

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and
Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence

Docket No. PTO-P-2019-0024

COMMENTS OF INTERNET ASSOCIATION

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I. Interest and Prior Comments of Internet Association

Internet Association thanks the PTO for allowing stakeholders the opportunity to comment on the proposed rules.¹

Internet Association is the unified voice of the internet economy, representing the interests of America's leading internet companies and their global community of users.² Internet Association is dedicated to advancing public policy solutions to strengthen and protect internet freedom, foster innovation and economic growth, and empower users. Internet Association members have extensive trial experience before the PTAB, including inter partes review and post-grant review proceedings.

Based on this experience, Internet Association commented on pre-institution proceedings and standards in response to the PTO's 2015 request.^{3,4} Our 2015 Comments supported the PTO rule allowing testimonial evidence in a patent owner preliminary response ("POPR"), provided the Office view disputed facts in favor of the petitioner, and give petitioners the right to reply to the POPR.⁵ The PTO adopted the first but not the second recommendation.

II. *SAS v. Iancu* Did Not Change the Single-Claim Institution Threshold

Internet Association supports the agency's codification of *SAS v. Iancu* in revised rule 42.108 for inter partes review.⁶ The PTO has proposed a near-identical rule for post-grant review. Because this similarity exists for all proposed rules, these comments will refer to the IPR rules, but the same points generally apply to the PGR rules.

The PTO should not, however, use *SAS* or the new rule to justify a failure to institute meritorious petitions. In particular, the Director should not balance the number of likely

¹ PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence, 85 Fed. Reg. 31728 (May 27, 2020) ("Proposed Rules Notice").

² Internet Association's members include Airbnb, Amazon, Ancestry, DoorDash, Dropbox, eBay, Etsy, Eventbrite, Expedia, Facebook, Google, Groupon, Grubhub, Handy, IAC, Indeed, Intuit, LinkedIn, Lyft, Match Group, Microsoft, PayPal, Pinterest, Postmates, Quicken Loans, Rackspace, Rakuten, Reddit, Snap Inc., Spotify, Stripe, SurveyMonkey, Thumbtack, TripAdvisor, Turo, Twitter, Uber, Upwork, Vrbo, Zillow, and ZipRecruiter.

³ Proposed Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, PT0-P-2015-0053, 80 Fed. Reg. 50720 (Aug. 20, 2015) ("2015 Request").

⁴ See Comments of the Internet Association (Oct. 19, 2015) ("2015 Comments"), available at <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/comments-amendments-rules-practice-trials>.

⁵ *Id.* at 4-6.

⁶ See, e.g., Proposed Rules Notice at 31728, col.3 (citing *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018)).

unpatentable claims against the number of unsuccessfully challenged claims when deciding whether to institute.

Instead, the PTO should regularly institute IPR proceedings when “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”⁷ This single-claim threshold is the primary statutory requirement for institution and is the agency’s best guide to when to institute. Importantly, there are no other merits considerations for institution decisions.⁸

Internet Association recognizes the Director’s discretion not to institute proceedings. But Congress gave the Director discretion not to institute in case the Board’s caseload threatened to overwhelm the agency. Prevention of backlog and the timely completion of AIA proceedings were Congress’s concerns. The Director should, likewise, exercise discretion to ensure no backlog develops.

Historically, the PTO had no such discretion over post-issuance proceedings. For example, if a request for inter partes reexamination (“IPX”) raised a substantial new question of patentability, the PTO had to “include an order for inter partes reexamination” in the Director’s determination.^{9,10} But inter partes reexamination was implemented only for patent applications filed on or after the effective date of the IPX statute. So the use of IPX proceedings grew slowly by design.¹¹

In contrast, Congress made every enforceable patent eligible for inter partes review, and the legislators were worried that the PTO would be overwhelmed.¹² Thus, Section 316(b) allows the Director to consider “the ability of the Office to timely complete proceedings” when prescribing regulations governing that discretion.¹³

Senator Kyl, an AIA sponsor, put Congress’s concerns on the record during the March 2011 Senate debates. In his view, the discretionary thresholds would be a “safety valve” governed by regulations that “take into account, among other things, the Office’s ability ‘to

⁷ 35 U.S.C. § 314(a).

