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June 26, 2020

Via email: PTABNPRM2020@uspto.gov

Mail Stop Patent Board

Director of the United States Patent and Trademark Office

P.O. Box 1450

Alexandria, Virginia 22313-1450

Attn: Vice Chief Administrative Patent Judge Michael Tierney

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

I write on behalf of the PTAB Bar Association (the "Association") to respond to the United States Patent and Trademark Office's ("Office") invitation for comments on its 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"), published at 85 Fed. Reg. 31728 (PTO-P-2019-0024, May 27, 2020).

The PTAB Bar Association is a voluntary bar association of over 500 members engaged in private and corporate practice and in government service. Members represent a broad spectrum of individuals, companies, and institutions involved in practice before the Patent Trial and Appeal Board ("PTAB" or "Board") and in patent, administrative and appellate law more generally. Per its bylaws, the Association is dedicated to helping secure the just, speedy and inexpensive resolution of every PTAB proceeding. Accordingly, in this letter, the Association strives to present a neutral perspective representing the interests of both patent owners and petitioners in PTAB proceedings.

The comments below emphasize issues related to the Proposed Rules that the Association submits are important to securing just resolution of PTAB proceedings and that reflect feedback received from the Association's membership. We comment on four substantive areas of the proposed rulemaking: (I) Instituting on All Claims and All Grounds, (II) Authorizing the Parties to Address Issues Raised in the Institution Decision, (III) Authorizing Sur-Replies to Principal Briefs, and (IV) Eliminating the Presumption in Favor of the Petitioner at Institution When There is a Genuine Issue of Material Fact Caused by Conflicting Testimonial Evidence.

In sum, as described below, the Association generally supports the Office's proposal to institute on all claims and all grounds under *SAS* (I) and to authorize the parties to address issues raised in an institution decision (II). The Association also generally

supports the Office's proposal to permit sur-replies (III) and further recommends narrow revisions to the rulemaking for clarification. However, at this time the Association opposes the Office's proposal to eliminate the presumption in favor of the petitioner's testimonial evidence at the institution stage (IV), which would be a significant change from current practice, eliminate a significant aspect of procedural fairness, and potentially increase pre-trial activity to the detriment of the Board's goal of "just, speedy, and inexpensive resolution of every proceeding." Some of the Association's members expressed differing views about this proposal, and the Association is additionally concerned that not all stakeholders may have recognized the significance of this proposed change in light of the prominence given to the Office's other proposals in some public discussion of the Proposed Rules. Accordingly, if the Office determines to continue to consider this proposal, the Association additionally recommends that it should be separated from the other proposals set forth above, and that further discussion and consideration should be permitted.

I. Instituting on All Claims and All Grounds

Association members generally support the Office's proposal to amend 37 C.F.R. §§ 42.108(a) and 42.208(a) to codify the Board's existing practice and state that when the Board institutes review, the Board will institute review of all challenged claims and all grounds of unpatentability asserted for each challenged claim. As explained in the Notice, the Supreme Court held in *SAS* that the Board may not institute on fewer than all challenged claims if the Board institutes review.¹ In addition, while *SAS* may not expressly require institution on all grounds of unpatentability, instituting on all grounds is generally consistent with the reasoning in *SAS*. The Court explained that the petitioner is the architect of the review.² A party may seek an IPR under 35 U.S.C. § 311(a) by filing a "petition to institute an inter partes review," and the Court stated that this language does not "contemplate a petition that asks the Director to initiate whatever kind of inter partes review he might choose."³ 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."⁴ Applying the Supreme Court's reasoning in *SAS*, the Court of Appeals for the Federal Circuit has required the Board to institute on all grounds.⁵ The Board has taken this approach since shortly after the Supreme Court decided *SAS*, and the Consolidated Trial Practice Guide endorses this approach.⁶

Accordingly, the Association submits that instituting on all claims and all grounds is consistent with the Supreme Court's decision in *SAS*, is mandated by the Federal Circuit, is consistent with the Board's practice since shortly after *SAS*, and, on balance,

¹ *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018).

² *Id.* at 1351.

³ *Id.* at 1355.

⁴ *Id.*

⁵ *See, e.g., AC Techs. S.A. v. Amazon.com, Inc.*, 912 F.3d 1358, 1364 (Fed. Cir. 2019) ("And, we have held, if the Board institutes an IPR, it must similarly address all grounds of unpatentability raised by the petitioner.").

⁶ *See Consolidated Trial Practice Guide* (Nov. 2019), at 5, 64.

promotes efficiency by addressing in one proceeding all challenges asserted in a petition. In various respects it may also be considered to benefit both petitioners and patent owners. Petitioners may benefit by having a broader scope of challenges they have proposed become part of the trial, potentially increasing the likelihood of success. Patent owners may benefit because, to the extent that some courts held that uninstituted grounds were not subject to estoppel under 35 U.S.C. § 315(e), instituting review of all grounds of unpatentability may lead to a broader scope of estoppel if the patent owner prevails in an instituted trial. As such, in light of these court rulings and the Board's existing practice after *SAS*, instituting review on all claims and all grounds may strike a balance that helps achieve the Congressional objective of providing a fair, comprehensive, and efficient alternative to district court litigation,⁷ and confirming this with the Office's proposal may help promote clarity.

