

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

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Comments on Motion To Amend Practice and Procedures in Trial Proceedings Under the  
America Invents Act Before the Patent Trial and Appeal Board

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PTO-P-2018-0062

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**COMMENTS OF UNITED FOR PATENT REFORM**

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## **I. About United For Patent Reform**

United for Patent Reform (“UFPR”) is a coalition of hundreds of companies from nearly every sector of the U.S. economy. UFPR’s members include national realtor, construction, and technology businesses, Main Street retail shops, automobile manufacturers, hotels, grocers, convenience stores, and restaurants.<sup>1</sup> UFPR pursues comprehensive solutions to abusive patent litigation and supports critical tools and procedures that help improve patent quality and check patent litigation abuse, such as the Inter Partes Review (“IPR”) program at the Patent and Trademark Office (“PTO”).

To learn more visit us at [www.UnitedforPatentReform.com](http://www.UnitedforPatentReform.com).

## **II. The Proposed Changes Would Make AIA Proceedings Less Efficient And More Costly**

Congress designed AIA proceedings to provide an efficient and cost-effective means to test the patentability of patent claims. As explained in the relevant Congressional report, AIA reviews were designed to provide “a more efficient system for challenging patents that should not have issued.”<sup>2</sup> These reviews were intended to help “improve patent quality and limit unnecessary and counterproductive litigation costs.”<sup>3</sup> Congress intended that AIA proceedings help address the then growing problem of “patent ‘troll’ lawsuits.”<sup>4</sup> The PTO’s initial implementation of AIA proceedings, particularly IPR, has been a great success in fulfilling Congress’s intent for the program. But the PTO’s proposed changes to amendment practice, particularly when following other recent changes to AIA proceedings, are likely to undermine and turn back that success.<sup>5</sup>

Allowing multiple motions to amend as a matter of right will increase legal fees, expert fees, and fees for additional (and expedited) prior art searches. For instance, allowing multiple motions to amend will reduce efficiency by encouraging patentees to hold their “best” claims in reserve while the petitioners and the Board work at a breakneck pace to review, challenge, and analyze the first set of claims.

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<sup>1</sup> A list of UFPR members is available at <http://www.unitedforpatentreform.com/members>.

<sup>2</sup> H.R. Rep. No. 112-98, pt. 1 at 39–40 (2011); *see also* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 Fed. Cir. B.J. 435, 437 n.8 (2012) (“Only one committee report, H.R. Rep. No. 112-98 (2011), was issued by a committee during the Congress in which the AIA was enacted.”).

<sup>3</sup> H.R. Rep. No. 112-98 at 40.

<sup>4</sup> *Id.* at 54.

<sup>5</sup> *See* Request for Comments on Motion To Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, PTO–P-2018-006283, 83 Fed. Reg. 54319 (Oct. 29, 2018) (“Request for Comments”).

The PTO addressed these concerns in promulgating its Original Rules by requiring a showing of “good cause” for additional motions to amend.<sup>6</sup> As the PTO itself explained, the good-cause standard allows the agency to maintain the “integrity and efficiency” of AIA reviews without “additional burden [being] placed on petitioner.”<sup>7</sup> Importantly, the PTO expressed this concern before the PTAB developed the practice of “contingent” amendments that force the petitioner to contest the validity of two sets of claims simultaneously. In other words, the “burden placed on the petitioner,” even without the new proposed change, is already higher than contemplated during the original rulemaking. The proposed change would further increase the trial burden on petitioner by adding a third set of claims for consideration when no good cause exists for the late introduction of those claims.

Some patentees may seek a tactical advantage from the proposed change. Offering amendments will now render AIA trials less efficient and more costly, regardless of substantive benefits. Having a more costly and less efficient procedure will inevitably lead to more litigation settlements based solely on the cost of challenging the patent. More settlements of that type inevitably lead to increased assertions of low-quality patents. This result is a direct violation of Congressional intent for the AIA proceedings. Increasing litigation costs and complexity—for its own sake—should be unacceptable to the PTO.

