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June 26, 2020

Mail Stop Patent Board
Director of the U.S. Patent and Trademark Office
P. O. Box 1450

Alexandria, VA 22313-1450

Attention: Vice Chief Administrative Patent Judge Michael Tierney

Via email: PTABNPRM2020@uspto.gov

**Re: Notice of Proposed Rulemaking on PTAB Rules of Practice for
Instituting on All Challenged Claims and All Grounds and Eliminating the
Presumption at Institution Favoring Petitioner as to Testimonial Evidence**

Dear Judge Tierney:

I write on behalf of the American Bar Association Section of Intellectual Property Law (“Section”) to provide comments on the U.S. Patent and Trademark Office’s (“Office”) Notice of Proposed Rulemaking (“Notice”) on “PTAB Rules of Practice for Instituting on All Challenged Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence”) (“Proposed Rules”) 85 Fed. Reg. 31728 (May 27, 2020). The views expressed herein are those of the Section, not the American Bar Association as a whole, its House of Delegates, or its Board of Governors.

The Section appreciates the Office’s continued efforts to improve AIA trial proceedings before the Patent Trial and Appeal Board (“Board”), and appreciates the opportunity to comment on the Proposed Rules. For the reasons provided below, the Section supports adopting the Proposed Rules regarding institution of all claims and all grounds, whenever the Board determines that institution is appropriate. The Section also generally supports the Office’s proposal to permit sur-replies, but the Section believes that clarifying revisions should be made to these proposed rules. Finally, the Section opposes the Office’s proposal to eliminate the presumption in favor of the petitioner at the institution stage when there is a material factual dispute caused by conflicting declaration testimony.

I. Summary of Comments

While the Section has a few concerns about the Proposed Rules, as discussed in more detail below, the Section summarizes its high-level comments as follows.

First, the Section believes that if the Board exercises its discretion to institute review, the Board should institute review for all claims and all grounds presented in the petition. This type of review structure is consistent with Supreme Court's decision in *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018), and promotes efficiency by resolving all challenges presented in the petition.

Second, the Section generally favors the Office's proposal to permit sur-replies in response to principal briefs. However, the Proposed Rules do not expressly provide for a sur-reply as a matter of right, which may lead to uncertainty among parties involved in an AIA trial proceeding. Instead, the Proposed Rules appear to leave in place the current practice of authorizing sur-replies through the scheduling order upon institution.¹ The Section recommends that the Office formalize this practice and revise the Proposed Rules to provide a sur-reply as a matter of right. In addition, the Section is concerned that the Proposed Rules do not place limits on the introduction of new evidence in a sur-reply. Consistent with current practice, a party should not be permitted to introduce new evidence with a sur-reply, other than cross-examination testimony, unless authorized to do so in advance by the Board.

Third, the Section disagrees with the Office's proposal to eliminate the presumption in favor of the petitioner at the institution stage when there is a genuine dispute of material fact caused by the parties' testimonial evidence. The Section is concerned that eliminating this presumption will lead to a trial within a trial before any of the experts can be cross-examined. This problem is compounded by the no-appeal bar of 35 U.S.C. §§ 314(d) and 324(d). If the Board finds in favor of the patent owner at institution based on the patent owner's testimonial evidence contradicting the petitioner's testimonial evidence on factual issues, there is no opportunity for petitioner to challenge patent owner's testimonial evidence and no ability to appeal the institution decision by the petitioner. If trial is instituted, the patent owner has the opportunity to cross-examine the petitioner's declarant. But if trial is denied, the petitioner is not given any opportunity to address patent owner's testimonial evidence. This one-sided ability to enter unchallenged evidence prior to institution may result in the Board denying institution by crediting unsupported testimony, without the benefit of cross-examination testimony, and without recourse for the petitioner to appeal the denial of institution. Further, the Board permits patent owners to withdraw pre-institution testimonial evidence after institution,² which leads to fairness concerns.

¹ See Consolidated Trial Practice Guide (Nov. 2019), at 73-74.

² See Consolidated Trial Practice Guide, at 51.

II. The Board Should Institute on All Claims and All Grounds in a Petition

The Section supports the Office’s proposal to institute review on all challenged claims and grounds in a petition, whenever the Board exercises its discretion to institute review. Instituting review of all claims and grounds promotes efficiency by resolving all issues presented in one proceeding.