II. Authorizing the Parties to Address Issues Raised in the Institution Decision

The Association generally supports the Office's proposal to amend 37 C.F.R. § 42.23(b) to codify its existing practice of permitting petitioners to address issues raised in an institution decision in a petitioner reply. Similarly, the Association supports the Office's proposal to amend 37 C.F.R. §§ 42.120 and 42.220 to codify its existing practice of permitting patent owners to address issues raised in an institution decision in a patent owner response. In view of the Office's proposal to modify the rules to require institution on all claims and all grounds, if the Board institutes review, authorizing the parties to address issues discussed in the institution decision, while limiting what new evidence and arguments may be introduced, may lead to developing a more complete record of the parties' positions for the Board to review in preparing a final written decision, while protecting procedural fairness for both sides.

III. Authorizing Sur-Replies to Principal Briefs

The Association generally supports the Office's proposal to permit sur-replies in response to principal briefs, which is the Board's current practice.⁸ While patent owner sur-replies to petitioner replies go against the general framework of giving the party with the burden of proof the last word,⁹ patent owners were already permitted the opportunity to file more constrained observations on cross-examination testimony, and on balance, less constrained sur-replies may promote fairness in AIA trials by permitting patent owners to respond to arguments and/or evidence presented in a petitioner reply arguing unpatentability of the patent at issue. Therefore, codifying the current practice of permitting patent owner sur-replies to petitioner replies rather than submitting observations on cross-examination may reduce concerns that the patent

⁷ See *id.* at 56 (citing H.R. Rep. No. 112-98, pt. 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69).

⁸ See *id.*, at 73-74.

⁹ 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).

owner did not have appropriate notice of or a meaningful opportunity to respond to the arguments and/or evidence presented in a petitioner's reply. Sur-replies are therefore preferable to the previous procedure of authorizing a patent owner to file more constrained observations on cross-examination testimony. Likewise, the Association supports granting petitioners authorization to file a sur-reply in response to a patent owner's reply to an opposition to a motion to amend, since petitioners generally have the burden of persuasion to show that proposed substitute claims are unpatentable.¹⁰ The Association further understands that the Board's rules permit either party to seek permission for additional submissions in appropriate circumstances on a case-by-case basis.

It appears that the Office intended for the Proposed Rules to authorize sur-replies, stating that "the Office is proposing to amend [certain regulations] to permit . . . sur-replies to principal briefs (i.e., to a reply to a patent owner response or to a reply to an opposition to a motion to amend)."¹¹ However, the Proposed Rules do not expressly authorize sur-replies as a matter of right. The proposed amendments to 37 C.F.R. §§ 42.23 and 42.24 only set forth requirements for a sur-reply *if one is filed*. 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 may be 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. Under current practice, the Board's scheduling orders regularly authorize sur-replies, so it may be unnecessary to expressly authorize them by rule. However, if the rule does not provide express authorization, then panels may deviate from the norm and provide a scheduling order that does not permit a sur-reply. Therefore, on balance, the Association recommends that the Office revise the Proposed Rules 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 will provide greater clarity to practitioners. Although sur-replies are not authorized by statute, the Office has plenary authority for regulations "governing inter partes review."¹² The Association believes that authorizing sur-replies in the proposed manner falls within this statutory authorization.

In addition, some Association members expressed concern that there is a potential ambiguity in the Proposed Rules with respect to whether new evidence may be submitted with a sur-reply. Under current practice, a patent owner may not submit new evidence with a sur-reply, other than deposition transcripts of the cross-examination of a

¹⁰ See *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed Cir. 2017) en banc). The Association also recognizes the Federal Circuit's recent holding that the Board may craft its own rejection of proposed substitute claims based on the evidence of record. *Nike, Inc. v. Adidas AG*, 955 F.3d 45, 51 (Fed. Cir. 2020) ("We hold today that the Board may sua sponte identify a patentability issue for a proposed substitute claim based on the prior art of record. If the Board sua sponte identifies a patentability issue for a proposed substitute claim, however, it must provide notice of the issue and an opportunity for the parties to respond before issuing a final decision under 35 U.S.C. § 318(a).").

¹¹ 85 Fed. Reg. at 31729.

¹² 35 U.S.C. § 316(a)(4) ; see also *id.* § 326(a)(4) .

reply witness.¹³ Some Association members expressed concern that not including an express prohibition in the rules against new evidence with sur-replies, other than deposition transcripts of the cross-examination of a reply witness, has led some Board panels to permit additional evidence to which a petitioner has no opportunity to respond. These Association members expressed concern that not specifying, by rule, a limitation on new evidence with sur-replies may lead to gamesmanship, an increase in proceeding costs, and a perception of unfairness.

Other Association members suggested that, if a patent owner desires to introduce additional evidence with a sur-reply beyond deposition transcripts of the cross-examination of a reply witness (e.g., a new exhibit discussed at the deposition of a reply witness), the Board may authorize the filing in limited circumstances and in the interests of justice.

