statistics – Receipts and Dispositions by Technology Center, available at <http://www.uspto.gov/ip/boards/bpai/stats/receipts/index.jsp> (monthly data). Based on the assumption that the same rate of reconsideration (21 divided by 63 or 33.333%) will occur, the Office estimates that 17 requests for reconsideration (51 decisions not to institute multiplied by 33.333%) will be filed. Based on the percentage of small entity-owned patents that were the subject of inter partes reexamination (32.09%) it is estimated that six small entities will file a request for a reconsideration of a decision dismissing the petition for review in fiscal year 2013. Further, the Office estimates that it will issue 321 final written decisions for inter partes reviews and 51 final written decisions for post-grant reviews, including cover business method patent reviews annually. Applying the same 33.333% rate, the Office estimates 124 requests for reconsiderations ((321+51) multiplied by 33.333%) will be filed based

on the final written decisions annually. Therefore, the Office estimates a total of 141 (17+124) requests for reconsiderations annually.

The Office reviewed motions, oppositions, and replies in a number of contested trial proceedings before the trial section of the Board. The review included determining whether the motion, opposition, and reply were directed to patentability grounds and non-priority non-patentability grounds. This series of final rules adopts changes to permit parties to agree to certain changes from the default process between themselves without filing a motion with the Board. Based on the changes in the final rules, the estimate of the number of motions has been revised downwardly so that it is now anticipated that: (1) inter partes reviews will have an average of 6 motions, oppositions, and replies per trial after institution, and (2) post-grant reviews and covered business method patent reviews will have an average of 8 motions, oppositions, and replies per trial after institution. Settlement is estimated to occur in 20% of instituted trials at various points of the trial. In trials that are settled, it is estimated that only 50% of the noted motions, oppositions, and replies would be filed. The Office envisions that most motions will be decided in a conference call or shortly thereafter.

After a trial has been instituted but prior to a final written decision, parties to a review may request an oral hearing. It is anticipated that 479 requests for oral hearings will be filed annually during FY 2013-2015 based on the number of requests for oral hearings in inter partes reexamination, the stated desirability for oral hearings during the legislative process, and the public input received prior to the notice of proposed rulemaking.

Based on the percentage of small entity-owned patents that were the subject of inter partes reexamination (32.09%), it is estimated that 154 small entity patent owners or petitioners will on average annually file a request for oral hearing in the reviews instituted in fiscal years 2013-2015.

Parties to a review may file requests to treat a settlement as business confidential and requests for adverse judgment. A written request to make a settlement agreement available may also be filed. Given the short time period set for conducting trials, it is anticipated that the alternative dispute resolution options will be infrequently used. The Office estimates that 20 requests to treat a settlement as business confidential and 116 requests for adverse judgment, default adverse judgment, or settlement notices will be filed annually. The Office also estimates that 20 requests to make a settlement available will be filed annually. Based on the percentage of small entity-owned patents that were the subject of inter partes reexamination (32.09%), it is estimated that six small entities will annually file a request to treat a settlement as business confidential and 37 small entities will annually file a request for adverse judgment, default adverse judgment notices, or settlement notices in fiscal years 2013-2015.

Parties to a review may seek judicial review of the final decision of the Board.

Historically, 33% of examiners' decisions in inter partes reexamination proceedings have been appealed to the Board. Given the increased coordination with district court litigation, that Office has adjusted its estimate of the appeal rate to be 120% of the historic rate (40% of decisions). Based on this rate, 145 additional notices of appeal will

be filed annually from the decisions issued in the new reviews during fiscal years 2013-2015. Based on the percentage of small entity-owned patents that were the subject of inter partes reexamination (32.09%) it is estimated that 47 small entities would annually seek judicial review of final decisions of the Board in the new reviews in fiscal years 2013-2015.

5. Description of the Reporting, Recordkeeping, and Other Compliance

Requirements of the Final Rule, Including an Estimate of the Classes of Small

Entities Which Will Be Subject to the Requirement and the Type of Professional

Skills Necessary for Preparation of the Report or Record:

Based on the filing trends of inter partes reexamination requests, it is anticipated that petitions for review will be filed across all technologies with approximately 50% being filed in electrical technologies, approximately 30% in mechanical technologies, and the remaining 20% in chemical technologies and design. However, covered business method patent reviews would be limited to covered business method patents that are not patents for technological inventions. Under the final rules, a person who is not the owner of a patent may file a petition to institute a review of that patent, with a few exceptions. Given this, it is anticipated that a petition for review is likely to be filed by an entity practicing in the same or similar field as the patent. Therefore, it is anticipated that 50% of the petitions for review will be filed in the electronic fields, 30% in the mechanical field, and 20% in the chemical or design fields.

The procedures for petitions to institute an inter partes review include those set forth in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(1), 42.63, 42.65, and 42.101 through 42.105. The procedures for petitions to institute a post-grant review include those set forth in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(2), 42.63, 42.65, and 42.201 through 42.205. The procedures for petitions to institute a covered business method patent review include those set forth in §§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(3), 42.63, 42.65, 42.203, 42.205, and 42.302 through 42.304.

The skills necessary to prepare a petition for review and to participate in a trial before the Patent Trial and Appeal Board would be similar to those needed to prepare a request for inter partes reexamination and to represent a party in an inter partes reexamination before the Board. The level of skill typically is possessed by a registered patent practitioner having devoted professional time to the particular practice area, typically under the supervision of a practitioner skilled in the particular practice area. Where authorized by the Board, a non-registered practitioner may be admitted pro hac vice, on a case-by-case basis based on the facts and circumstances of the trial and party, as well as the skill of the practitioner.

The cost of preparing a petition for inter partes review is anticipated to be the same as the cost for preparing a request for inter partes reexamination. The American Intellectual Property Law Association's AIPLA Report of the Economic Survey 2011 reported that the average cost of preparing a request for inter partes reexamination was \$46,000.

Based on the work required to prepare and file such a request, the Office considers the reported cost as a reasonable estimate. Accordingly, the Office estimates that the cost of preparing a petition for inter partes review would be \$46,000.

The cost of preparing a petition for post-grant review or covered business method patent review is estimated to be 33.333% higher than the cost of preparing a petition for inter partes review because the petition for post-grant review or covered business method patent review may seek to institute a proceeding on additional grounds such as subject matter eligibility. Therefore, the Office estimates that the cost of preparing a petition for post-grant review or covered business method patent review would be \$61,333.

The filing of a petition for review would also require payment by the petitioner of the appropriate petition fee to recover the aggregate cost for providing the review. The appropriate petition fee would be determined by the number of claims for which review is sought and the type of review. The fees for filing a petition for inter partes review are: \$27,200 for requesting review of 20 or fewer claims, and \$600 for each claim in excess of 20 for which review is sought. The fees for filing a petition for post-grant review or covered business method patent review would be: \$35,800 to request review of 20 or fewer claims and \$800 for each claim in excess of 20 for which review is sought.

In setting fees, the estimated information technology (IT) cost to establish the process and maintain the filing and storage system through 2017 is to be recovered by charging each petition an IT fee that has a base component of \$1,705 for requests to review 20 or fewer

claims. The IT component fee would increase \$75 per claim in excess of 20. The remainder of the fee is to recover the cost for judges to determine whether to institute a review and conduct the review, together with a proportionate share of indirect costs, e.g., rent, utilities, additional support, and administrative costs. Based on the direct and indirect costs, the fully burdened cost per hour for judges to decide a petition and conduct a review is estimated to be \$258.32.

For a petition for inter partes review with 20 or fewer challenged claims, it is anticipated that about 100 hours of time for review by the judges would be required. An additional two hours for each claim in excess of 20 would be required.

For a petition for post-grant review or covered business method patent review with 20 or fewer challenged claims, it is anticipated that about 130 hours of time for review by the judges will be required. An additional slightly less than 3 hours of judge time for each claim in excess of 20 would be required.

The rules permit the patent owner to file a preliminary response to the petition setting forth the reasons why no review should be initiated. The procedures for a patent owner to file a preliminary response as an opposition are set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, 42.120, 42.207, and 42.220. The patent owner is not required to file a preliminary response. The Office estimates that the preparation and filing of a patent owner preliminary response would require 91.6 hours of professional time and cost \$34,000. The AIPLA Report of

the Economic Survey 2011 reported that the average cost for inter partes reexamination including the request (\$46,000), the first patent owner response, and third party comments was \$75,000 (see page I-175) and the mean billing rate for professional time was \$371 per hour for attorneys in private firms (see page 8). Thus, the cost of the first patent owner reply and the third-party statement is \$29,000, the balance of \$75,000 minus \$46,000. The Office finds these costs to be reasonable estimates. The patent owner reply and third party statement, however, occur after the examiner has made an initial threshold determination and made only the appropriate rejections. Accordingly, it is anticipated that filing a patent owner preliminary response to a petition for review would cost more than the initial reply in a reexamination, an estimated \$34,000.

The Office will determine whether to institute a trial within three months after the earlier of: (1) the submission of a patent owner preliminary response, (2) the waiver of filing a patent owner preliminary response, or (3) the expiration of the time period for filing a patent owner preliminary response. If the Office decides not to institute a trial, the petitioner may file a request for reconsideration of the Office's decision. It is anticipated that a request for reconsideration will require 80 hours of professional time to prepare and file, for a cost of \$29,680. This estimate is based on the complexity of the issues and desire to avoid time bars imposed by 35 U.S.C. 315(b), as amended, and 35 U.S.C. 325(b).

Following institution of a trial, the parties may be authorized to file various motions, e.g., motions to amend and motions for additional discovery. Where a motion is authorized,

an opposition may be authorized, and where an opposition is authorized, a reply may be authorized. The procedures for filing a motion include those set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.22, 42.24(a)(5), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.121, 42.221, 42.123, and 42.223. The procedures for filing an opposition include those set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, 42.120, 42.207, and 42.220. The procedures for filing a reply include those set forth in §§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(c), 42.51, 42.52, 42.53, 42.54, 42.63, and 42.65. As discussed previously, the Office estimates that the average inter partes review will have 6 motions, oppositions, and replies after institution. The average post-grant review or covered business method patent review will have 8 motions, oppositions, and replies after institution. The Office envisions that most motions will be decided in a conference call or shortly thereafter.

After a trial has been instituted, but prior to a final written decision, parties to a review may request an oral hearing. The procedure for filing requests for oral argument is set forth in § 42.70. The AIPLA Report of the Economic Survey 2011 reported that the third quartile cost of an ex parte appeal with an oral argument is \$12,000, while the third quartile cost of an ex parte appeal without an oral argument is \$6,000. In view of the reported costs, which the Office finds reasonable, and the increased complexity of an oral hearing with multiple parties, it is estimated that the cost per party for oral hearings would be \$6,800, or 18.3 hours of professional time (\$6,800 divided by \$371), or \$800 more than the reported third quartile cost for an ex parte oral hearing.