The Section believes that instituting all claims and grounds is consistent with the Supreme Court’s decision in *SAS*. As explained in the Notice, the Supreme Court held in *SAS* that the Board only has the discretion to institute on all claims challenged in the petition, or to deny institution.³ Further, in *SAS*, the Court explained that it is the petitioner that is the architect of the review, and that the Board’s previous “partial institution” practice is not supported by the AIA.⁴ In particular, the Court explained that a party may seek an IPR under 35 U.S.C. § 311(a) by filing a “petition to institute an inter partes review,” and that this language does not “contemplate a petition that asks the Director to initiate whatever kind of inter partes review he might choose.”⁵ Rather, “Congress chose to structure a process in which it’s the petitioner, not the Director, who gets to define the contours of the proceeding.”⁶ Based on this reasoning, the Section supports the proposed rule clarifying that the Board should institute all grounds of challenge for each claim challenged in the petition, in addition to instituting review for all challenged claims, whenever the Board exercises its discretion to institute review.

The Section also supports the Office’s proposal to authorize patent owners and petitioners to address issues raised in the institution decision, in the patent owner response (37 C.F.R. §§ 42.120(a) and 42.220(a)) and petitioner reply (37 C.F.R. § 42.23(b)).

III. The Board Should Authorize Sur-Replies as a Matter of Right

The Section supports the Office’s proposal to authorize sur-replies to principal briefs. Sur-replies go against the general framework of giving the party with the burden of proof the last word.⁷ However, the Section believes that, on balance, sur-replies to petitioner replies promote fairness in AIA trials by permitting patent owners to respond to allegedly new arguments and/or evidence presented in a petitioner reply. As a result, sur-replies will likely reduce arguments on appeal that the patent owner did not have appropriate notice of or an opportunity to respond to allegedly new arguments and/or evidence presented in a petitioner reply. Sur-replies are therefore preferable to the previous procedure of authorizing a patent owner to file observations on cross-examination testimony in response to testimonial evidence submitted with a reply. Likewise, the Section supports granting petitioners authorization to file a sur-reply in response to a

³ *SAS*, 138 S. Ct. at 1351.

⁴ *Id.*

⁵ *Id.* at 1355.

⁶ *Id.*

⁷ The burden of persuasion to demonstrate unpatentability of the challenged claims remains with the petitioner throughout an AIA trial. See *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015); *In re Magnum Oil Tools Int’l, Ltd.*, 829 F.3d 1364, 1375 (Fed. Cir. 2016).

patent owner's reply to an opposition to a motion to amend, since petitioners have the burden of persuasion to show that proposed substitute claims are unpatentable.⁸

However, the Section has two concerns with the Proposed Rules relating to sur-replies. First, the Proposed Rules do not authorize sur-replies as a matter of right. Patent owner responses and petitioner replies are authorized by statute.⁹ Sur-replies are not authorized by statute, although the Office has plenary authority for "governing inter partes review,"¹⁰ including authorizing the filing of a sur-reply. Since the Proposed Rules do not expressly authorize the filing of a sur-reply, there may be uncertainty over whether a patent owner is authorized to file a sur-reply in each proceeding, including whether the patent owner must request prior authorization. Likewise, there is uncertainty over whether a petitioner would be authorized to file a sur-reply in response to a patent owner's reply to an opposition to a motion to amend. The Proposed Rules only set forth requirements for a sur-reply, if one is filed. Therefore, the Section recommends that the Office revise paragraph (b) of Proposed Rule 42.23, as set forth below, to expressly authorize the filing of a sur-reply in response to (1) a petitioner reply to a patent owner response, and (2) a patent owner reply in response to a petitioner's opposition to a motion to amend. Doing so would reduce the need for parties to request prior authorization from the Board, which would reduce the burden on Board panels.

Second, the Section is concerned that the Proposed Rules do not establish limits on the introduction of new evidence in a sur-reply. Petitioners have the burden of persuasion to show that the challenged claims are unpatentable.¹¹ Allowing a patent owner to submit new evidence at a stage of the trial where the petitioner cannot respond to such evidence as a matter of right frustrates the burden framework, and may lead to a violation of the petitioner's rights to have an opportunity to respond to any new evidence. Therefore, patent owners should not be permitted to introduce new evidence in a sur-reply, other than transcripts of cross-examination testimony, unless authorized to do so in advance by the Board. The permission to file a sur-reply according to the Proposed Rules is less restrictive than the current authorization to file sur-replies in the Consolidated Trial Practice Guide, which provides that a "sur-reply may not be accompanied by new evidence other than deposition transcripts of the cross-examination of any reply witness."¹² The Section is concerned that not specifying, by rule, such a prohibition against new evidence with sur-replies may lead to gamesmanship and an increase in costs in proceedings, as petitioners may seek additional briefing opportunities to respond to new evidence submitted with a sur-reply.