In view of these concerns, the Association recommends that the Office revise proposed 37 C.F.R. § 42.23 to expressly authorize the filing of a sur-reply, and to prohibit the introduction of new evidence in a sur-reply, other than deposition transcripts of the cross-examination of a reply witness, unless the introduction of the new evidence with a sur-reply is required in the interests of justice and the proponent of the new evidence obtains prior authorization from the Board. Accordingly, the Association recommends that the Office revise proposed 37 C.F.R. 42.23(b) as follows:

37 C.F.R. § 42.23 Oppositions, replies, and sur-replies
* * * * *

(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. A petitioner may file a sur-reply in response to a reply to an opposition to a motion to amend. A sur-reply may only respond to arguments raised in the corresponding reply. New evidence, other than deposition transcripts of the cross-examination of any reply witness, may not be submitted with a sur-reply unless the Board authorizes the submission of such new evidence in advance based on a showing that considering the new evidence would be in the interests of justice.

IV. Eliminating the Presumption in Favor of the Petitioner at Institution When There is a Genuine Issue of Material Fact Caused by Conflicting Testimonial Evidence

In the discussions we were able to conduct during the provided 30-day comment period, Association members expressed differing views about the Office's proposal to eliminate the presumption in favor of the petitioner's testimonial evidence at the institution stage

¹³ See Consolidated Trial Practice Guide, at 73.

when there is a dispute of material fact caused by the parties' testimonial evidence. While some members in these discussions supported modifying the presumption to permit the Board to credit one party's conflicting evidence over the other's at institution, a significant majority of members in these discussions strongly favored retaining the presumption for the reasons of fairness summarized below.

Those who favored retaining the presumption expressed fairness concerns because patent owners and petitioners are not similarly situated at the institution stage. If the Board decides to credit a patent owner's testimonial evidence that conflicts with a petitioner's testimonial evidence, when neither party's evidence has been subject to cross-examination, it may deny institution and this denial is generally not appealable.¹⁴ The case therefore ends before trial even when the patent owner's testimony, with cross-examination and rebuttal evidence, might have been shown to be vulnerable or unsupportable. If the Board credits a petitioner's testimony, however, the Board may institute a trial and the patent owner will have the opportunity to expose deficiencies in the testimony via cross-examination. The Office recognized this distinction when it enacted current 37 C.F.R. §§ 42.108(c) and 42.208(c), explaining 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.*"¹⁵ According to a significant majority of Association members participating in discussions of this proposed change, this rationale still holds true today so the presumption should continue.

Some of these Association members also expressed fairness concerns because the Office permits a patent owner to withdraw pre-institution witness testimony if the Board institutes review, in which case the patent owner's witness would not be subject to cross-examination.¹⁶ Thus, a patent owner may be incentivized to introduce potentially vulnerable, less supportable testimony prior to institution because the upside is a denial of institution while the downside is limited because the patent owner can withdraw the contestable testimony if the Board institutes review.

Other Association members generally supported the Board weighing the parties' testimonial evidence at the institution stage. These members submit that the Board, whose Judges may have pertinent independent expertise, is adequately positioned to evaluate the credibility of the pre-institution testimony and that it should do so without a formal presumption requiring crediting the petitioner's testimony. Some of these

¹⁴ 35 U.S.C. §§ 314(d), 324(d).

¹⁵ 81 Fed. Reg. 18750, 18756 (Apr. 1, 2016) (emphasis added ; *see also id.* at 18755 (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.")).

¹⁶ *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.").

members also noted that the presumption is not imposed by statute, that neither side's declarants are normally cross-examined at the institution stage, and that the current presumption may discourage patent owners from submitting conflicting evidence at institution, given that disputed factual issues will be resolved in favor of instituting the petition.

While these members believe that a fair weighing of the totality of the evidence is important, some are also concerned that if the Office eliminates the presumption, the Office may consider granting petitioners additional pre-institution briefing to address allegedly conflicting testimonial evidence, or that pre-institution depositions of witnesses might be more likely to be considered. Accordingly, some members are concerned that, if the Office eliminates the presumption, pre-institution costs may rise and it could create greater burdens on the Board and the parties before institution.

In consideration of all of the points discussed above, at this time the Association believes this proposal raises significant procedural fairness concerns and thus opposes the proposal. As noted above, in the 30-day period available for discussion, some of the Association's members expressed differing views on this proposal, and the Association is additionally apprehensive that not all stakeholders may have recognized its significance in light of the prominence given to the Office's other proposals (discussed above) in some public discussion of the Proposed Rules. In light of the foregoing, to the extent the Office determines to continue to consider this proposal, the Association respectfully recommends that the Office separate this proposal from the other proposals set forth above and provide additional time to permit further discussion and consideration.

V. Conclusion

The Association and its members are committed to improving all aspects of PTAB practice, and we look forward to continuing to work with the Director and the Office to improve PTAB procedures. We appreciate this opportunity to provide feedback on the Proposed Rules, and hope that these comments aid in their consideration and, as appropriate, their implementation.

Submitted on behalf of the PTAB Bar Association, by:



J. Steven Baughman, President