Parties to a review may file requests to treat a settlement as business confidential, and requests for adverse judgment. A written request to make a settlement agreement available may also be filed. The procedures to file requests that a settlement be treated as business confidential are set forth in § 42.74(c). The procedures to file requests for adverse judgment are set forth in § 42.73(b). The procedures to file requests to make a settlement agreement available are set forth in § 42.74(c)(2). It is anticipated that requests to treat a settlement as business confidential will require two hours of professional time for a cost of \$742. It is anticipated that requests for adverse judgment will require one hour of professional time for a cost of \$371. It is anticipated that a settlement agreement will require 100 hours of professional time for a cost of \$37,100 if the parties are not also in litigation over the patent and one hour for a cost of \$371 if the parties are in litigation. It is estimated that 100% of covered business method patent reviews and 70% of the reviews will have concurrent litigation based on standing requirement in covered business method patent reviews and the historical rate during inter partes reexamination. It is anticipated that requests to make a settlement agreement available will require one hour of professional time for a cost of \$371. The requests to make a settlement agreement available will also require payment of a fee of \$400 specified in § 42.15(d). The fee is the same as that currently set forth in § 41.20(a) for petitions to the Chief Administrative Patent Judge.

Parties to a review proceeding may seek judicial review of the judgment of the Board. The procedures to file notices of judicial review of a Board decision, including notices of

appeal are set forth in Part 90. The submission of a copy of a notice of appeal is anticipated to require six minutes of professional time at a cost of \$37.10.

6. Description of Any Significant Alternatives to the Final Rules Which Accomplish the Stated Objectives of Applicable Statutes and Which Minimize Any Significant Economic Impact of the Rules on Small Entities:

Size of petitions and motions: The Office considered whether to apply a page limit in the administrative trials and what an appropriate page limit would be. The Office does not currently have a page limit on inter partes reexamination requests. The inter partes reexamination requests from October 1, 2010, to June 30, 2011, averaged 246 pages. Based on the experience of processing inter partes reexamination requests, the Office finds that the very large size of the requests has created a burden on the Office that hinders the efficiency and timeliness of processing the requests, and creates a burden on patent owners. The quarterly reported average processing time from the filing of a request to the publication of a reexamination certificate ranged from 28.9 months to 41.7 months in fiscal year 2009, from 29.5 months to 37.6 months in fiscal year 2010, and from 31.9 to 38.0 months in fiscal year 2011. See Reexaminations – FY 2011 available at
http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf.

By contrast, the Office has a page limit on the motions filed in contested cases, except where parties are specifically authorized to exceed the limitation. The typical contested case proceeding is subject to a standing order that sets a 50-page limit for motions and oppositions on priority, a 15-page limit for miscellaneous motions (§ 41.121(a)(3)) and oppositions (§ 41.122), and a 25-page limit for other motions (§ 41.121(a)(2)) and oppositions to other motions. In typical proceedings, replies are subject to a 15-page limit if directed to priority, five-page limit for miscellaneous issues, and ten-page limit for other motions. The average contested case was terminated in 10.1 months in fiscal year 2009, in 12 months in fiscal year 2010, and nine months in fiscal year 2011. The percentage of contested cases terminated within two years was 93.7% in fiscal year 2009, 88.0% in fiscal year 2010, and 94.0% in fiscal year 2011. See BPAI Statistics – Performance Measures, available at <http://www.uspto.gov/ip/boards/bpai/stats/perform/index.jsp>.

Comparing the average time period for terminating a contested case, 10.0 to 12.0 months, with the average time period, during fiscal years 2009 through 2011, for completing an inter partes reexamination, 28.9 to 41.7 months, indicates that the average contested case takes from 24% (10.0/41.7) to 42% (12.0/28.9) of the time of the average inter partes reexamination. While several factors contribute to the reduction in time, limiting the size of the requests and motions is considered a significant factor. Section 42.24 thus provides page limits for petitions, motions, oppositions, and replies. 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b) provide considerations that are to be taken into account when prescribing regulations including the integrity of the patent system, the efficient

administration of the Office, and the ability to complete the trials timely. The page limits set forth in this final rule is consistent with these considerations.

Federal courts routinely use page limits in managing motions practice as “[e]ffective writing is concise writing.” Spaziano v. Singletary, 36 F.3d 1028, 1031 n.2 (11th Cir. 1994). Many district courts restrict the number of pages that may be filed in a motion including, for example, the District of Delaware, the District of New Jersey, the Eastern District of Texas, the Northern, Central, and Southern Districts of California, and the Eastern District of Virginia.

Federal courts have found that page limits ease the burden on both the parties and the courts, and patent cases are no exception. Eolas Techs., Inc. v. Adobe Sys., Inc., No. 6:09-CV-446, at 1 (E.D. Tex. Sept. 2, 2010) (“The Local Rules’ page limits ease the burden of motion practice on both the Court and the parties.”); Blackboard, Inc. v. Desire2Learn, Inc., 521 F. Supp. 2d 575, 576 (E.D. Tex. 2007) (The parties “seem to share the misconception, popular in some circles, that motion practice exists to require Federal judges to shovel through steaming mounds of pleonastic arguments in Herculean effort to uncover a hidden gem of logic that will ineluctably compel a favorable ruling. Nothing could be further from the truth.”); Broadwater v. Heidtman Steel Prods., Inc., 182 F. Supp. 2d 705, 710 (S.D. Ill. 2002) (“Counsel are strongly advised, in the future, to not ask this Court for leave to file any memoranda (supporting or opposing dispositive motions) longer than 15 pages. The Court has handled complicated patent cases and

employment discrimination cases in which the parties were able to limit their briefs supporting and opposing summary judgment to 10 or 15 pages.” (Emphasis omitted)).

The Board’s contested cases experience with page limits in motions practice is consistent with that of the Federal courts. The Board’s use of page limits has shown it to be beneficial without being unduly restrictive for the parties. Page limits have encouraged the parties to focus on dispositive issues, and reducing costs for the parties and the Board. The Board’s contested cases experience with page limits is informed by its use of different approaches over the years. In the early 1990s, page limits were not routinely used for motions, and the practice suffered from lengthy and unacceptable delays. To reduce the burden on the parties and on the Board and thereby reduce the time to decision, the Board instituted page limits in the late 1990s for every motion. Page limit practice was found to be effective in reducing the burdens on the parties and improving decision times at the Board. In 2006, the Board revised the page limit practice and allowed unlimited findings of fact and generally limited the number of pages containing argument. Due to abuses of the system, the Board recently reverted back to page limits for the entire motion (both argument and findings of fact).

The Board’s current page limits are consistent with the 25-page limits in the Northern, Central, and Southern Districts of California, and the Middle District of Florida, and exceed the limits in the District of Delaware (20), the Northern District of Illinois (15), the District of Massachusetts (20), the Eastern District of Michigan (20), the Southern District of Florida (20), and the Southern District of Illinois (20).

In a typical proceeding before the Board, a party may be authorized to file a single motion for unpatentability based on prior art, a single motion for unpatentability based upon failure to comply with 35 U.S.C. 112, lack of written description, and/or enablement, and potentially another motion for lack of compliance with 35 U.S.C. 101, although a 35 U.S.C. 101 motion may be required to be combined with the 35 U.S.C. 112 motion. Each of these motions is currently limited to 25 pages in length, unless good cause is shown that the page limits are unduly restrictive for a particular motion.

A petition requesting the institution of a trial proceeding would be similar to motions currently filed with the Board. Specifically, petitions to institute a trial seek a final written decision that the challenged claims are unpatentable, where derivation is a form of unpatentability. Accordingly, a petition to institute a trial based on prior art would, under current practice, be limited to 25 pages, and by consequence, a petition raising unpatentability based on prior art and unpatentability under 35 U.S.C. 101 and/or 112 would be limited to 50 pages.

Under the final rules, an inter partes review petition would be based upon any grounds identified in 35 U.S.C. 311(b), as amended, i.e., only a ground that could be raised under 35 U.S.C. 102 or 103 and only on the basis of patents or printed publications. Generally, under current practice, a party is limited to filing a single prior art motion, limited to 25 pages in length. The rule provides up to 60 pages in length for a motion requesting inter partes review. Thus, as the page limit more than doubles the default page limit

currently set for a motion before the Board, a 60-page limit is considered sufficient in all but exceptional cases and is consistent with the considerations provided in 35 U.S.C. 316(b), as amended.

Under the final rules, a post-grant review petition would be based upon any grounds identified in 35 U.S.C. 321(b), e.g., failure to comply with 35 U.S.C. 101, 102, 103, and 112 (except best mode). Under current practice, a party would be limited to filing two or three motions, each limited to 25 pages, for a maximum of 75 pages. Where there is more than one motion for unpatentability based upon different statutory grounds, the Board's experience is that the motions contain similar discussions of technology and claim constructions. Such overlap is unnecessary where a single petition for unpatentability is filed. Thus, the 80-page limit is considered sufficient in all but exceptional cases.

Covered business method patent review is similar in scope to that of post-grant review, as there is substantial overlap in the statutory grounds permitted for review. Thus, the page limit for covered business method patent review petitions is 80 pages, which is the same as that for post-grant review.

The final rule provides that petitions to institute a trial must comply with the stated page limits but may be accompanied by a motion that seeks to waive the page limits. The petitioner must show in the motion how a waiver of the page limits is in the interests-of-justice. A copy of the desired non-page limited petition must accompany the motion.

Generally, the Board would decide the motion prior to deciding whether to institute the trial.

Current Board practice provides a limit of 25 pages for other motions and 15 pages for miscellaneous motions. The Board's experience is that such page limits are sufficient for the parties filing them and do not unduly burden the opposing party or the Board.

Petitions to institute a trial generally would replace the current practice of filing motions for unpatentability, as most motions for relief are expected to be similar to the current contested cases miscellaneous motion practice. Accordingly, the 15-page limit is considered sufficient for most motions but may be adjusted where the limit is determined to be unduly restrictive for the relief requested.

Section 42.24(b) provides page limits for oppositions filed in response to motions.

Current practice for other contested cases provides an equal number of pages for an opposition as its corresponding motion. This is generally consistent with motions practice in Federal courts. The rule is consistent with the practice for other contested cases.

Section 42.24(c) provides page limits for replies. Current practice for other contested cases provide a 15-page limit for priority motion replies, a five page limit for miscellaneous (procedural) motion replies, and a ten page limit for all other motions. The rule is consistent with current contested case practice for procedural motions. The rule provides a 15-page limit for reply to petitions requesting a trial, which the Office believes

is sufficient based on current practice. Current contested case practice has shown that such page limits do not unduly restrict the parties and, in fact, have provided sufficient flexibility to parties not only to reply to the motion but also help to focus on the issues. Thus, it is anticipated that default page limits would minimize the economic impact on small entities by focusing on the issues in the trials.

The AIA requires that the Director, in prescribing rules for the inter partes reviews, post-grant reviews, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely the instituted proceedings. See 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). In view of the actual results of the duration of proceedings in inter partes reexamination (without page limits) and contested cases (with page limits), adopting procedures with reasonable page limits would be consistent with the objectives set forth in the AIA. Based on our experience on the time needed to complete a non-page limited proceeding, the option of non-page limited proceedings was not adopted.

Fee Setting: 35 U.S.C. 311(a), as amended, and 35 U.S.C. 321(a) require the Director to establish fees to be paid by the person requesting the review in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review. In contrast to 35 U.S.C. 311(b) and 312(c), effective September 15, 2012, the AIA requires the Director to establish more than one fee for reviews based on the total cost of

performing the reviews, and does not provide explicitly for refund of any part of the fee when the Director determines that the review should not be initiated.