In view of the above comments, the Section recommends revising 37 C.F.R. § 42.23 of the Proposed Rules as follows, with wording that has been previously relied upon in the Consolidated Trial Practice Guide:

⁸ See *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed Cir. 2017) (en banc).

⁹ See 35 U.S.C. §§ 316(a)(8) and 326(a)(8) (authorizing a patent owner response), and §§ 316(a)(12) and 326(a)(12) (authorizing a petitioner reply).

¹⁰ *Id.* § 316(a)(4); see also *id.* § 326(a)(4).

¹¹ See n. 1, *infra*.

¹² Consolidated Trial Practice Guide, at 73.

(b) All arguments for the relief requested in a motion must be made in the motion. A reply may only respond to arguments raised in the corresponding opposition, patent owner preliminary response, patent owner response, or decision on institution. A patent owner may file a sur-reply in response to a reply to a patent owner response, and a petitioner may file a sur-reply in response to an opposition to a motion to amend. A sur-reply may only respond to arguments newly raised in the corresponding reply, and may not be accompanied by any new evidence, other than deposition transcripts of the cross-examination of any reply witness, unless the Board authorizes the submission of such evidence in advance.

IV. The Office Should Not Eliminate the Presumption in Favor of the Petitioner at the Institution Stage for Genuine Material Issues of Fact Caused by Declarant Testimony

Section members expressed mixed views on the Office’s proposal to eliminate the presumption in favor of the petitioner at the institution stage when there is a material factual dispute caused by conflicting declaration testimony. Some Section members expressed concerns that eliminating the presumption creates fairness concerns because decisions denying institution are not appealable, the Board does not typically permit parties to cross-examine witnesses before the institution decision,¹³ and the Board may credit untested witness testimony in denying institution. Other Section members expressed concerns that a petitioner may not meet the statutory requirement for institution¹⁴ for a challenged claim if there is a factual dispute with respect to that claim. These Section members also expressed concerns that instituting review when there is a genuine issue of material fact caused by conflicting witness testimony may unnecessarily subject the patent owner to the cost of defending its patent in an instituted AIA trial.

On balance, the Section opposes the Office’s proposal to eliminate the presumption in favor of the petitioner at the institution stage when there is a dispute of material fact caused by the parties’ testimonial evidence. Congress intended for AIA trials to be a faster, cost-effective and efficient alternative to district court litigation.¹⁵ Therefore, on balance, the Section recommends that the Board maintain the presumption so that the parties may resolve their factual dispute in a more cost-effective manner during an

¹³ See Consolidated Trial Practice Guide at 49, 51 (cross-examination is authorized after institution).

¹⁴ See 35 U.S.C. §§ 314a (a petitioner must show a reasonable likelihood of prevailing with respect to at least one challenged claim), 324(a) (a petitioner must show that it is more likely than not that at least one of the challenged claims is unpatentable).

¹⁵ See Consolidated Trial Practice Guide at 56 (citing H.R. Rep. No. 112-98, pt. 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69).

instituted AIA trial, as opposed to resolving the same dispute in district court litigation, which is typically more expensive.

The purpose of providing the presumption in favor of the petitioner at the institution stage is to avoid having a trial within a trial, i.e., a pre-institution battle of the experts before any of the experts can be cross-examined. If the Board believes that there is a genuine issue of material fact created by testimonial evidence submitted with a patent owner preliminary response, then the Board may note this belief in the institution decision and request the parties to develop the record fully.

While a fair weighing of the totality of the evidence is important, the Section believes that there is no compelling reason for the Board to decide disputed material issues of fact based on testimonial evidence at the institution stage, without the benefit of cross-examination testimony or documentary evidence, when there is no right to appeal an institution decision.¹⁶ The parties are entitled to cross-examine pre-institution declarants after institution of review,¹⁷ unless the patent owner withdraws the testimony of its pre-institution declarant.¹⁸ The Board can then decide disputed material issues of fact in a final written decision with the benefit of cross-examination testimony and a fully developed record. A final written decision may be judicially reviewed.¹⁹ This serves the AIA goal of providing a cheaper and faster alternative to district court litigation to determine the validity of issued patent claims, and providing both parties an adequate opportunity to present their arguments and cross-examine the opposing party's witness.