⁸ Other conditions go to, e.g., timing, *id.* at § 315(b), and related civil actions, *id.* at § 315(a)(1).

⁹ 35 U.S.C. § 312(a) (2010).

¹⁰ 35 U.S.C. § 313 (2010).

¹¹ *See, e.g.,* USPTO, *Inter Partes Reexamination Filing Data—September 30, 2017*, available at https://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up.pdf.

¹² *See generally*, Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B. J. 539, 610 (2012).

¹³ *See also* Leahy-Smith America Invents Act sec. 6(c)(2)(B), Pub. L. No. 112-29, 125 Stat. 284, 304 (2011) (allowing the Director to hard cap the number of inter partes review proceedings during the proceedings’ first 4 years of existence).

timely complete proceedings” under the AIA.¹⁴ The safety valve “allows the Office to decline to institute further proceedings if a high volume of pending proceedings threatens the Office’s ability to timely complete all proceedings.”¹⁵ It was simply “better that the Office turn away some petitions that satisfy the threshold for instituting an [AIA proceeding] than it is to allow the Office to develop a backlog of instituted reviews.”¹⁶

Thus, the Director’s discretion grew out of concern that petitioners would file too many petitions for the PTAB to consider in a single year. That same concern—preventing a backlog—should primarily guide that discretion. Should a glut of petitions force the Director to turn away meritorious petitions, the Office should first promulgate rules describing the factors it will use to determine those petitions it deems less worthy. If those hypothetical rules included a balancing test, the Board should only implement that test to ensure the timely completion of proceedings.

Happily, the PTO—and particularly the Patent Trial and Appeal Board—has shown that it readily can handle its IPR docket with no backlog. Rarely does the Board require more than one year to complete an IPR proceeding. Typically, any timewise extensions are caused by joinder or other unusual circumstances.

Further, petitions have declined in the past three fiscal years.¹⁷ This year, at their current rate, petitioners will file roughly 200 fewer petitions than in 2019 and 300 fewer petitions than in 2018. This decline alone shows that a backlog is unlikely to develop. Thus, the PTO appears quite able to institute every IPR petition that meets the statutory requirements regardless of its implementation of the *SAS* holding.

For IPRs, the statute requires only “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged.”¹⁸ The PGR statute requires a similar showing for “at least 1 of the claims challenged.”¹⁹ In both cases, Congress expected institution when a single claim is called into question.

¹⁴ 157 Cong. Rec. S1377, col. 1 (daily ed. Mar. 8, 2011) (quoting 35 U.S.C. § 316(b)).

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Compare* Trial Statistics at 5, May 2020 (filings on pace for fewer than 1200 IPR petitions in FY 2020), *with* Trial Statistics at 5, Oct. 2019 (1,394 IPR petitions in FY 2019) *and* Trial Statistics at 5, Oct. 2018 (1,521 IPR petitions in FY 2018), *all available at* <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/statistics/aia-trial-statistics-archive>.

¹⁸ 35 U.S.C. § 314(a).

¹⁹ 35 U.S.C. § 324(a).

SAS itself recognizes the primary importance of the statutory single-claim threshold:

Once that single claim threshold is satisfied, it doesn't matter whether the petitioner is likely to prevail on any *additional* claims; the Director need not even consider any other claim before instituting review.²⁰

Thus, the PTO should regularly institute IPR proceedings when at least one challenged claim is likely unpatentable. To the extent the PTO balances likely unpatentable claims against the total challenged claims, it should implement with a rule that focuses on preserving the PTO's ability to timely complete proceedings.