Further, 35 U.S.C. 312(a)(1), as amended, and 35 U.S.C. 322(a)(1) require that the fee established by the Director under 35 U.S.C. 311(a), as amended, or 35 U.S.C. 321 accompany the petition on filing. Accordingly, under the fee setting authority in 35 U.S.C. 311(a), as amended, and 35 U.S.C. 321(a), it is reasonable that the Director set a number of fees for filing a petition based on the anticipated aggregate cost of conducting the review depending on the complexity of the review, and require payment of the fee upon filing of the petition.

Based on experience with contested cases and inter partes reexamination proceedings, the following characteristics of requests were considered as potential factors for fee setting as each likely would impact the cost of providing the new services. The Office also considered the relative difficulty in administering each option in selecting the characteristics for which different fees should be paid for requesting review.

I. Adopted Option. Number of claims for which review is requested. The number of claims often impacts the complexity of the request and increases the demands placed on the deciding officials. Cf. In re Katz Interactive Call Processing Patent Litig., 639 F.3d 1303, 1309 (Fed. Cir. 2011) (limiting number of asserted claims is appropriate to manage a patent case efficiently). Moreover, the number of claims for which review is requested easily can be determined and administered, which avoids delays in the Office

and the impact on the economy or patent system that would occur if an otherwise meritorious petition is refused due to improper fee payment. Any subsequent petition could be time barred in view of 35 U.S.C. 315(b), as amended, or 35 U.S.C. 325.

II. Alternative Option I. Number of grounds for which review is requested.

The Office has experience with large numbers of cumulative grounds being presented in inter partes reexaminations which often add little value to the proceedings. Allowing for a large number of grounds to be presented on payment of an additional fee(s) is not favored. Determination of the number of grounds in a request may be contentious and difficult and may result in a large amount of high-level petition work. As such, this option would have a negative impact on small entities. Moreover, contested cases instituted in the 1980s and early 1990s suffered from this problem as there was no page limit for motions and the parties had little incentive to focus the issues for decision. The resulting records were often a collection of disparate issues and evidence. This led to lengthy and unwarranted delays in deciding contested cases as well as increased costs for parties and the Office. Accordingly, this alternative is inconsistent with objectives of the AIA that the Director, in prescribing rules for the inter partes reviews, post-grant reviews, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

III. Alternative Option II. Pages of argument. The Office has experience with

large requests in inter partes reexamination in which the merits of the proceedings could

have been resolved in a shorter request. Allowing for unnecessarily large requests on payment of an additional fee(s) is not favored. Moreover, determination of what should be counted as “argument” as compared with “evidence” has often proven to be contentious and difficult as administered in the current inter partes reexamination appeal process.

In addition, the trial section of the Board recently experimented with motions having a fixed-page limit for the argument section and an unlimited number of pages for the statement of facts. Unlimited pages for the statement of facts led to a dramatic increase in the number of alleged facts and pages associated with those facts. For example, one party used approximately ten pages for a single “fact” that merely cut and pasted a portion of a declarant’s cross-examination. Based upon the trial section’s experience with unlimited pages of facts, the Board recently reverted back to a fixed-page limit for the entire motion (argument and facts). Accordingly, this alternative is inconsistent with objectives of the AIA that the Director, in prescribing rules for the inter partes reviews, post-grant reviews, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete timely the instituted proceedings.

IV. Alternative Option III. The Office considered an alternative fee setting regime in which fees would be charged at various steps in the review process (rather than collected as a single payment on filing of the petition) as the proceeding progresses, e.g., a first fee on filing of the petition, a second fee if instituted, a third fee on filing a motion

in opposition to amended claims, etc. The alternative fee setting regime would hamper the ability of the Office to complete timely reviews, would result in dismissal of pending proceedings with patentability in doubt due to non-payment of required fees by third parties, and would be inconsistent with 35 U.S.C. 312, as amended, and 35 U.S.C. 322 that require the fee established by the Director to be paid at the time of filing the petition. Accordingly, this alternative is inconsistent with objectives of the AIA that the Director, in prescribing rules for inter partes review, post-grant review, and covered business method patent review, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete, in a timely fashion, the instituted proceedings.

V. Alternative Option IV. The Office considered setting reduced fees for small and micro entities and to provide refunds if a review is not instituted. However, 35 U.S.C. 41(d)(2)(a) provides that the Office shall set the fee to recover the cost of providing the services. Fees set under this authority are not reduced for small entities. See 35 U.S.C. 42(h)(1), as amended. Moreover, the Office does not have authority to refund fees that were not paid by mistake or in excess of that owed. See 35 U.S.C. 42(d).

Discovery: The Office considered a procedure for discovery similar to the one available during district court litigation. Discovery of that scope has been criticized sharply, particularly when attorneys use discovery tools as tactical weapons, which hinder the “just, speedy, and inexpensive determination of every action and proceedings.” See introduction to An E-Discovery Model Order, available at

http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf. Accordingly, this would have been inconsistent with objectives of the AIA that the Director, in prescribing rules for inter partes review, post-grant review, and covered business method patent review, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

Additional discovery increases trial costs and increases the expenditures of time by the parties and the Board. The Board's experience in contested cases, however, is that such showings are often lacking and authorization for additional discovery is expected to be limited. While an interests-of-justice standard would be employed in granting additional discovery in inter partes reviews, the post-grant and covered business method patent reviews would employ a good cause standard in granting additional discovery. Parties may, however, agree to additional discovery amongst themselves.

To promote effective discovery, the rule requires a showing that additional requested discovery would be productive in inter partes reviews. The rules adopt an interests-of-justice standard for additional discovery for inter partes reviews. This standard is consistent with the considerations identified in 35 U.S.C. 316(b), as amended, including the efficient administration of the Board and the Board's ability to complete timely trials. Further, the interests-of-justice standard is consistent with 35 U.S.C. 316(a)(5), as amended, which states that discovery other than depositions of witnesses submitting affidavits and declarations be what is otherwise necessary in the interests-of-justice.

Good cause and interests-of-justice are closely related standards, but the interests-of-justice standard is slightly higher than good cause. While a good cause standard requires a party to show a specific factual reason to justify the needed discovery, under the interests-of-justice standard, the Board would look at all relevant factors. Specifically, to show good cause, a party would be required to make a particular and specific demonstration of fact. Under the interests-of-justice standard, the moving party would also be required to show that it was fully diligent in seeking discovery and that there is no undue prejudice to the non-moving party. The interests-of-justice standard covers considerable ground, and in using such a standard, the Board expects to consider whether the additional discovery is necessary in light of the totality of the relevant circumstances.

The Board will set forth a default scheduling order to provide limited discovery as a matter of right and provide parties with the ability to seek additional discovery on a case-by-case basis. In weighing the need for additional discovery, should a request be made, the Board would consider the economic impact on the opposing party. This would tend to limit additional discovery where a party is a small entity.

Pro Hac Vice: The Office considered whether to allow counsel to appear pro hac vice. In certain instances, highly skilled, non-registered, attorneys have appeared satisfactorily before the Board in contested cases. The Board may recognize counsel pro hac vice during a proceeding upon a showing of good cause. The Board may impose conditions in recognizing counsel pro hac vice, including a requirement that counsel acknowledge that

counsel is bound by the Office's Code of Professional Responsibility. Proceedings before the Office can be technically complex. The grant of a motion to appear pro hac vice is a discretionary action taking into account the specifics of the proceedings. Similarly, the revocation of pro hac vice is a discretionary action taking into account various factors, including incompetence, unwillingness to abide by the Office's Code of Professional Responsibility, prior findings of misconduct before the Office in other proceedings, and incivility.

The Board's past practice has required the filing of a motion by a registered patent practitioner seeking pro hac vice representation based upon a showing of: (1) how qualified the unregistered practitioner is to represent the party in the proceeding when measured against a registered practitioner, and (2) whether the party has a genuine need to have the particular unregistered practitioner represent it during the proceeding. This practice has proven effective in the limited number of contested cases where such requests have been granted. The rule allows for this practice in the new proceedings authorized by the AIA.

The rules provide a limited delegation to the Board under 35 U.S.C. 2(b)(2) and 32 to regulate the conduct of counsel in Board proceedings. The rule delegates to the Board the authority to conduct counsel disqualification proceedings while the Board has jurisdiction over a proceeding. The rules also delegate to the Chief Administrative Patent Judge the authority to make final a decision to disqualify counsel in a proceeding before the Board for the purposes of judicial review. This delegation does not derogate from the

Director the prerogative to make such decisions, nor does it prevent the Chief Administrative Patent Judge from further delegating authority to an administrative patent judge.

The Office considered broadly permitting practitioners not registered to practice by the Office to represent parties in trial as well as categorically prohibiting such practice. A prohibition on the practice would be inconsistent with the Board's experience, and more importantly, might result in increased costs particularly where a small entity has selected its district court litigation team and subsequently a patent review is filed after litigation efforts have commenced. Alternatively, broadly making the practice available would create burdens on the Office in administering the trials and in completing the trial within the established time frame, particularly if the selected practitioner does not have the requisite skill. In weighing the desirability of admitting a practitioner pro hac vice, the economic impact on the party in interest would be considered, which would tend to increase the likelihood that a small entity could be represented by a non-registered practitioner. Accordingly, the alternatives to eliminate pro hac vice practice or to permit it more broadly would have been inconsistent with objectives of the AIA that the Director, in prescribing rules for inter partes reviews, post-grant reviews, and covered business method patent reviews, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete, in a timely fashion, the instituted proceedings.

Threshold for Instituting a Review: The Office considered whether the threshold for instituting a review could be set as low as or lower than the threshold for ex parte reexamination. This alternative could not be adopted in view of the statutory requirements in 35 U.S.C. 314, as amended, and 35 U.S.C. 324.

Default Electronic Filing: The Office considered a paper filing system and a mandatory electronic filing system (without any exceptions) as alternatives to the requirement that all papers are to be electronically filed, unless otherwise authorized.

Based on the Office's experience, a paper-based filing system increases delay in processing papers, delay in public availability, and the chance that a paper may be misplaced or made available to an improper party if confidential. Accordingly, the alternative of a paper-based filing system would have been inconsistent with objectives of the AIA that the Director, in prescribing rules for inter partes review, post-grant review, and covered business method patent review, consider the effect of the rules on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the instituted proceedings timely.

An electronic filing system (without any exceptions) that is rigidly applied would result in unnecessary cost and burdens, particularly where a party lacks the ability to file electronically. By contrast, under the adopted option, it is expected that the entity size and sophistication would be considered in determining whether alternative filing methods would be authorized.

7. Identification, to the Extent Practicable, of All Relevant Federal Rules Which May Duplicate, Overlap, or Conflict With the Final Rules:

The following rules also provide processes involving patent applications and patents:

37 CFR 1.99 provides for the submission of information after publication of a patent application during examination by third parties.

37 CFR 1.171-1.179 provide for applications to reissue a patent to correct errors, including where a claim in a patent is overly broad.