In contrast, and as explained below, the Proposed Rules eliminating this presumption contradict prior Office statements, incentivizes behavior that threatens patent quality, and does not address practitioner misunderstandings that are the proffered reasons behind this change.

a. The Proposed Rules are Contrary to Previous Office Statements

When the Office enacted the rule containing the current presumption, the Office explained that “because a denial of institution is a final, non-appealable decision, deciding disputed factual issues in favor of the patent owner when a petitioner has not had the opportunity to cross-examine patent owner’s declarant is *inappropriate and contrary to the statutory framework of the AIA review.*”²⁰ The Office has not explained why this is no longer the case.

If the Board decides disputed material issues of fact at institution, it will have the net effect of substantially increasing pre-institution costs on the parties—in addition to

¹⁶ See 35 U.S.C. §§ 314(d) and 324(d).

¹⁷ See 37 C.F.R. §§ 42.51(b)(1)(ii).

¹⁸ See Consolidated Trial Practice Guide at 51 (“If a trial is instituted, a patent owner may choose not to rely on testimony submitted with the preliminary response. . . . If a patent owner withdraws a declaration submitted with its preliminary response, that declarant will usually not be subject to deposition on the withdrawn declaration.”).

¹⁹ See 35 U.S.C. §§ 318(a) and 328(a).

²⁰ 81 Fed. Reg. 18750, 18756 (Apr. 1, 2016) (emphasis added).

increased time spent by the parties and the panel—due to increases in pre-institution briefing. Because institution decisions are non-appealable, petitioners will likely request authorization to submit additional briefing before the institution decision and cross-examine the patent owner’s declarant when testimonial evidence submitted with a preliminary response creates a genuine issue of material fact.

This additional briefing and cross-examination would necessarily have to occur within three months of filing of the preliminary response.²¹ Previously, when the Office proposed the current 37 C.F.R. § 42.108(c) containing the presumption, the Office provided the following explanation:

In order to be able to meet the three-month statutory deadline for issuing a decision on institution, the rules will provide expressly that no right of cross-examination of a declarant exists before institution. Because the time frame for the preliminary phase of an AIA proceeding does not allow for such cross-examination as of right, nor for the petitioner to file a reply brief as of right, the Office proposes amending the rules to provide that any factual dispute that is material to the institution decision will be resolved in favor of the petitioner solely for purposes of making a determination about whether to institute. This is proposed, among other reasons, to preserve petitioner's right to challenge statements made by the patent owner's declarant.²²

In the current Notice, the Office provided no explanation for why its previously stated concern about ensuring that the Board has sufficient time to issue an institution decision is no longer an issue. Further, the Office did not explain why its previously stated concern about preserving petitioner’s right to challenge statements made by patent owner’s declarant no longer supports maintaining the presumption in favor of the petitioner for genuine material issues of fact created by the parties’ conflicting declaration testimony.

b. The Proposed Rules Create Fairness Concerns

The Section is concerned that eliminating the presumption in combination with the inability to appeal institution decisions may result in the Board possibly crediting unsupportable witness testimony in denying institution, when the petitioner did not have the opportunity to cross-examine the patent owner’s witness. The petitioner has no right to cross-examine the patent owner’s declarant prior to institution, and no right to appeal the denial of institution.²³ If the Board grants institution, a patent owner can withdraw the declarant’s testimony, in which case the patent owner’s declarant would not be

²¹ See 35 U.S.C. § 314(b).

²² 80 Fed. Reg. 50720, 50725 (Aug. 20, 2015); see also 81 Fed. Reg. 18750, 18755 (Apr. 1, 2016) (the Office explained that the presumption “preserve[s] petitioner’s right to challenge statements made by the patent owner’s declarant,” because the short timeline for issuing an institution decision after a preliminary response generally “does not generally allow for cross-examination of a declarant before institution as of right, nor for the petitioner to file a reply brief as of right.”).

²³ See 35 U.S.C. §§ 314(d) and 324(d).

subject to cross-examination.²⁴ Even if the Board removes the ability of a patent owner to withdraw pre-institution declaration testimony, a petitioner still has no recourse to cross-examine a witness before institution. Without the ability to cross-examine a patent owner's witness before institution, it is possible that the Board may credit unsupported, untested testimony in denying institution. On the contrary, if the Board credits a petitioner's witness in granting institution, the patent owner is given the opportunity to cross-examine the petitioner's witness. It is important for the integrity of AIA trials and the U.S. patent system to maintain the presumption in favor of the petitioner at the institution stage when there is a genuine issue of material fact caused by the parties' testimonial evidence.

