

Via email to TrialRFC2018Amendments@uspto.gov

The Honorable Andre Iancu, Under Secretary for Intellectual Property
and Director of the United States Patent and Trademark Office
Mail Stop Patent Board
P.O. Box 1450
Alexandria, Virginia 22313-1450

Re: 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, 83 Fed. Reg. 54319 (October 29, 2018)

Dear Sir:

Thank you for this opportunity to comment on motion to amend practice and procedures in trial proceedings under the America Invents Act before the Patent Trial and Appeal Board. We are lawyers in a practice group at a major American law firm specializing in innovation and new company development. Our group's practice focuses on trials at the Board and appeals from such trials. We represent both patent owners and petitioners across a diverse array of technologies, including medical devices, communications, pharmaceuticals and biologics, business methods and electronics. We have collectively participated in hundreds of post-grant proceedings at the Board and have a strong interest in their continued success.

The following comments address allocation of the burdens, the process for and effect of the preliminary opinion, better options when the petitioner withdraws, and the need for rulemaking. In general, we appreciate the need for review and reform, but we are concerned that the proposed practices are so complex and expensive that they will be counterproductive and detrimental to parties, the Board, and the effectiveness of these congressionally created post-grant proceedings. The proposals do not further "the

integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings”. 35 U.S.C. 316(b) & 326(b). Finally, while rulemaking is not necessary to reallocate burdens, the proposed “pilot program” is so sweeping and substantive that compliance with all relevant statutory and Executive order requirements for rulemaking cannot be avoided. 5 U.S.C. 553; 35 U.S.C. 2(b)(2)(B).

Allocating burdens

Statutory authority already provides the proper allocation of ultimate burdens for motions to amend. As the movant, the amending patent owner has the burden of justifying relief. 5 U.S.C. 556(d). On the subordinate question of whether the amended claims are unpatentable, the petitioner has the burden. 35 U.S.C. 136(e). The statute does not specify what happens if the petitioner does not oppose, but case law suggests that the Board assumes the burden of establishing the unpatentability of the claims in deciding the motion. *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1311 (Fed. Cir. 2017); accord 35 U.S.C. 317(a) & 327(a) (permitting the Board to determine patentability after a petitioner withdraws). Dicta in the *Aqua Products* decision suggest that the Office might be able to alter these allocations through rulemaking. E.g., 872 F.3d at 1320-21. However, the cited statutes suggest the scope for such rulemaking is limited.

Preliminary, Non-binding Opinion on Patentability

The request proposes a preliminary, non-binding opinion on patentability. If the preliminary opinion favors granting the motion, the burden would shift to the opposer to demonstrate why the motion should not be granted without an opportunity to modify its arguments in view of further fact development. See Alternative 2. The proposal contradicts both the statutory allocation of the burdens and Federal Circuit guidance. *Aqua Products*, 872 F.3d at 1312 (“Thus, it is *at that point* [final written decision], and not earlier, that the statute contemplates consideration of an amended claim's patentability.”) (original emphasis). The ultimate burden for the motion must remain with movant regardless of what the Board decides in its preliminary opinion. 5 U.S.C. 556(d). The proposal gives the petitioner very limited scope to challenge the proposed amendment, including no cross examination. Shifting the burden to the

petitioner before cross examination would raise serious due-process problems. *Id.*; 35 U.S.C. 316(a)(5).

The request describes a study by the Board which indicates that motions to amend may fail for a number of reasons apart from conventional patentability requirements, such as substituting an unreasonable number of claims or substituting broader claims. The proposal to provide a formalities check on the motion could make sense to avoid decisions based solely of technicalities. Such a check, however, can be provided without significant change to the current procedure. The Board could authorize a proffer of the amendment before the motion is filed—or an abbreviated review and opportunity for correction after the motion is filed—to address such formalities. If the Board would like preliminary input from the petitioner, it can set a short period for a response. There is little justification for the complex and expensive process that the request proposes. There is no justification for using the preliminary opinion (which does not even bind the Board) to bind the petitioner and reallocate the burden. Cf. Exec. Order 12866, §1(a) (requiring consideration of alternatives, including not regulating).

The proposal in the request is complex and burdensome. It is also in tension with the relevant statutes and judicial guidance. The cost and complexity is not warranted either in terms of the harm to be remedied (which the Board's study suggests is limited) or in terms of the due-process problems it will create (resulting in more remands from appeals). The cost and complexity will only serve the interests of well-funded parties who can use these factors as leverage against their opponents. In many cases, the disadvantaged party will be a small entity, including the very patent owners trying to amend their claims. The Office already has experience with a post-grant proceeding (inter partes reexamination) collapsing as a result of its increasing procedural complexity. The present proposal sets Board trials at further risk of the same collapse, contrary to the plain Congressional intent for more efficient post-grant proceedings within the Office. H.R. Rep. No. 112-98, pt. 1, at 48 (2011).