### **III. Patentees Would Receive No Substantive Benefit From The Proposed New Process Because Patentees Typically Seek Minor Amendments For Reasons Unrelated To PTO Procedure**

As the PTO’s Motions to Amend Study (“MTA Study”) shows, patentees rarely file motions to amend their claims.<sup>8</sup> Of the completed AIA trials studied, less than 10% included a motion to amend.<sup>9</sup> Neither the PTO’s MTA Study nor the Request for Comments addresses the reason patentees seek so few amendments, but those reasons are well understood and should be taken into consideration in designing the AIA proceedings.

For patentees in litigation (or threatening litigation) distinctly new amended claims obtained through an AIA proceeding is of almost no value. Any new claims would generally moot any pending litigation (and past damages in any other form) by resetting the issue date of

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<sup>6</sup> See, e.g., 37 C.F.R. § 42.121(c).

<sup>7</sup> Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents 77 Fed. Reg. 48730, 48690, col.1 (Aug. 14, 2012) (“Original Rules”).

<sup>8</sup> See Patent Trial and Appeal Board Motion to Amend Study, Installment 4, available at <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/statistics> (“MTA Study”).

<sup>9</sup> MTA Study at 5. To the extent the PTO has seen an increase in motions to amend in post-*Aqua Products* AIA trials (*id.* at 10), that is a reason to delay any change in amendment practice.

the now-amended claims.<sup>10,11</sup> Furthermore, amended claims are subject to intervening rights that limit the assertion of such claims going forward.<sup>12</sup>

When patentees do move to amend, they typically seek claims that are at least arguably “substantially identical” to those in the originally issued patent. “Substantially identical” claims protect suits for past damages and avoid the creation of intervening rights.<sup>13</sup> But such claims invariably have flaws in patentability that parallel the flaws in the original claims based on unpatentability arguments found in the petition. For that reason, proffered amended claims often fail under the same art of record that rendered the original claims unpatentable.<sup>14</sup>

To be sure, some motions to amend seek substantive amendments, some of which result in patentable claims.<sup>15</sup> But the MTA Study reveals that many substantive amendments fail for multiple statutory reasons, including Section 112 violations.<sup>16</sup> The failures under Section 112 indicate that patent owners sought subject matter beyond the scope of the disclosed invention—an unsurprising result for proffered amended claims that are substantially different than the original claims. Such “overreaching” claims may not be accepted by the PTAB.

The Supreme Court’s explanation in *Cuozzo* that the low rate of successful amendments “may reflect the fact that no amendment could save the inventions at issue, i.e., that the patent should have never issued at all”<sup>17</sup> is right. Only 12% of amendments fail for procedural reasons<sup>18</sup>; a number that further suggests that the PTO’s attempt at procedural reform is misguided. The opportunity is already present for amendments—in full view of the PTO’s institution decision—and additional motions to amend are unlikely to make patentable the unpatentable.

#### **IV. The Agency Must Not Require Petitioner To Show Amended Claims Are Unpatentable**

The Supreme Court has long recognized that “the primary responsibility for sifting out unpatentable material lies in the Patent Office.”<sup>19</sup> In prosecution, the Office fulfills this

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<sup>10</sup> See, e.g., New AIA Plan May Be A Tough Path To Patent Amendments, Law360 (Oct. 29, 2018); In Re Aqua Products Much Ado About Nothing, Patents Post-Grant (Oct. 5, 2017) available at <https://www.patentspostgrant.com/re-aqua-products-giant-nothing-burger/>.

<sup>11</sup> See, e.g., 35 U.S.C. § 318(c) (incorporating the reissue rule codified at 35 U.S.C. § 252, first paragraph).

<sup>12</sup> *Id.* (incorporating the intervening rights doctrine codified at 35 U.S.C. § 252, second paragraph).

<sup>13</sup> 35 U.S.C. § 252, first paragraph.

<sup>14</sup> See MTA Study at 8.

<sup>15</sup> *Id.* at 7 (finding that 10% of motions to amend are granted or granted-in-part).

<sup>16</sup> *Id.* at 8.

<sup>17</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2145 (2016).