37 CFR 1.291 provides for the protest against the issuance of a patent during examination.

37 CFR 1.321 provides for the disclaimer of a claim by a patentee.

37 CFR 1.501 and 1.502 provide for ex parte reexamination of patents. Under these rules, a person may submit to the Office prior art consisting of patents or printed publications that are pertinent to the patentability of any claim of a patent, and request reexamination of any claim in the patent on the basis of the cited prior art patents or printed publications. Consistent with 35 U.S.C. 302-307, ex parte reexamination rules provide a different threshold for initiation, require the proceeding to be conducted by an

examiner with a right of appeal to the Patent Trial and Appeal Board, and allow for limited participation by third parties.

37 CFR 1.902-1.997 provide for inter partes reexamination of patents. Similar to ex parte reexamination, inter partes reexamination provides a procedure in which a third party may request reexamination of any claim in a patent on the basis of the cited prior art patents and printed publication. The inter partes reexamination practice will be eliminated, except for requests filed before the effective date, September 16, 2012. See § 6(c)(3)(C) of the AIA.

Other countries have their own patent laws, and an entity desiring a patent in a particular country must make an application for patent in that country, in accordance with the applicable law. Although the potential for overlap exists internationally, this cannot be avoided except by treaty (such as the Paris Convention for the Protection of Industrial Property, or the Patent Cooperation Treaty (PCT)). Nevertheless, the Office believes that there are no other duplicative or overlapping foreign rules.

C. Executive Order 12866 (Regulatory Planning and Review): This rulemaking has been determined to be significant for purposes of Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).

The Office estimates that the aggregate burden of the rules for implementing the new review procedures is approximately \$82.6 million annually for fiscal years 2013-2015.

The USPTO considered several factors in making this estimate.

Based on the petition and other filing requirements for initiating a review proceeding, the USPTO initially estimated the annual aggregate burden of the rules on the public to be \$202,034,212.10 in fiscal years 2013-2015, which represents the sum of the estimated total annual (hour) respondent cost burden (\$184,627,816.10) plus the estimated total annual non-hour respondent cost burden (\$17,406,396.00) provided in Item (O)(II) of the Rulemaking Considerations section of this notice, infra. However, since the AIA also eliminates inter partes reexamination practice (except for requests filed before the effective date of September 16, 2012), the burden of the rules should be offset by the eliminations of those proceedings and their associated burdens.

It is estimated that 420 new requests for inter partes reexamination would have been filed in FY 2012, 450 new requests in FY 2014 and 500 new requests in FY 2015 if the AIA had not been enacted for an annual average of 456. This estimate is based on the number of proceedings filed in FY 2011 (374), FY 2010 (280), FY 2009 (258), and the first half of FY 2012 (192). Elimination of 456 proceedings reduces the public's burden to pay filing fees by \$4,012,800 (456 filings with an \$8,800 filing fee due) and the public's burden to prepare requests by \$20,976,000 (456 filings with \$46,000 average cost to prepare). Based on the assumption that 93% of the requests would be ordered (consistent with the FY 2011 grant rate), the burden to conduct the proceeding until close of

prosecution will reduce the public's burden by \$89,040,000 (424 proceedings that would be estimated to be granted reexamination multiplied by \$210,000 which is the average cost cited in the AIPLA Report of the Economic Survey 2011 per party cost until close of prosecution reduced by the \$46,000 request preparation cost). Additionally, the burden on the public to appeal to the Board would be reduced by \$5,358,000 (based on an estimate that 141 proceedings would be appealed to the Board, which is estimated based on the number of granted proceedings (424) and the historical rate of appeal to the Board (1/3) and an average public cost of \$38,000). Thus, a reduction of \$119,386,800 in public burden results from the elimination of new filings of inter partes reexamination (the sum of \$3,696,000 (the filing fees), \$19,320,000 (the cost of preparing requests), \$82,110,000 (the prosecution costs), plus \$4,940,000 (the burden to appeal to the Board)). Therefore, the estimated aggregate burden of the rules for implementing the new review proceedings would be \$82,647,412.10 (\$202,034,212.10 minus \$119,386,800) annually in fiscal years 2013-2015.

The USPTO expects several benefits to flow from the AIA and these rules. It is anticipated that the rules will reduce the time for reviewing patents at the USPTO. Specifically, 35 U.S.C. 316(a), as amended, and 35 U.S.C. 326(a) provide that the Director prescribe regulations requiring a final determination by the Board within one year of initiation, which may be extended for up to six months for good cause. In contrast, currently for inter partes reexamination, the average time from the filing to the publication of a certificate ranged from 28.9 to 41.7 months during fiscal years 2009-2011. See Reexaminations – FY 2011, available at

http://www.uspto.gov/patents/Reexamination_operational_statistic_through_FY2011Q4.pdf.

Likewise, it is anticipated that the rules will minimize duplication of efforts. In particular, the AIA provides more coordination between district court infringement litigation and inter partes review to reduce duplication of efforts and costs. For instance, 35 U.S.C. 315(b), as amended, will require that a petition for inter partes review be filed within one year of the date of service of a complaint alleging infringement of a patent. By requiring the filing of an inter partes review petition earlier than a request for inter partes reexamination, and by providing shorter timelines for inter partes review compared with reexamination, it is anticipated that the current high level of duplication between litigation and reexamination will be reduced.

The AIPLA Report of the Economic Survey 2011 reports that where the damages at risk are less than \$1,000,000 the total cost of patent litigation was, on average, \$916,000, where the damages at risk are between \$1,000,000 and \$25,000,000 average \$2,769,000, and where the damages at risk exceed \$25,000,000 average \$6,018,000. The Office believes, based on its experience, that these estimates are reasonable. There may be a significant reduction in overall burden if, as intended, the AIA and the rules reduce the overlap between review at the USPTO of issued patents and validity determination during patent infringement actions. Data from the United States district courts reveals that 2,830 patent cases were filed in 2006, 2,896 in 2007, 2,909 in 2008, 2,792 in 2009, and 3,301 in 2010. See U.S. Courts, Judicial Business of the United States Courts, available at

www.uscourts.gov/uscourts/Statistics/JudicialBusiness/2010/appendices/C02ASep10.pdf (last visited Nov. 11, 2011) (hosting annual reports for 1997 through 2010). Thus, the Office estimates that no more than 3,300 patent cases (the highest number of yearly filings between 2006 and 2010 rounded to the nearest 100) are likely to be filed annually. The aggregate burden estimate above (\$82,647,412.10) was not offset by a reduction in burden based on improved coordination between district court patent litigation and the new inter partes review proceedings.

The Office received one written submission of comments from the public regarding Executive Order 12866. Each component of that comment directed to Executive Order 12866 is addressed below.

Comment 112: One comment suggested that the proposed rules would have been classified more appropriately as significant under section 3(f)(4) of Executive Order 12866 because the proposed rules raise novel legal or policy issues arising out of legal mandates.

Response: As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The comment does not present what aspect(s) of the rule is believed to present novel legal or policy issues.

Comment 113: One comment suggested that the costs, including any prophylactic application steps resulting from the new proceedings, were not calculated appropriately when the Office offset the new burdens with those removed by elimination of the ability to file new inter partes reexamination under Executive Order 12866 and that when appropriately calculated, the cost would exceed the \$100 million threshold for declaring the proposed rules significant under section 3(f)(1).

Response: As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The baseline costs that the Office used to determine the increased burden of the proposed rules properly included the burden on the public to comply with inter partes reexamination because those burdens existed before the statutory change, and that process was eliminated and replaced by the process adopted by the AIA as implemented this final rule. See OMB Circular A4, section (e)(3). See also response to Comment 109.

Comment 114: One comment argued the \$80,000,000 burden estimate is so close to \$100,000,000 threshold, that, particularly in view of the difficulties in estimating burden, the Office should assume that it is likely that the proposed rules would have a \$100,000,000 impact. One comment suggested that the Office should have conducted a Regulatory Impact Analysis.

Response: As stated in the notice of proposed rulemaking and in this final rule, the Office of Management and Budget designated the proposed rules as significant under Executive Order 12866, but not economically significant. The comment did not indicate what aspect of the estimate was likely to be wrong. Furthermore, \$80,000,000 is twenty percent below the \$100,000,000 threshold. Moreover, the Office's estimate did not take into account the reduction in burden due to decreased litigation. Thus, the Office's estimate is likely an overstatement of the estimated basis.

D. Executive Order 13563 (Improving Regulation and Regulatory Review): The Office has complied with Executive Order 13563. Specifically, the Office has, to the extent feasible and applicable: (1) made a reasoned determination that the benefits justify the costs of the rule; (2) tailored the rule to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) involved the public in an open exchange of information and perspectives among experts in relevant disciplines, affected stakeholders in the private sector, and the public as a whole, and provided online access to the rulemaking docket; (7) attempted to promote coordination, simplification, and harmonization across government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes.

E. Executive Order 13132 (Federalism): This rulemaking does not contain policies with federalism implications sufficient to warrant preparation of a Federalism Assessment under Executive Order 13132 (Aug. 4, 1999).

F. Executive Order 13175 (Tribal Consultation): This rulemaking will not: (1) have substantial direct effects on one or more Indian tribes; (2) impose substantial direct compliance costs on Indian tribal governments; or (3) preempt tribal law. Therefore, a tribal summary impact statement is not required under Executive Order 13175 (Nov. 6, 2000).

G. Executive Order 13211 (Energy Effects): This rulemaking is not a significant energy action under Executive Order 13211 because this rulemaking is not likely to have a significant adverse effect on the supply, distribution, or use of energy. Therefore, a Statement of Energy Effects is not required under Executive Order 13211 (May 18, 2001).

H. Executive Order 12988 (Civil Justice Reform): This rulemaking meets applicable standards to minimize litigation, eliminate ambiguity, and reduce burden as set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 (Feb. 5, 1996). This rulemaking carries out a statute designed to lessen litigation. See H.R. Rep. No. 112-98, at 45-48.

I. Executive Order 13045 (Protection of Children): This rulemaking does not concern an environmental risk to health or safety that may disproportionately affect children under Executive Order 13045 (Apr. 21, 1997).

J. Executive Order 12630 (Taking of Private Property): This rulemaking will not effect a taking of private property or otherwise have taking implications under Executive Order 12630 (Mar. 15, 1988).

K. Congressional Review Act: Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801-808), prior to issuing any final rule, the United States Patent and Trademark Office will submit a report containing the final rule and other required information to the U.S. Senate, the U.S. House of Representatives, and the Comptroller General of the Government Accountability Office. The changes in this notice are not expected to result in an annual effect on the economy of 100 million dollars or more, a major increase in costs or prices, or significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign based enterprises in domestic and export markets. Therefore, this notice is not expected to result in a “major rule” as defined in 5 U.S.C. 804(2).

L. Unfunded Mandates Reform Act of 1995: The changes set forth in this final rule do not involve a Federal intergovernmental mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, of 100 million dollars (as adjusted)

or more in any one year, or a Federal private sector mandate that will result in the expenditure by the private sector of 100 million dollars (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments. Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. See 2 U.S.C. 1501 et seq.

M. National Environmental Policy Act: This rulemaking will not have any effect on the quality of the environment and is thus categorically excluded from review under the National Environmental Policy Act of 1969. See 42 U.S.C. 4321-4370h.

N. National Technology Transfer and Advancement Act: The requirements of section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) are not applicable because this rulemaking does not contain provisions which involve the use of technical standards.