Finally, regardless of PTO's final rule, the agency should reject meritorious petitions only in extreme cases. Internet Association is aware of the informative decision *Chevron Oronite v. Infineum*.²¹ There, in an odd circumstance, petitioner challenged 20 claims but showed only 2 dependent claims were likely obvious.²² The corresponding independent claim was not shown likely obvious.²³ Thus, in *Chevron Oronite*, the Board declined institution not just because of the 10-1 claim ratio but also because the only claims likely obvious depended from an independent claim that was not shown likely obvious.²⁴ Normally, the PTO should institute any petition that shows 2 claims (double the statutory minimum) are likely unpatentable.

III. The PTO Should Not Change the Standard for Evaluating Evidence in a Patent Owner Preliminary Response

Internet Association does not support the agency's further proposed amendment to rule 42.108(c). Under the proposed rule, the POPR may include expert and fact testimony, and the Board will decide whether to institute on the totality of the evidence. This mini-trial equates to a trial on the merits without discovery, oral hearing, or the right to reply to patent owner's evidence.²⁵ The PTO should reconsider this trial-before-the-trial approach. This new standard is unsuitable for evidence presented in a "preliminary" response. The PTO has expanded this preliminary filing from an analog to a motion to dismiss into a full-blown merits opposition that too frequently will lead to a less accurate resolution on the merits.

Put another way, the proposed new rule charges the PTAB with making institution decisions that are virtually indistinguishable from final written decisions, except that they will

²⁰ *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018).

²¹ *Chevron Oronite Co. v. Infineum USA L.P.*, IPR2018-00923 Paper 9 (PTAB Nov. 7, 2018) (designated informative Apr. 5, 2019).

²² *Id.* at 10.

²³ *Id.*

²⁴ *Id.* at 11.

²⁵ *See, e.g.*, USPTO, Trial Practice Guide at 51, Nov. 2019 ("TPG").

inherently be less accurate. The panel will routinely have to evaluate conflicting testimony from competing experts without the trial safeguards of discovery, cross-examination, a reply, or oral hearing. The chances of PTAB error are much greater without these safeguards.

A. The PTO’s proposed new rule is inconsistent with the language and the structure of the statute

The notice fails to address or quote the relevant language of Section 313(a). The full text reads:

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.²⁶

The response is “preliminary,” it “sets forth reasons” not to institute “based upon the failure of the petition.” This language is more consistent with the original rules, which allowed “No new testimonial evidence” to be filed with the POPR.²⁷ Those rules align best with the statutory focus on identifying “reasons why” the petition—and the petitioner’s evidence—fails to show a likelihood of unpatentability.

Congress provided that petitioners and patent owners would file their respective testimonial evidence at different times. Under Section 312(a), the petitioner includes its “affidavits or declarations of supporting evidence and opinions” with the petition. Under Section 316 (a)(8), the PTO regulations must allow the patent owner to file its additional evidence, including affidavits or declarations, “after an inter partes review has been instituted.”

The Proposed Rules Notice fails to address the stark contrast between Sections 316(a)(8) and 313(a). Section 313(a) allows the patent owner to file reasons the petition is deficient pre-institution. Section 316(a)(8) allows the patent owner to file testimony after institution. The Office addressed both 313(a) and 316(a)(8) and relied on the “difference in statutory language” when promulgating the original bar on expert testimony in a POPR.²⁸

The agency reduced the statutory conflict and the problems inherent in its trial-before-the-trial approach when it promulgated the current rule. Current rule 42.108(c) requires the

²⁶ 35 U.S.C. § 313(a).

²⁷ 37 C.F.R. § 42.107 (2012).

²⁸ See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48680, 48689 (Aug. 14, 2012) (“Original Rules Notice”).

Board to view any genuine issue of material fact created by POPR testimony in the light most favorable to petitioner:

The Board's [institution] decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an inter partes review.²⁹

This evidentiary standard comports more closely with Congress's intent because it preserves the role of the POPR as presenting reasons why the petition fails on the facts presented. As the PTO explained, "if a genuine issue of material fact is created by testimonial evidence, the issue will be resolved in favor of petitioner solely for institution purposes so that petitioner will have an opportunity to cross-examine the declarant during the trial."³⁰ In the proposed rule that safeguard is lost.