<sup>18</sup> *Id.*

<sup>19</sup> *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 18 (1966).

responsibility by searching for prior art relevant to every original or amended claim and shouldering the burden of showing those claims unpatentable.<sup>20</sup>

AIA trials, in contrast, are based on a more adjudicatory model wherein the petitioner challenges issued claims bringing forth art and arguments that the agency may not have considered. Because petitioners have a stake in defeating the original claims, their work may be sufficient to guard “the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.”<sup>21</sup> But the same is not true regarding amended claims. Patentee’s amended claims may not interest the petitioner if it does not face damages or a threat of infringement on the new claims, but that does not decrease the public’s interest in ensuring that only valid claims issue.

As AIA practice developed, the PTAB wisely protected the public by placing the burden of proof on patent owners to show amended claims patentable over the known prior art.<sup>22</sup> But the PTAB’s judgment was upended in *Aqua Products*, which determined that the agency had not used rulemaking to place the burden and rejected the PTAB’s decisions on point as mere “musings.”<sup>23</sup> A majority of the *en banc* court, however, supported the Office’s authority to issue regulations that would place the burden on the patent owner.<sup>24</sup>

The PTO should again protect the public interest by “sifting out” unpatentable subject matter in amended claims. It may do so by (1) promulgating a rule imposing the burden on the party seeking the amended claims or by (2) accepting for itself the responsibility of a full examination for amended claims, including a prior art search, and the burden of proving the amended claims unpatentable. Merely allowing the Board to consult with the examining core in limited circumstances is a half-measure, insufficient to protect the public interest.<sup>25</sup> And an approach that places the burden to show that the amended claims are unpatentable on the petitioner ignores the Office’s responsibility to the public.

## **V. The Proposed Changes Would Violate The PTO’s Own Rules And The Administrative Procedures Act**

The Request for Comments indicates that the PTO intends to implement the proposed changes as a “pilot program” that would apply to “every AIA trial proceeding involving a motion

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<sup>20</sup> See, e.g., Manual of Patent Examining Procedure § 2142 Legal Concept of Prima Facie Obviousness (9th ed., Jan. 2018).

<sup>21</sup> *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

<sup>22</sup> *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2014-00027, 2013 WL 5947697 (PTAB June 11, 2013) abrogated by *Aqua Prod., Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017); see also *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, 2015 WL 10709290, at \*2-4 (PTAB July 15, 2015) abrogated by *Aqua Prod.*

<sup>23</sup> *Aqua Prod., Inc. v. Matal*, 872 F.3d 1290, 1318 (Fed. Cir. 2017) (en banc).

<sup>24</sup> *Id.* at 1342 (Taranto, J., joined by majority of court on this point).

<sup>25</sup> See Request for Comments at 54323, col. 2-3.

to amend.”<sup>26</sup> Commenters are unaware of any prior pilot program imposed on all participants regardless of consent. Typically PTO pilot programs are voluntary<sup>27</sup> and apply to a small group.<sup>28</sup> This makes sense because a “pilot” is by definition a “trial apparatus or operation,” testing an idea to see if that idea is suitable for a larger application.<sup>29</sup>

The proposed “pilot” is no pilot. Instead, it is a wholesale change accomplished through the *sub silentio* repeal of AIA rules regarding motions to amend without the safeguards of congressionally mandated notice and comment rulemaking. The statute allows “1 motion to amend the patent” as of right and permits “[a]dditional motions to amend ... as permitted by regulations prescribed by the Director.”<sup>30</sup> The regulations, in turn, require that additional motions to amend be authorized upon “a good cause showing.”<sup>31</sup>

But the proposed changes would effectively violate the PTO’s regulation—one that protects petitioners and ensures efficient processing of AIA trials—by pre-granting an additional motion to amend in every AIA proceeding. An agency cannot violate its own regulation over the objections of affected parties.<sup>32</sup> To do so is arbitrary and capricious and violates the Administrative Procedure Act.<sup>33</sup>

The Request for Comments states that “the issuance of the Board’s preliminary decision addressing the initial motion to amend will be deemed ‘good cause’ for further amendment.”<sup>34</sup> This rationalization for ignoring the agency rule in every future AIA trial is insufficient as a matter of law. In law, “‘good cause’ depends upon circumstances of [the] individual case.”<sup>35</sup>