O. Paperwork Reduction Act: The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3549) requires that the USPTO consider the impact of paperwork and other information collection burdens imposed on the public. This rulemaking involves information collection requirements which are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3549). The collection of information involved in this notice has been submitted to OMB under OMB control number 0651-0069 when the notice of proposed rulemaking was published. The Office published the title, description, and respondent

description of the information collection, with an estimate of the annual reporting burdens, in the Notices “Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions,” 77 FR 6879 (Feb. 9, 2012) (notice of proposed rulemaking) (RIN 0651-AC70), “Changes to Implement Inter Partes Review Proceedings,” 77 FR 7041 (Feb. 10, 2012) (notice of proposed rulemaking) (RIN 0651-AC71), “Changes to Implement Post-Grant Review Proceedings,” 77 FR 7060 (Feb. 10, 2012) (notice of proposed rulemaking) (RIN 0651-AC72), and “Changes to Implement Transitional Program for Covered Business Method Patents,” 77 FR 7080 (Feb. 10, 2012) (notice of proposed rulemaking) (RIN 0651-AC73).

The Office received one comment and made minor revisions to the requirements in the rule, as well as the burden estimates, as outlined below. Accordingly, the Office has resubmitted the proposed revision to the information collection requirements under 0651-0069. The proposed revision to the information collection requirements under 0651-0069 is available at OMB’s Information Collection Web site (www.reginfo.gov/public/do/PRAMain).

This rulemaking will add the following to a collection of information:

- (1) petitions to institute an inter partes review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(1), 42.63, 42.65, and 42.101 through 42.105);
- (2) petitions to institute a post-grant review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(2), 42.63, 42.65, and 42.201 through 42.205);

- (3) petitions to institute a covered business method patent review (§§ 42.5, 42.6, 42.8, 42.11, 42.13, 42.20, 42.21, 42.22, 42.24(a)(3), 42.63, 42.65, 42.203, 42.205, and 42.302 through 42.304);
- (4) motions (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.22, 42.24(a)(5), 42.51, through 42.54, 42.63, 42.64, 42.65, 42.121, 42.221, 42.123, and 42.223);
- (5) oppositions (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(b), 42.51, 42.52, 42.53, 42.54, 42.63, 42.64, 42.65, 42.107, 42.120, 42.207, and 42.220);
- (6) replies provided for in 35 U.S.C. 135 and 311-318, as amended, and new 35 U.S.C. 319 and 321-329 (§§ 42.6, 42.8, 42.11, 42.13, 42.21, 42.23, 42.24(c), 42.51, 42.52, 42.53, 42.54, 42.63, and 42.65); and
- (7) notices of judicial review of a Board decision, including notices of appeal and notices of election provided for 35 U.S.C. 141, 142, 145 and 146 (§§ 90.1 through 90.3).

The rules also permit filing requests for oral argument (§ 42.70) provided for in 35 U.S.C. 316(a)(10), as amended, and 35 U.S.C. 326(a)(10), requests for rehearing (§ 42.71(c)), requests for adverse judgment (§ 42.73(b)), requests that a settlement be treated as business confidential (§ 42.74(b) and 42.409) provided for in 35 U.S.C. 317, as amended, and 35 U.S.C. 327, to a collection of information.

I. Abstract: The USPTO is required by 35 U.S.C. 131 and 151 to examine applications and, when appropriate, issue applications as patents.

Chapter 31 of title 35, United States Code, in effect on September 16, 2012, provides for inter partes review proceedings allowing third parties to petition the USPTO to review the patentability of an issued patent under 35 U.S.C. 102 and 103 based on patents and printed publications. If a trial is initiated by the USPTO based on the petition, as authorized by the USPTO, additional motions may be filed by the petitioner. A patent owner may file a response to the petition and if a trial is instituted, as authorized by the USPTO, may file additional motions.

Chapter 32 of title 35 U.S.C. in effect on September 16, 2012, provides for post-grant review proceeding allowing third parties to petition the USPTO to review the patentability of an issued patent under any ground authorized under 35 U.S.C. 282(b)(2). If a trial is initiated by the USPTO based on the petition, as authorized by the USPTO, additional motions may be filed by the petitioner. A patent owner may file a response to the petition and if a trial is instituted, as authorized by the USPTO, may file additional motions.

Section 18 of the AIA provides for a transitional program for covered business method patents, which will employ the standards and procedures of the post-grant review proceeding with a few exceptions. The new rules for initiating and conducting these proceedings are adopted in this notice as new part 42 of title 37 of the Code of Federal Regulations.

In estimating the number of hours necessary for preparing a petition to institute an inter partes review, the USPTO considered the estimated cost of preparing a request for inter partes reexamination (\$46,000), the mean billing rate (\$371 per hour), and the observation that the cost of inter partes reexamination has risen the fastest of all litigation costs since 2009 in the AIPLA Report of the Economic Survey 2011. It was estimated that a petition for an inter partes review and an inter partes reexamination request would cost the same to the preparing party (\$46,000). Since additional grounds for instituting review are provided in post-grant review or covered business method patent review compared with inter partes reexamination, the Office estimates the cost of preparing a petition to institute a review will be 33.333% more than the estimated cost of preparing a request for inter partes reexamination, or \$61,333.

The USPTO also reviewed recent contested cases before the trial section of the Board to make estimates on the average number of motions for any matter including priority, the subset of those motions directed to non-priority issues, the subset of those motions directed to non-priority patentability issues, and the subset of those motions directed to patentability issues based on a patent or printed publication on the basis of 35 U.S.C. 102 or 103. Thus, for inter partes review, considering the percentage of motions on patentability issues based on a patent or printed publication on the basis of 35 U.S.C. 102 or 103 would be appropriate as grounds raised in those proceedings would be directed to the same issues. Similarly, for post-grant review and transitional proceedings for covered business methods, considering the percentage of motions on patentability issues would be appropriate as grounds raised in those proceedings would be directed to the same issues.

The review of current contested cases before the trial section of the Board indicated that approximately 15% of motions were directed to prior art grounds, 18% of motions were directed to other patentability grounds, 27% were directed to miscellaneous issues, and 40% were directed to priority issues. It was estimated that the cost per motion to a party in current contested cases before the trial section of the Board declines because of overlap in subject matter, expert overlap, and familiarity with the technical subject matter. Given the overlap of subject matter, a proceeding with fewer motions such as inter partes review will have a somewhat less than proportional decrease in costs since the overlapping costs will be spread over fewer motions as compared with a derivation proceeding.

It is estimated that the cost of an inter partes review would be 60% of the cost of current contested cases before the trial section of the Board to the end of the preliminary motion period. An inter partes review should have many fewer motions since only one party will have a patent that is the subject of the proceeding (compared with each party having at least a patent or an application in current contested cases before the trial section of the Board). Moreover, fewer issues can be raised since inter partes review will not have priority-related issues that must be addressed in current contested cases before the trial section of the Board. Consequently, a 60% weighting factor should capture the typical costs of an inter partes review.

It is estimated that the cost of a post-grant review or covered business method patent review would be 75% of the cost of current contested cases before the trial section of the Board to the end of the preliminary motion period. The basis for this estimate is similar

to the basis for the inter partes review estimate. Since more patentability issues may be raised in the petition, the cost for these trials is expected to be somewhat higher. Again, a 75% weighting factor should capture the typical costs of a post-grant review or a covered business method patent review.

The motions that present claims in excess of the number of claims in the patent and in excess of three dependent or more than 20 total claims also require payment of statutory fee for presenting such claims. See 35 U.S.C. 41(a)(2)(i) and (ii). It is estimated that 20 percent of instituted proceedings will have one additional independent claim and ten additional dependent claims presented in proceedings filed in FY 2013. Based on the historical data for inter partes reexamination, it is estimated that 32.09% of the patent owners presenting additional claims will pay the small entity fee for the additional claims. Thus, it is estimated that 23 small entities will pay an additional \$110.00 for an additional independent claim and \$260.00 for ten additional claims in inter partes review proceedings in FY 2013. It is estimated that 48 non-small entities will pay an additional \$220.00 for an additional independent claim and \$520.00 for ten additional claims in inter partes review proceedings in FY 2013. It is estimated that three small entities will pay an additional \$110.00 for an additional independent claim and \$260.00 for ten additional claims in post-grant review proceedings in FY 2013. It is estimated that six non-small entities will pay an additional \$220.00 for an additional independent claim and \$520.00 for ten additional claims in post-grant review proceedings in FY 2013. The total excess claim fee due from patent owners is estimated to be \$49,580 in FY 2013.

The title, description, and respondent description of the information collection are shown below with an estimate of the annual reporting burdens. Included in this estimate is the time for reviewing instructions, gathering and maintaining the data needed, and completing and reviewing the collection of information. The principal impact of the changes in this notice is to implement the changes to Office practice necessitated by sections 6 and 18 of the AIA.

The public uses this information collection to request review and derivation proceedings as well as to ensure that the associated fees and documentation are submitted to the USPTO.

II. Data

Needs and Uses: The information supplied to the USPTO by a petition to institute a review or derivation as well as the motions authorized following the institution is used by the USPTO to determine whether to initiate a review under 35 U.S.C. 314, as amended, or 35 U.S.C. 324 or derivation proceeding under 35 U.S.C. 135, as amended, and to prepare a final decision under 35 U.S.C. 135 or 318, as amended, or 35 U.S.C. 328.

OMB Number: 0651-0069

Title: Patent Review and Derivation Proceedings

Form Numbers: None

Type of Review: New Collection

Likely Respondents/Affected Public: Individuals or households, businesses or other for-profit, not-for-profit institutions, farms, Federal Government, and state, local, or tribal governments.

Estimated Number of Respondents/Frequency of Collection: 940 respondents and 4,541 responses per year.

Estimated Time Per Response: The USPTO estimates that it will take the public from 0.1 to 165.3 hours to gather the necessary information, prepare the documents, and submit the information to the USPTO.

Estimated Total Annual Respondent Burden Hours: 497,649.1 hours per year.

Estimated Total Annual (Hour) Respondent Cost Burden: \$184,627,816.10 per year. The USPTO expects that the information in this collection will be prepared by attorneys. Using the professional rate of \$371 per hour for attorneys in private firms, the USPTO estimates that the respondent cost burden for this collection will be approximately \$184,627,816.10 per year (497,649.1 hours per year multiplied by \$371 per hour).

Estimated Total Annual Non-hour Respondent Cost Burden: \$17,406,396 per year. There are no capital start-up or maintenance costs associated with this information collection. However, this collection does have annual (non-hour) costs in the form of filing fees and postage costs where filing via mail is authorized. It is estimated that filing via mail will be authorized in one inter partes review petition filing and three subsequent papers. There are filing fees associated with petitions for inter partes review, post-grant review, and covered business method patent review and for requests to treat a

settlement as business confidential. The total filing fees for this collection are calculated in the accompanying table. The USPTO estimates that filings authorized to be filed via mail will be mailed to the USPTO by EXPRESS MAIL® using the U.S. Postal Service’s flat rate envelope, which can accommodate varying submission weights, estimated in this case to be 16 ounces for the petitions and two ounces for the other papers. The cost of the flat rate envelope is \$18.95. The USPTO estimates that the total postage cost associated with this collection will be approximately \$76 per year. The USPTO estimates that the total fees associated with this collection will be approximately \$17,406,320.00 per year.