The current rules do not require all conflicting expert testimony at the institution stage to be resolved in favor of the petitioner, but only testimony that creates a *genuine issue of material fact*. For instance, where a petitioner submits expert testimony that is conclusory or not supported,²⁵ counter-testimony from a patent owner's expert may be considered and accepted without conflicting with the presumption. The Proposed Rules would not improve on this current incentive structure that the Office itself once agreed was consistent with the statutory framework.²⁶

c. Practitioner Misunderstandings Should Not Drive Rulemaking

The Office provides two rationales for eliminating the presumption in the Proposed Rules, but the identified rationales are premised on misunderstandings by practitioners. The Office should not upset current practice based on apparent misunderstandings by practitioners.

The first rationale that the Office provided is that during briefing for *Hulu*²⁷ which was considered by the Board's Precedential Opinion Panel (POP), "the rule has caused some confusion at the institution stage for AIA proceedings....For example, certain stakeholders have indicated that the presumption in favor of the petitioner for genuine issues of material fact created by patent owner testimonial evidence also creates a presumption in favor of the petitioner for questions relating to whether a document is a printed publication."²⁸ However, this rationale is premised on a misunderstanding. Whether an asserted reference qualifies as a printed publication is a legal question based on underlying factual determinations.²⁹ In the precedential *Hulu* decision, the POP explained that there is no presumption in favor of the petitioner for questions relating to whether a document is a printed publication.³⁰ Rather, "the burden is on the petitioner to

²⁴ See n. 9, *infra* (citing Consolidated Trial Practice Guide at 51).

²⁵ See 37 C.F.R. § 42.65(a); F.R.E. 702 and 705.

²⁶ 81 Fed. Reg. at 18756.

²⁷ See *Hulu, Inc. v. Sound View Innovations, LLC*, IPR2018-01039, Paper 15 (PTAB Apr. 3, 2019) (granting POP review).

²⁸ 85 Fed. Reg. 31728, 31729.

²⁹ See *Jazz Pharm., Inc. v. Amneal Pharm., LLC*, 895 F.3d 1347, 1356 (Fed. Cir. 2018); *Kyocera Wireless Corp. v. Int'l Trade Com'n*, 545 F.3d 1340, 1350 (Fed. Cir. 2008).

³⁰ *Hulu, Inc. v. Sound View Innovations, LLC*, IPR2018-01039, Paper 29 at 16 (PTAB Dec. 20, 2019) (precedential).

identify with particularity evidence sufficient to establish a reasonable likelihood that the reference was publicly accessible before the critical date of the challenged patent, and therefore that there is a reasonable likelihood that it qualifies as a printed publication.”³¹ The POP therefore provided guidance—in this case, a precedential decision—to explain the misunderstanding. The Office should not change the presumption because some parties misunderstood the rules. The Board can instead provide appropriate guidance on the meaning of the rule, as it did in the *Hulu* case.

For its second rationale in support of its proposal to eliminate the presumption, the Office explained that it is “concern[ed] that the presumption in favor of the petitioner may be viewed as discouraging patent owners from filing testimonial evidence with their preliminary responses, as *some patent owners believe that such testimony will not be given any weight at the time of institution.*”³² This rationale is also premised on a misunderstanding. Rule 42.108(c) does not provide that patent owner testimonial evidence will not be given any weight at the time of institution. If the Board institutes trial after applying the presumption in favor of petitioner based on conflicting testimonial evidence, a patent owner is free to continue to present that testimonial evidence during the instituted trial. The Section believes that patent owners may not present testimonial evidence for a myriad of other reasons, including (1) the short timeframe to explore testimonial evidence before a patent owner’s preliminary response is due, (2) an unwillingness to preview its strongest arguments in case the Board institutes trial, (3) the effective requirement under *SAS* to show why the Board should not institute on all challenged claims, to avoid institution, and (4) a perception that if the patent owner’s testimonial evidence does not persuade the Board at institution, it may be difficult to persuade the Board on similar evidence after institution. Accordingly, there are numerous other strategic reasons why patent owners may not present testimonial evidence with a preliminary response. Eliminating the presumption based on the aforementioned misunderstanding that patent owner testimonial evidence “will not be given any weight at the time of institution” is unlikely to affect any of these reasons, and may instead incentivize the submission of testimonial evidence of dubious quality that cannot be cross-examined as a matter of right and cannot be judicially reviewed.

* * * *

The Section thanks the Office for the opportunity to submit these comments. We would be pleased to further discuss these comments with the Office and others as appropriate.

Sincerely,



George W. Jordan III
Chair, ABA Section of Intellectual Property Law

³¹ *Id.*

³² 85 Fed. Reg. 31728, 31729-30.