In sum, Congress never intended the Board to resolve genuine issues of material fact pre-institution. Any genuine factual disputes—and corresponding expert testimonial disputes—were to be addressed post-institution. The proposed rules undermine congressional intent.

B. The notice provides insufficient reasons for changing the evidentiary standard

The PTO relies on *Hulu v. Sound View* to change the evidentiary standard.³¹ *Hulu*—a precedential decision—addressed the threshold showing that a purported reference was a printed publication as of the critical date. Unsurprisingly, *Hulu* held that pre-institution "a petitioner must establish a reasonable likelihood that a reference is a printed publication."³²

But the patent owner in *Hulu* "did not file a declaration."³³ Thus, *Hulu* held that the preliminary response rule "is not implicated."³⁴ A case holding that a rule is not implicated can hardly be the basis for changing that rule.

The PTO also relies on some confusion regarding the standards at the institution stage.³⁵ But one does not clarify a rule by changing its substantive content. The PTO should fix any

²⁹ 37 C.F.R. § 42.108(c) (in relevant part).

³⁰ Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 81 Fed. Reg. 18750, 18755, col. 3 (April 1, 2016) ("Current Rules Notice").

³¹ *Hulu, LLC v. Sound View Innovations*, IPR2018–01039, Paper 29 (PTAB Dec. 20, 2019).

³² *Id.* at 21.

³³ *Id.* at 17.

³⁴ *Id.*

³⁵ Proposed Rules Notice at 31729, col. 3.

“confusion” with clarification, and not with a change in the law. The agency has several mechanisms for clarifying its standards. For example, when promulgating the current rules, the agency made the standard plain. The “Office is amending the rules to provide that any factual dispute created by testimonial evidence that is material to the institution decision will be resolved in favor of the petitioner solely for purposes of determining whether to institute a trial.”³⁶

Similarly, the PTO used its Trial Practice Guide to clarify the same point.³⁷ *Hulu* itself explains that the limited allowance of testimony in a POPR did not affect the statutory standard for institution.³⁸ So any confusion in the lead up to *Hulu* has been addressed.

The PTO also reasons that patent owners are discouraged from filing affidavits at the preliminary stage for fear the testimony will be given no weight.³⁹ To the extent this argument reflects current confusion—which seems unlikely given *Hulu* and the remaining guidance—it may be cured without entirely changing the evidentiary standard.

At the preliminary stage, as explained, the focus is on the failures of the petition to set forth a showing of reasonable likelihood. The PTO could readily explain that the current rule does not discourage affidavits that address underlying defects in the petitioner’s case. But the PTO should discourage any attempt to create factual disputes on patentability that the Board must resolve without discovery or other trial safeguards.

IV. The PTO Must Grant Petitioners the Right to Reply

A. The proposed change to the evidentiary standards compels the PTO to grant petitioners the right to reply to the POPR

When enacting IPR regulations, the Director “shall consider” the integrity of the patent system, the efficient administration of the Office, and the Office’s ability to timely complete proceedings.⁴⁰ Each factor favors allowing the petitioner a reply as of right.

- A reply as of right would preserve the integrity of the patent system. A reply ensures that petitioners can address any misrepresentations or misunderstandings by patent owners before they become ensconced in institution decisions.
- A reply as of right would be more efficient. Petitioners facing affidavits that dispute the merits of their petition will undoubtedly have good cause to reply to the new evidence under the current proposal. It would be inefficient—and waste the Board’s

³⁶ Current Rules Notice at 18755, col. 2 (emphasis added).

³⁷ TPG at 49-50.

³⁸ See *Hulu* at 12-13.

³⁹ Proposed Rules Notice at 31729-30.

⁴⁰ 35 U.S.C. § 316(b).

resources—to require every petitioner to request a motion to file a reply, have a telephonic hearing regarding that request, and prepare and file the motion showing good cause.