Therefore, the total annual cost burden in fiscal years 2013-2015 is estimated to be \$202,034,212.10 (the sum of the estimated total annual (hour) respondent cost burden (\$184,627,816.10) plus the estimated total annual non-hour respondent cost burden (\$17,406,396)).

Item	Proposed estimated time for response	Proposed estimated annual responses	Proposed estimated annual burden hours	Final estimated time for response	Final estimated annual responses	Final estimated annual burden hours
Petition for <u>inter partes</u> review	135.3 hours	460	62,238	124 hours	456	56,544
Petition for post-grant review or covered business method patent review	180.4	50	9,020	165.3 hours	73	12,066.90

Reply to initial <u>inter partes</u> review petition	100 hours	406	40,600	91.6 hours	401	36,731.60
Reply to initial post-grant review or covered business method patent review	100	45	4,500	91.6 hours	64	5,862.40
Request for Reconsideration	80 hours	141	11,280	80 hours	141	11,280
Motions, replies and oppositions after institution in <u>inter partes</u> review	140 hours	2,453	343,420	140 hours	2,166	303,240
Motions, replies and oppositions after institution in post-grant review or covered business method patent review	130	342	44,460	130 hours	460	59,800
Request for oral hearing	20 hours	456	9,120	18.3 hours	479	8,765.70
Request to treat a settlement as business confidential	2 hours	18	36	2 hours	20	40
Request for adverse judgment, default adverse judgment or settlement (parties in litigation over patent)	1	101	101	1 hour	84	84
Settlement parties not in litigation	n/a	n/a	n/a	100	32	3,200
Request to make a settlement agreement available	1	18	18.00	1 hours	20	20

Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142)	0.1 hour	51	5.1	0.1 hour	145	14.5
Totals	4,541	524,798.10	4,541	497,649.10

Item	Proposed estimated annual response	Proposed fee amount	Proposed estimated annual filing costs	Final estimated annual responses	Fee amount	Final estimated annual filing costs
Petition for <u>inter partes</u> review	460	\$35,800	\$16,468,000	456	\$31,400 (average)	\$14,318,400
Petition for post-grant review or covered business method patent review	50	\$47,100	\$2,355,000	73	\$41,400 (average)	\$3,022,200
Reply to <u>inter partes</u> review petition	406	0	0	401	0	0
Reply to post-grant review or covered business method patent review petition	45	0	0	64	0	0
Request for Reconsideration	141	0	0	141	0	0
Motions, replies and oppositions after initiation in <u>inter partes</u> review with no excess claims	2453	0	0	2,086	0	0
Motions in <u>inter partes</u> review with excess claims by small entity patent owners	n/a	n/a	n/a	26	370	\$9,620
Motions in <u>inter partes</u> review with excess claims by other than small entity patent owners	n/a	n/a	n/a	54	740	\$39,960

Motions, replies and oppositions after initiation in post-grant review or covered business method patent review with no excess claims	342	0	0	447	0	0
Motions in post-grant review or covered business method patent review with excess claims by other than small entity patent owners	n/a	n/a	n/a	4	370	\$1,480
Motions in post-grant review or covered business method patent review with excess claims by small entity patent owners	n/a	n/a	n/a	9	740	\$6,660
Request for oral hearing	456	0	0	479	0	0
Request to treat a settlement as business confidential	18	0	0	20	0	0
Request for adverse judgment, default adverse judgment or settlement	101	0	0	116	0	0
Request to make a settlement agreement available	18	\$400	\$7,200	20	\$400	\$8,000
Notice of judicial review of a Board decision (e.g., notice of appeal under 35 U.S.C. 142)	51	0	0	145	0	0
Totals	4,541		\$18,830,200	4,541	\$17,406,320

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information

subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

The Office received one written submission of comments regarding the Paperwork Reduction Act. Each component of that comment directed the Paperwork Reduction Act is addressed below.

Comment 115: One comment suggested that inter partes reexamination is a very poor proxy for these proceedings because there have been very few completed proceedings relative to all filing of inter partes reexaminations from 2001 to 2011. The comment argues that the completed proceeding are only the least complex of proceedings which the comment alleges result in a sampling bias.

Response: While only 305 inter partes reexamination proceedings have resulted in a certificate, the comment is not correct that only the least complex of proceedings have been completed. The number of filings of inter partes reexamination has increased considerably in the last three full years. See Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR at 6893. For example, in the last three years 824 or 64% of the 1,278 requests filed from 2001 to 2011 were filed. Considering that the average time from filing to certificate for the 305 certificates was 36.2 months and the median pendency was 32.9 months, it would have been more appropriate for the comment to consider the 305 certificates that have issued compared with the filings from 2001 to 2008. During that

time period there were 467 requests filed, 14 requests were subsequently denied a filing date, 53 requests were denied on the merits, 246 concluded with a certificate by September 30, 2011, and 154 were still pending on September 30, 2011. Of the 154 that were still pending, only one was before the examiner after a non-final rejection, only three had an action closing prosecution as the last action, and only three had a right of appeal notice as the last action. Most of the 154 proceedings were subject to appeal proceedings or were in the publication process. Accordingly, inter partes reexamination is an appropriate proxy for the new proceedings.

Comment 116: One comment suggested that for matters not concurrently in litigation, the Office's two hour estimate for public burden of settlement under the Paperwork Reduction Act is unreasonably low by a factor of 30-100 and must include the costs to arrive at the settlement in addition to the cost of submitting the agreement to the Office. The comment asserts that this burden is fully cognizable under the Paperwork Reduction Act.

Response: The suggestion is adopted in part. For inter partes and post-grant review proceedings where the parties are not also in district court litigations regarding the patent, the burden has been increased to 100 hours per settlement as suggested as the highest estimate in the comment. Based partially on historical data for inter partes reexamination, it is estimated that 30% of reviewed patents will not be subject to concurrent litigation.

By statute, any petitioner seeking review of a covered business method must also be in litigation regarding the patent or have been charged with infringement. The comment only argued that for parties not in litigation, the cost of settlement was too low. Therefore, this comment is not pertinent to this rulemaking and is not adopted.

Comment 117: A comment requested that the Office set forth the basis for the number of petitions for review.

Response: As discussed above in item B, the Office considered the actual number of inter partes reexamination requests filed during FY 2001-2011 and the anticipated number of requests in FY 2012, the number of such requests of patents classified in Class 705, the number of interferences, and the differences between reexamination and the new review proceedings. The Office estimated the number of reviews based on the historical data on the number of filings in the most analogous proceedings. See Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 FR at 7097.

Comment 118: One comment suggested that a projection for at least three years of growth in future filings is necessary because the PRA clearance is for three years. The comment also seeks disclosure of USPTO's estimation models.

Response: The suggestion is adopted. The Office estimates moderate aggregate growth for petitions seeking inter partes review and post-grant review, as set forth in item B

above. Further, the Office estimates no growth for petitions seeking review under the transitional program for covered business method patents during the three year period. Calculations for these numbers are provided in the supporting statement for this collection. In 2013, the number of eligible patents will include patents for which currently in litigation. In subsequent years, the number of eligible patents is expected to be reduced, because some proceedings will have been settled, while others will have been stayed pending a review. At the same time, as experience in the procedure becomes more wide spread, the public would more likely seek a review. Because these two factors offset each other, the Office is anticipated zero growth for petitions for the covered business method patent review.

Comment 119: A comment noted that the distribution of claims for review was not disclosed during the comment period. The comment asserts that failure to disclose underlying data in the Notice of Proposed Rulemaking violates the Paperwork Reduction Act (and other requirements).

Response: The distribution of claims for which review will be requested was estimated based on the number of claims for which inter partes reexamination was requested in the first 60 requests filed during the second quarter of FY 2011 as that data was the most timely when the proposed rule notices were drafted. That data was publically available when the notice of proposed rulemaking was published and remains available today. See <http://portal.uspto.gov/external/portal/pair>. A summary of that publicly available data is provided as follows: 40 of the 60 proceedings requested review of 20 or fewer claims;

eight of the 60 proceedings requested review of between 21 and 30 claims; three of the 60 proceedings requested review of between 31 and 40 claims; six of the 60 proceedings requested review of between 41 and 50 claims; one of the 60 proceedings requested review of between 51 and 60 claims; one of the 60 proceedings requested review of between 61 and 70 claims; and one of the 60 proceedings requested review of between 91 and 100 claims. A second group of 20 proceedings filed after September 15, 2011, were reviewed to determine if the change to the statutory threshold resulted in a clear change in the number of claims for which review was requested. A summary of that data is provided as follows: 13 of 20 proceedings requested review of 20 or fewer claims; three of 20 proceedings requested review of between 21 and 30 claims; three of 20 proceedings requested review of between 31 and 40 claims; and one of 20 proceedings requested review of 53 claims.

Comment 120: One comment suggested that the estimate of the number of post-grant review proceedings should be doubled based on the analysis of the University of Houston of patent cases from 2005-2009. According to the comment, this analysis shows that for every 15 decisions involving printed prior art grounds, there were 13 decisions involving public use, “on sale,” or 35 U.S.C. 112.

Response: The suggestion is not adopted. While the Office agrees that many decisions involved public use, “on sale,” or 35 U.S.C. 112, the comment and the analysis by the University of Houston did not consider which decisions did not include a prior art grounds, but did include a public use, “on sale,” or 35 U.S.C. 112 ground. Only the

subset of decisions including the newly available grounds could be used appropriately in estimating an increased rate of post-grant review filings relative to inter partes review. The comment also did not address how the limited filing window relative to the filing of district court litigation for post-grant review would be addressed appropriately if the University of Houston study served as a basis for the estimates.

Comment 121: One comment suggested that the hourly rate for practitioners should be raised from \$340 (the medium hourly rate from the AIPLA Report of the Economic Survey 2011) to \$500. The comment asserts that using the median hourly rate from the AIPLA Report of the Economic Survey 2011 of \$340 is analytically wrong and that, at a minimum, the higher mean rate of \$371 from that survey should be used.

Response: The suggestion is adopted in part. The Office has adopted a mean hourly rate of \$371 from the AIPLA Report of the Economic Survey 2011, rather than the median hourly rate of \$340 from that survey. The suggestion of a \$500 hourly rate cannot be adopted because the comment did not provide any data to support the validity of hourly rate suggested and the Office believes, based on its experience, that \$371 is a better estimate of the average hourly rate.

Comment 122: One comment suggested that reliance on the AIPLA Report of the Economic Survey 2011 is inappropriate as the survey is flawed. The comment asserts that the survey is unreliable for estimating paperwork burden under the Information Quality Act.

Response: In providing estimates of burden hours, the USPTO sometimes referenced the AIPLA Report of the Economic Survey 2011, as a benchmark for the estimates. While the costs reported in the survey were considered, the Office, in estimating the cost of the collection, also considered the work required to prepare and file the submissions.

Under the USPTO's Information Quality Guidelines (ICG), the AIPLA Report of the Economic Survey 2011 report is not a "dissemination" of information. The Guidelines state that "dissemination" means an "agency initiated or sponsored distribution of information to the public." USPTO's ICG, Section IV, A, 1. Subsection (a) further defines "agency initiated distribution of information to the public" to mean "information that the agency distributes or releases which reflects, represents, or forms any part of the support of the policies of the agency." *Id.* at Section IV, A, 1, a. The USPTO did not distribute or release the AIPLA Report of the Economic Survey 2011.