The proposed change prejudices the question of “good cause” in every case and allows a second motion to amend in every case. If “good cause” is deemed always to exist, regardless of the circumstances, then the good-cause requirement is nullified and the rule violated. This is bolstered by the PTO’s prior rulemaking. The agency promulgated the rule requiring a “good cause showing” subject to particular criteria including, e.g., “whether a petitioner has submitted

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<sup>26</sup> See Request for Comments at 54324, col. 1 (“The Office may implement the pilot program so that the new procedure is used in every AIA trial proceeding involving a motion to amend where the Board issues a decision to institute a trial after the implementation date of the pilot program.”).

<sup>27</sup> See, e.g., Glossary Pilot Program, 79 Fed. Reg. 17137 (Mar. 27, 2014) (Pilot provides “expedited processing” only for applicants that successfully petition to join the pilot).

<sup>28</sup> *Id.* (Glossary Pilot Program limited to 200 “grantable petitions”).

<sup>29</sup> See, e.g., <https://www.merriam-webster.com/dictionary/pilot>.

<sup>30</sup> See, e.g., 35 U.S.C. § 316(d)(1)-(2).

<sup>31</sup> See, e.g., 37 C.F.R. § 42.121(c); see also *id.* (allowing additional motions to facilitate settlement).

<sup>32</sup> See, e.g., *In re Nielson*, 816 F.2d 1567, 1570 (Fed. Cir. 1987) (“Practice before administrative agencies is controlled by each agency’s own regulations, and ‘where the rights of individuals are affected, it is incumbent upon agencies to follow their own procedures.’”) (quoting *Morton v. Ruiz*, 415 U.S. 199, 235 (1974)).

<sup>33</sup> See *Morton v. Ruiz*, 415 U.S. 199, 235 (1974).

<sup>34</sup> Request for Comments at 54320, col. 2.

<sup>35</sup> Black’s Law Dictionary 692 (6th ed. 1990).

supplemental information after the time period set for filing a motion to amend.”<sup>36</sup> Those criteria have been disregarded in the Request for Comments.

## **VI. The Agency Should Not Extend The 12-Month Statutory Deadline To Accommodate Pilot Proceedings**

Commenters believe that the proposed pilot will put undue strain on the parties and the Board. If implemented, it would place an undue burden on petitioners and lead to inefficient work for both the petitioners and the Board.<sup>37</sup> Nevertheless, Commenters oppose any routine extension of the 12-month statutory deadline for issuing a final written decision to accommodate the proposed changes. Rather the pilot should be reshaped to ensure that it does not have such deleterious effects. The self-imposed loss of efficiency and increased demand on the parties and the Board cannot be considered statutory “good cause” for an extension.<sup>38</sup>

Furthermore, should the PTO decide to permanently implement the proposed pilot or any similar changes, it must do so by rule. But the PTO’s rulemaking authority is limited. By statute, the “Director shall prescribe regulations ... requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review.”<sup>39</sup> The imperative “shall” means that the rules prescribed must result in a decision within 12 months. Furthermore, at every rulemaking—not just rules specifying a deadline—the Director must “consider the effect” of the rule on “the ability of the Office to timely complete proceedings.” Any rule that creates pressure to routinely extend the 12-month deadline—as the pilot appears to do—violates that statutory requirement.

The pressure to extend proceedings will come from the pilot’s intentionally less efficient design. Better to redesign the pilot than to allow it to undermine the timeline that the PTO has successfully implemented since the first AIA trials, which is based on Congress’ intent that these be relatively fast procedures. Moreover, routinely extending the timeline could inject inefficiency into the patent system as courts become less willing to stay overlapping litigation issues.

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<sup>36</sup> Original Rules at 48690, col.2.

<sup>37</sup> *See, e.g.*, Request for Comments at 54326 (procedure timelines).

<sup>38</sup> 35 U.S.C. § 316(a)(11).

<sup>39</sup> *Id.* (emphasis added).