- A reply as of right ensures that the Office can timely complete proceedings. A reply would help the Board avoid a wave of valid requests for rehearing and subsequent reversals of denials of institution caused by the Board considering merits arguments and evidence presented without reply.

The proposed rule change fails because it maintains the requirement that petitioner’s show “good cause” before they may reply to evidence, including expert testimony, that will be given equal weight. As Internet Association previously explained, this was unfair under the current rules.⁴¹ But the proposed rules transform the institution decision into a merits decision without trial safeguards. There are no circumstances where a reply would not be appropriate.

B. Due process and fairness require petitioners be given the right to reply

American due process is the right to be heard. “For more than a century the central meaning of procedural due process has been clear: ‘Parties whose rights are to be affected are entitled to be heard.’”⁴² In an IPR, “the Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond.”⁴³ Without a reply, petitioner has no chance to respond to patent owner’s testimonial evidence. Without that response, the Board will too often deny institution of petitions that should be granted.

The PTO’s proposed new rule will allow patent owners to file merits arguments and expert testimony and seek to have disputed technical issues resolved at the preliminary stage. Petitioners will have no right to reply, nor is there an oral hearing before the institution decision.

This is an extraordinary process. Internet Association is unaware of any analog—where expert testimony and opinion that may end the proceedings cannot be addressed by right—in proceedings within the agency or the courts. Numerous examples go the other way.

- The PTAB cannot decide an IPR on its own theory without first giving “an opportunity for the parties to respond” to that theory.⁴⁴

⁴¹ 2015 Comments at 4-6.

⁴² *Fuentes v. Shevin*, 407 U.S. 67, 80 (1972) (quoting *Baldwin v. Hale*, 68 U.S. 223, 233 (1863)).

⁴³ *In re Magnum Oil Tools Int’l, Ltd.*, 829 F.3d 1364, 1381 (Fed. Cir. 2016).

⁴⁴ *See, e.g., Nike, Inc. v Adidas AG*, 955 F.3d 45, 51 (Fed. Cir. April 9, 2020).

- Similarly, when the PTAB decides an ex parte appeal on a new ground of rejection, patentees are allowed the choice of responding to the PTAB or getting a remand to address the new grounds.⁴⁵
- When briefing a dispositive motion in district court—particularly where the opposition presents new evidence—the moving party is allowed a reply and a chance to be heard.

The reason replies are the norm is the recognition that a diligent party should not be procedurally barred from addressing new testimonial evidence presented by its opponent. Indeed, *Hulu*—the PTO’s primary case for changing the standard—appears to assume that petitioners may always reply at the preliminary stage.⁴⁶

The ability to argue “good cause” for the chance to reply is insufficient when the merits are in play. The right to be heard is the right to be heard on the merits, not the chance to request a response on the merits.

Finally, the PTO should consider the unfairness inherent in the current word count disparity. The rules as envisioned will allow petitioners a petition (14,000 words) and a reply (5,600 words) to present and defend their merits positions. In contrast, patent owners will have a preliminary response (14,000 words), an opposition (14,000 words), and a sur-reply (5,600 words), all of which may argue the merits. There is no requirement that the POPR and the opposition put the same merits issues in play; giving patent owners an additional 14,000 words on the merits is unfair. The PTO could mitigate some of this disparity by allowing petitioners the right to reply whenever patent owners file a preliminary response.

V. Conclusion

Internet Association again thanks the PTO for its consideration of stakeholder comments on the proposed rules.

Unfortunately, Internet Association cannot support the proposed rules because they would transform the pre-institution proceedings into a trial-before-the-trial with none of the safeguards of trial. Worse, the rules do not give petitioners the right to respond to patent owners’ evidence. Finally, the proposed rules properly codify the *SAS v. Iancu* decision, but Internet Association cautions the PTO not to use *SAS* to turn away meritorious petitions.

⁴⁵ 37 C.F.R. § 41.50(b).

⁴⁶ *Hulu* at 14 (listing a reply to the POPR as petitioner’s opportunity to present new evidence “responsive to” the POPR).