Partial Off Ramp Revisited

The proposal also addresses the situation in which a patent owner tries to amend the claims, but the petitioner no longer participates. The request proposes a limited

delegation to an examiner from the Central Reexamination Unit (CRU). The request does not identify any authority for this hybrid process. Once again, the proposal is far more complex than it needs to be, imposes unnecessary burdens on the Board, and unduly restricts the patent owner. Moreover, limiting the record evidence that the examiner may consider (for example, the proposal suggests the examiner could not consider original claims or cross-examination testimony) contravenes judicial authority requiring consideration of all evidence relevant to patentability. *Rexnord Indus., LLC v. Kappos*, 705 F.3d 1347, 1355-56 (Fed. Cir. 2013) (reversing for failure to consider evidence of unpatentability); *Q.I. Press Controls, B.V. v. Lee*, 752 F.3d 1371, 1383-84 (Fed. Cir. 2014) (partially vacating for failure to address inconsistent results indicating unpatentability of claims held not unpatentable); see also 35 U.S.C. 316(b) & 326(b) (requiring consideration of the integrity of the patent system).

A much simpler, more cost-effective alternative exists. The Director already has authority to order a reexamination sua sponte. 35 U.S.C. 303(a). The Director also has authority to reallocate responsibilities between copending procedures. E.g., 35 U.S.C. 315(d) & 325(d). When the patent owner wishes to amend a claim and the petitioner is not participating, the Director should order a reexamination and transfer the case to the CRU. If the proceeding does not involve unpatentability over a patent or printed publication (as is possible with a post-grant review or covered business method review), the Director may dismiss the motion in favor of a reissue application.¹ Board trials and reexaminations both prohibit enlarging the scope of amended claims. 35 U.S.C. 305, 316(d)(3) & 326(d)(3). Enlarging amendments are permitted in some reissue applications, 35 U.S.C. 251(d), but could be prohibited in the transfer order when appropriate. 35 U.S.C. 315(d) & 325(d) (“may determine the manner”).

Placing ex parte examination of patent claims before the part of the Office that is best suited for ex parte examination of patent claims (the CRU) should be a win-win situation for both the patent owner and the Office. If, prior to the petitioner

¹ Although fees are associated with a reissue application, the statute does not specify who must pay the fee. 35 U.S.C. 41(a)(1)(E) & 111(a)(3). The unspent balance of the post-institution fee would readily cover the cost of a reissue application.

withdrawing from the proceeding, the patent owner has canceled an original claim in favor of a substitute claim, the petitioner might have a reliance interest in further examination being limited to the scope of the substitute claim.² To the extent the Director determines that the petitioner has such reliance interest, the transfer order may limit the CRU's examination to prevent recapture of claim scope surrendered by the cancellation of the original claim. There is no reason to assume, as the proposal does, that the Board must retain control over the motion. The statute itself contains no such presumption; instead, it grants the Director wide latitude to transfer the proceeding subject to such conditions as the Director may prescribe.

Pilot Program Versus Rulemaking

The request characterizes the new procedures as a pilot program, but these procedures are general and prospective, making them a rule. 5 U.S.C. 551(4) (defining "rule"). Congress has expressly required the Office to follow regular rulemaking procedures in promulgating rules. 35 U.S.C. 2(b)(2)(B) (requiring rulemaking under 35 U.S.C. 553). Similarly, the Federal Circuit has remarked on the Office seeking deference when it had not followed regular rulemaking procedures. *Aqua Products*, 872 F.3d at 1320. Thus, promulgating significant changes to trial procedures—changes intended to have a results-determinative (and thus substantive) effect—as a "pilot program" is not appropriate. As noted above, these changes will impose significant additional burdens on the parties in terms of cost and complexity.

The new procedures will not only favor patent owners substantively, but will also favor the better-funded party procedurally, in procedures that Congress intended "to provide 'quick and cost effective alternatives to litigation.'" *Aqua Products*, 872 F.3d at 1298, quoting H.R. Rep. No. 112-98, pt. 1, at 48 (2011). Such profound changes to Board trials should only occur via regular rulemaking and observation of all administrative requirements. 5 U.S.C. 553(e). For example, the proposal adds

² I.e., the petitioner might not have withdrawn if the substituted claim scope could subsequently be enlarged. The Board can explore this question when a petitioner seeks to withdraw.

significantly to the briefing burden in Board trials, but does not discuss its compliance with the Paperwork Reduction Act. 44 U.S.C. 3506. Lasting reform cannot come by administrative shortcuts. We appreciate the sincere efforts of the Office to reform the Board's amendment practices, but urge the Office to reconsider its proposals and instead adopt simpler, fairer, more cost-effective procedures through proper rulemaking.

Respectfully submitted,

/Richard Torczon/

/Michael Rosato/

/Matthew Argenti/

/Stephen Parmelee/

cc: Hon. Neomi Rao, Administrator
Office of Information and Regulatory Affairs
725 17th NW
Washington DC 20503