Likewise, the AIPLA Report of the Economic Survey 2011 does not qualify as an "agency sponsored distribution of information" under Subsection (b) of the Guidelines, which "refers to situations where the agency has directed a third party to distribute or release information, or where the agency has the authority to review and approve the information before release." *Id.* at Section IV, A, 1, b. The USPTO did not commission the report, had no input into the structure of the report and does not rely exclusively upon the results of the report to arrive at estimates. No correction of the documents is required because the Office utilized the AIPLA Report of the Economic Survey 2011 in

formulating some burden estimations. No correction is required under the Information Quality Act.

Comment 123: One comment suggested that the regulations imposed a substantial paperwork burden without a valid OMB Control Number.

Response: The suggestion is not adopted. OMB Control number 0651-0069 has been requested appropriately and is pending.

Comment 124: One comment suggested that the USPTO's estimates systematically ignore burdens and costs associated with the attorney's client company.

Response: See response to Comment 109.

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

List of Subjects in 37 CFR Part 42

Administrative practice and procedure, Inventions and patents, Lawyers.

Amendments to the Regulatory Text

For the reasons stated in the preamble, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office amends 37 CFR part 42, as added elsewhere in this issue of the Federal Register, as follows:

PART 42—TRIAL PRACTICE BEFORE THE PATENT TRIAL AND APPEAL BOARD

1. The authority citation for 37 CFR part 42 continues to read as follows:

Authority: 35 U.S.C. 2(b)(2), 6, 21, 23, 41, 135, 311, 312, 316, 321-326 and the Leahy-Smith America Invents Act, Pub. L. 112-29, sections 6(c), 6(f), and 18, 125 Stat. 284, 304, 311, and 329 (2011).

2. Add subpart B to read as follows:

Subpart B – Inter Partes Review

Sec.

General

- 42.100 Procedure; pendency.
- 42.101 Who may petition for inter partes review.
- 42.102 Time for filing.
- 42.103 Inter partes review fee.
- 42.104 Content of petition.

- 42.105 Service of petition.
- 42.106 Filing date.
- 42.107 Preliminary response to petition.

Instituting Inter Partes Review

- 42.108 Institution of inter partes review.

After Institution of Inter Partes Review

- 42.120 Patent owner response.
- 42.121 Amendment of the patent.
- 42.122 Multiple proceedings.
- 42.123 Filing of supplemental information.

Subpart B – Inter Partes Review

General

§ 42.100 Procedure; pendency.

(a) An inter partes review is a trial subject to the procedures set forth in subpart A of this part.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) An inter partes review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge, or adjusted by the Board in the case of joinder.

§ 42.101 Who may petition for inter partes review.

A person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent unless:

(a) Before the date on which the petition for review is filed, the petitioner or real party-in-interest filed a civil action challenging the validity of a claim of the patent;

(b) The petition requesting the proceeding is filed more than one year after the date on which the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is served with a complaint alleging infringement of the patent; or

(c) The petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition.

§ 42.102 Time for filing.

(a) A petition for inter partes review of a patent must be filed after the later of:

(1) The date that is nine months after the date of the grant of the patent or of the issuance of the reissue patent; or

(2) If a post-grant review is instituted as set forth in subpart C of this part, the date of the termination of such post-grant review.

(b) The Director may impose a limit on the number of inter partes reviews that may be instituted during each of the first four one-year periods in which the amendment made to chapter 31 of title 35, United States Code, is in effect by providing notice in the Office's Official Gazette or Federal Register. Petitions filed after an established limit has been reached will be deemed untimely.

§ 42.103 Inter partes review fee.

(a) An inter partes review fee set forth in § 42.15(a) must accompany the petition.

(b) No filing date will be accorded to the petition until full payment is received.

§ 42.104 Content of petition.

In addition to the requirements of §§ 42.6, 42.8, 42.22, and 42.24, the petition must set forth:

(a) Grounds for standing. The petitioner must certify that the patent for which review is sought is available for inter partes review and that the petitioner is not barred or estopped from requesting an inter partes review challenging the patent claims on the grounds identified in the petition.

(b) Identification of challenge. Provide a statement of the precise relief requested for each claim challenged. The statement must identify the following:

(1) The claim;

(2) The specific statutory grounds under 35 U.S.C. 102 or 103 on which the challenge to the claim is based and the patents or printed publications relied upon for each ground;

(3) How the challenged claim is to be construed. Where the claim to be construed contains a means-plus-function or step-plus-function limitation as permitted under 35 U.S.C. 112(f), the construction of the claim must identify the specific portions of the specification that describe the structure, material, or acts corresponding to each claimed function;

(4) How the construed claim is unpatentable under the statutory grounds identified in paragraph (b)(2) of this section. The petition must specify where each element of the claim is found in the prior art patents or printed publications relied upon; and

(5) The exhibit number of the supporting evidence relied upon to support the challenge and the relevance of the evidence to the challenge raised, including identifying specific portions of the evidence that support the challenge. The Board may exclude or give no weight to the evidence where a party has failed to state its relevance or to identify specific portions of the evidence that support the challenge.

(c) A motion may be filed that seeks to correct a clerical or typographical mistake in the petition. The grant of such a motion does not change the filing date of the petition.

§ 42.105 Service of petition.

In addition to the requirements of § 42.6, the petitioner must serve the petition and exhibits relied upon in the petition as follows:

(a) The petition and supporting evidence must be served on the patent owner at the correspondence address of record for the subject patent. The petitioner may additionally serve the petition and supporting evidence on the patent owner at any other address known to the petitioner as likely to effect service.

(b) Upon agreement of the parties, service may be made electronically. Service may be by EXPRESS MAIL® or by means at least as fast and reliable as EXPRESS MAIL®. Personal service is not required.

§ 42.106 Filing date.

(a) Complete petition. A petition to institute inter partes review will not be accorded a filing date until the petition satisfies all of the following requirements:

(1) Complies with § 42.104;

(2) Effects service of the petition on the correspondence address of record as provided in § 42.105(a); and

(3) Is accompanied by the fee to institute required in § 42.15(a).

(b) Incomplete petition. Where a party files an incomplete petition, no filing date will be accorded, and the Office will dismiss the petition if the deficiency in the petition is not corrected within one month from the notice of an incomplete petition.

§ 42.107 Preliminary response to petition.

(a) The patent owner may file a preliminary response to the petition. The response is limited to setting forth the reasons why no inter partes review should be instituted under 35 U.S.C. 314. The response can include evidence except as provided in paragraph (c) of this section. The preliminary response is subject to the page limits under § 42.24.

(b) Due date. The preliminary response must be filed no later than three months after the date of a notice indicating that the request to institute an inter partes review has been granted a filing date. A patent owner may expedite the proceeding by filing an election to waive the patent owner preliminary response.

(c) No new testimonial evidence. The preliminary response shall not present new testimony evidence beyond that already of record, except as authorized by the Board.

(d) No amendment. The preliminary response shall not include any amendment.

(e) Disclaim Patent Claims. The patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a) of this chapter, disclaiming one or more claims in the patent. No inter partes review will be instituted based on disclaimed claims.

Instituting Inter Partes Review

§ 42.108 Institution of inter partes review.

(a) When instituting inter partes review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of inter partes review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute inter partes review on that ground.

(c) Sufficient grounds. Inter partes review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed.

After Institution of Inter Partes Review

§ 42.120 Patent owner response.

(a) Scope. A patent owner may file a response to the petition addressing any ground for unpatentability not already denied. A patent owner response is filed as an opposition and is subject to the page limits provided in § 42.24.

(b) Due date for response. If no time for filing a patent owner response to a petition is provided in a Board order, the default date for filing a patent owner response is three months from the date the inter partes review was instituted.

§ 42.121 Amendment of the patent.

(a) Motion to amend. A patent owner may file one motion to amend a patent, but only after conferring with the Board.

(1) Due date. Unless a due date is provided in a Board order, a motion to amend must be filed no later than the filing of a patent owner response.

(2) Scope. A motion to amend may be denied where:

(i) The amendment does not respond to a ground of unpatentability involved in the trial; or

(ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

(3) A reasonable number of substitute claims. A motion to amend may cancel a challenged claim or propose a reasonable number of substitute claims. The presumption

is that only one substitute claim would be needed to replace each challenged claim, and it may be rebutted by a demonstration of need.

(b) Content. A motion to amend claims must include a claim listing, show the changes clearly, and set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier-filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) Additional motion to amend. In addition to the requirements set forth in paragraphs (a) and (b) of this section, any additional motion to amend may not be filed without Board authorization. An additional motion to amend may be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in paragraph (a)(1) of this section.

§ 42.122 Multiple proceedings and Joinder.

(a) Multiple proceedings. Where another matter involving the patent is before the Office, the Board may during the pendency of the inter partes review enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter.

(b) Request for joinder. Joinder may be requested by a patent owner or petitioner. Any request for joinder must be filed, as a motion under § 42.22, no later than one month after the institution date of any inter partes review for which joinder is requested. The time period set forth in § 42.101(b) shall not apply when the petition is accompanied by a request for joinder.

§ 42.123 Filing of supplemental information.

(a) Motion to submit supplemental information. Once a trial has been instituted, a party may file a motion to submit supplemental information in accordance with the following requirements:

(1) A request for the authorization to file a motion to submit supplemental information is made within one month of the date the trial is instituted.

(2) The supplemental information must be relevant to a claim for which the trial has been instituted.

(b) Late submission of supplemental information. A party seeking to submit supplemental information more than one month after the date the trial is instituted, must request authorization to file a motion to submit the information. The motion to submit supplemental information must show why the supplemental information reasonably could not have been obtained earlier, and that consideration of the supplemental information would be in the interests-of-justice.

(c) Other supplemental information. A party seeking to submit supplemental information not relevant to a claim for which the trial has been instituted must request authorization to file a motion to submit the information. The motion must show why the

supplemental information reasonably could not have been obtained earlier, and that consideration of the supplemental information would be in the interests-of-justice.

3. Add subpart C to read as follows:

Subpart C – Post-Grant Review

Sec.

General

- 42.200 Procedure; pendency.
- 42.201 Who may petition for a post-grant review.
- 42.202 Time for filing.
- 42.203 Post-grant review fee.
- 42.204 Content of petition.
- 42.205 Service of petition.
- 42.206 Filing date.
- 42.207 Preliminary response to petition.

Instituting Post-Grant Review

- 42.208 Institution of post-grant review.

After Institution of Post-Grant Review

- 42.220 Patent owner response.
- 42.221 Amendment of the patent.
- 42.222 Multiple proceedings.
- 42.223 Filing of supplemental information.
- 42.224 Discovery.

Subpart C – Post-Grant Review

General

§ 42.200 Procedure; pendency.

(a) A post-grant review is a trial subject to the procedures set forth in subpart A of this part.

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

(c) A post-grant review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge, or adjusted by the Board in the case of joinder.

(d) Interferences commenced before September 16, 2012, shall proceed under part 41 of this chapter except as the Chief Administrative Patent Judge, acting on behalf of the Director, may otherwise order in the interests-of-justice.

§ 42.201 Who may petition for a post-grant review.

A person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent unless:

(a) Before the date on which the petition for review is filed, the petitioner or real party-in-interest filed a civil action challenging the validity of a claim of the patent; or

(b) The petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition.

§ 42.202 Time for filing.

(a) A petition for a post-grant review of a patent must be filed no later than the date that is nine months after the date of the grant of a patent or of the issuance of a reissue patent. A petition, however, may not request a post-grant review for a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued unless the petition is filed not later than the date that is nine months after the date of the grant of the original patent.

(b) The Director may impose a limit on the number of post-grant reviews that may be instituted during each of the first four one-year periods in which 35 U.S.C. 321 is in effect by providing notice in the Office's Official Gazette or Federal Register. Petitions filed after an established limit has been reached will be deemed untimely.

§ 42.203 Post-grant review fee.

(a) A post-grant review fee set forth in § 42.15(b) must accompany the petition.

(b) No filing date will be accorded to the petition until full payment is received.

§ 42.204 Content of petition.

In addition to the requirements of §§ 42.6, 42.8, 42.22, and 42.24, the petition must set forth:

(a) Grounds for standing. The petitioner must certify that the patent for which review is sought is available for post-grant review and that the petitioner is not barred or estopped from requesting a post-grant review challenging the patent claims on the grounds identified in the petition.

(b) Identification of challenge. Provide a statement of the precise relief requested for each claim challenged. The statement must identify the following:

(1) The claim;

(2) The specific statutory grounds permitted under 35 U.S.C. 282(b)(2) or (3) on which the challenge to the claim is based;

(3) How the challenged claim is to be construed. Where the claim to be construed contains a means-plus-function or step-plus-function limitation as permitted under 35 U.S.C. 112(f), the construction of the claim must identify the specific portions of the specification that describe the structure, material, or acts corresponding to each claimed function;

(4) How the construed claim is unpatentable under the statutory grounds identified in paragraph (b)(2) of this section. Where the grounds for unpatentability are based on prior art, the petition must specify where each element of the claim is found in the prior art. For all other grounds of unpatentability, the petition must identify the specific part of the claim that fails to comply with the statutory grounds raised and state how the identified subject matter fails to comply with the statute; and

(5) The exhibit number of the supporting evidence relied upon to support the challenge and the relevance of the evidence to the challenge raised, including identifying specific portions of the evidence that support the challenge. The Board may exclude or give no weight to the evidence where a party has failed to state its relevance or to identify specific portions of the evidence that support the challenge.

(c) A motion may be filed that seeks to correct a clerical or typographical mistake in the petition. The grant of such a motion does not change the filing date of the petition.

§ 42.205 Service of petition.

In addition to the requirements of § 42.6, the petitioner must serve the petition and exhibits relied upon in the petition as follows:

(a) The petition and supporting evidence must be served on the patent owner at the correspondence address of record for the subject patent. The petitioner may additionally serve the petition and supporting evidence on the patent owner at any other address known to the petitioner as likely to effect service.

(b) Upon agreement of the parties, service may be made electronically. Service may be by EXPRESS MAIL® or by means at least as fast and reliable as EXPRESS MAIL®. Personal service is not required.

§ 42.206 Filing date.

(a) Complete petition. A petition to institute a post-grant review will not be accorded a filing date until the petition satisfies all of the following requirements:

(1) Complies with § 42.204 or § 42.304, as the case may be,

(2) Effects service of the petition on the correspondence address of record as provided in § 42.205(a); and

(3) Is accompanied by the filing fee in § 42.15(b).

(b) Incomplete petition. Where a party files an incomplete petition, no filing date will be accorded and the Office will dismiss the request if the deficiency in the petition is not corrected within the earlier of either one month from the notice of an incomplete petition, or the expiration of the statutory deadline in which to file a petition for post-grant review.

§ 42.207 Preliminary response to petition.

(a) The patent owner may file a preliminary response to the petition. The response is limited to setting forth the reasons why no post-grant review should be instituted under 35 U.S.C. 324. The response can include evidence except as provided in paragraph (c) of this section. The preliminary response is subject to the page limits under § 42.24.

(b) Due date. The preliminary response must be filed no later than three months after the date of a notice indicating that the request to institute a post-grant review has been granted a filing date. A patent owner may expedite the proceeding by filing an election to waive the patent owner preliminary response.

(c) No new testimonial evidence. The preliminary response shall not present new testimony evidence beyond that already of record, except as authorized by the Board.

(d) No amendment. The preliminary response shall not include any amendment.

(e) Disclaim Patent Claims. The patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a), disclaiming one or more claims in the patent. No post-grant review will be instituted based on disclaimed claims.

Instituting Post-Grant Review

§ 42.208 Institution of post-grant review.

(a) When instituting post-grant review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.

(b) At any time prior to institution of post-grant review, the Board may deny some or all grounds for unpatentability for some or all of the challenged claims. Denial of a ground is a Board decision not to institute post-grant review on that ground.

(c) Sufficient grounds. Post-grant review shall not be instituted for a ground of unpatentability, unless the Board decides that the petition supporting the ground would, if unrebutted, demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed.

(d) Additional grounds. Sufficient grounds under § 42.208(c) may be a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

After Institution of Post-Grant Review

§ 42.220 Patent owner response.

(a) Scope. A patent owner may file a response to the petition addressing any ground for unpatentability not already denied. A patent owner response is filed as an opposition and is subject to the page limits provided in § 42.24.

(b) Due date for response. If no date for filing a patent owner response to a petition is provided in a Board order, the default date for filing a patent owner response is three months from the date the post-grant review is instituted.

§ 42.221 Amendment of the patent.

(a) Motion to amend. A patent owner may file one motion to amend a patent, but only after conferring with the Board.

(1) Due date. Unless a due date is provided in a Board order, a motion to amend must be filed no later than the filing of a patent owner response.

(2) Scope. A motion to amend may be denied where:

(i) The amendment does not respond to a ground of unpatentability involved in the trial; or

(ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

(3) A reasonable number of substitute claims. A motion to amend may cancel a challenged claim or propose a reasonable number of substitute claims. The presumption

is that only one substitute claim would be needed to replace each challenged claim, and it may be rebutted by a demonstration of need.

(b) Content. A motion to amend claims must include a claim listing, show the changes clearly, and set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier-filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) Additional motion to amend. In addition to the requirements set forth in paragraphs (a) and (b) of this section, any additional motion to amend may not be filed without Board authorization. An additional motion to amend may be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in paragraph (a)(1) of this section.

§ 42.222 Multiple proceedings and Joinder.

(a) Multiple proceedings. Where another matter involving the patent is before the Office, the Board may during the pendency of the post-grant review enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter.

(b) Request for joinder. Joinder may be requested by a patent owner or petitioner. Any request for joinder must be filed, as a motion under § 42.22, no later than one month after the institution date of any post-grant review for which joinder is requested.

§ 42.223 Filing of supplemental information.

(a) Motion to submit supplemental information. Once a trial has been instituted, a party may file a motion to submit supplemental information in accordance with the following requirements:

(1) A request for the authorization to file a motion to submit supplemental information is made within one month of the date the trial is instituted.

(2) The supplemental information must be relevant to a claim for which the trial has been instituted.

(b) Late submission of supplemental information. A party seeking to submit supplemental information more than one month after the date the trial is instituted, must request authorization to file a motion to submit the information. The motion to submit supplemental information must show why the supplemental information reasonably could not have been obtained earlier, and that consideration of the supplemental information would be in the interests-of-justice.

(c) Other supplemental information. A party seeking to submit supplemental information not relevant to a claim for which the trial has been instituted must request authorization to file a motion to submit the information. The motion must show why the supplemental information reasonably could not have been obtained earlier, and that consideration of the supplemental information would be in the interests-of-justice.

§ 42.224 Discovery.

Notwithstanding the discovery provisions of subpart A:

(a) Requests for additional discovery may be granted upon a showing of good cause as to why the discovery is needed; and

(b) Discovery is limited to evidence directly related to factual assertions advanced by either party in the proceeding.

4. Add subpart D to read as follows:

Subpart D – Transitional Program for Covered Business Method Patents

Sec.

42.300 Procedure; pendency.

42.302 Who may petition for a covered business method patent review.

42.303 Time for filing.

42.304 Content of petition.

Subpart D – Transitional Program for Covered Business Method Patents

§ 42.300 Procedure; pendency.

(a) A covered business method patent review is a trial subject to the procedures set forth in subpart A of this part and is also subject to the post-grant review procedures set forth in subpart C except for §§ 42.200, 42.201, 42.202, and 42.204.

(b) A claim in an unexpired patent shall be given its broadest reasonable

construction in light of the specification of the patent in which it appears.

(c) A covered business method patent review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge.

(d) The rules in this subpart are applicable until September 15, 2020, except that the rules shall continue to apply to any petition for a covered business method patent review filed before the date of repeal.

§ 42.302 Who may petition for a covered business method patent review.

(a) A petitioner may not file with the Office a petition to institute a covered business method patent review of the patent unless the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner has been sued for infringement of the patent or has been charged with infringement under that patent. Charged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.

(b) A petitioner may not file a petition to institute a covered business method patent review of the patent where the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition.

§ 42.303 Time for filing.

A petition requesting a covered business method patent review may be filed any time except during the period in which a petition for a post-grant review of the patent would satisfy the requirements of 35 U.S.C. 321(c).

§ 42.304 Content of petition.

In addition to any other notices required by subparts A and C of this part, a petition must request judgment against one or more claims of a patent identified by patent number. In addition to the requirements of §§ 42.6, 42.8, 42.22, and 42.24 the petition must set forth:

(a) Grounds for standing. The petitioner must demonstrate that the patent for which review is sought is a covered business method patent, and that the petitioner meets the eligibility requirements of § 42.302.

(b) Identification of challenge. Provide a statement of the precise relief requested for each claim challenged. The statement must identify the following:

(1) The claim;

(2) The specific statutory grounds permitted under paragraph (2) or (3) of 35 U.S.C. 282(b), except as modified by section 18(a)(1)(C) of the Leahy-Smith America Invents Act (Pub. L. 112-29, 125 Stat. 284 (2011)), on which the challenge to the claim is based;

(3) How the challenged claim is to be construed. Where the claim to be construed contains a means-plus-function or step-plus-function limitation as permitted under 35 U.S.C. 112(f), the construction of the claim must identify the specific portions of the

specification that describe the structure, material, or acts corresponding to each claimed function;

(4) How the construed claim is unpatentable under the statutory grounds identified in paragraph (b)(2) of this section. Where the grounds for unpatentability are based on prior art, the petition must specify where each element of the claim is found in the prior art. For all other grounds of unpatentability, the petition must identify the specific part of the claim that fails to comply with the statutory grounds raised and state how the identified subject matter fails to comply with the statute; and

(5) The exhibit number of supporting evidence relied upon to support the challenge and the relevance of the evidence to the challenge raised, including identifying specific portions of the evidence that support the challenge. The Board may exclude or give no weight to the evidence where a party has failed to state its relevance or to identify specific portions of the evidence that support the challenge.

(c) A motion may be filed that seeks to correct a clerical or typographical mistake in the petition. The grant of such a motion does not change the filing date of the petition.

Date: July 16, 2012

David J. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

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