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Attn: Lead Administrative Patent Judge Christopher L. Crumbley or
Lead Administrative Patent Judge Susan L. C. Mitchell,
PTAB Notice of Proposed Rulemaking 2019

Re: Rules of Practice to Allocate the Burden of Persuasion on Motions to Amend in Trial Proceedings Before the Patent Trial and Appeal Board

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 *Rules of Practice to Allocate the Burden of Persuasion on Motions to Amend in Trial Proceedings Before the Patent Trial and Appeal Board* (“Proposed Rules”), published at 84 Fed. Reg. 56401 (PTO-P-2019-0011, October 22, 2019).

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”) and in patent, administrative, and appellate law more generally. Members of the Association represent owners, users, and challengers of intellectual property rights. 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 believes are necessary to secure just resolution of PTAB proceedings that involve motions to amend, including contingent motions to amend, and reflect feedback solicited from the Association’s membership.

I. Allocating Burdens of Persuasion in a Motion to Amend

With respect to the question of whether to support an allocation of burdens of persuasion in accordance with paragraphs (d)(1) and (d)(2) of the Proposed Rules,

Association members express mixed views, often in keeping with the differing interests of petitioners and patent owners in PTAB proceedings. As such, the Association neither endorses nor opposes the allocation of burdens in paragraphs (d)(1) and (d)(2) of the Proposed Rules. However, the Association does note that the proposed allocation of burdens is generally consistent with the allocation set forth in *Lectrosonics, Inc. v. Zaxcom, Inc.*, IPR2018-01129, Paper 15 (PTAB Feb. 25, 2019) (precedential), and the Office’s prior “Guidance on Motions to Amend in view of *Aqua Products*,”¹ issued on November 21, 2017, in response to the Federal Circuit’s decision in *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed Cir. 2017) (en banc).

Notwithstanding the various positions of Association members regarding whether the burdens of persuasion should be allocated in the precise manner set forth in paragraphs (d)(1) and (d)(2) of the Proposed Rules, the Association favors clear guidance regarding an allocation of burdens to improve clarity and predictability and to minimize challenges that might follow from any implemented change. Thus, the Association generally supports the Office engaging in rulemaking to allocate the burdens of persuasion in a motion to amend, rather than allocating the parties’ respective burdens through decisions of the Board or other guidance memoranda.

The Federal Circuit’s decision in *Aqua Products* illustrates the importance for the Office to engage in rulemaking on issues where some may view the underlying statutory authority as being ambiguous. Specifically, the majority opinion stated:

The only legal conclusions that support and define the judgment of the court are: (1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to deference; and (2) in the absence of anything that might be entitled to deference, the PTO may not place that burden on the patentee.

Aqua Products, 872 F.3d at 1327. In *Aqua Products*, the court was split on whether 35 U.S.C. § 316(e) is ambiguous regarding which party bears the burden of persuasion for motions to amend. Six of the judges (Reyna, Dyk, Prost, Taranto, Chen, and Hughes) determined that § 316(e) is ambiguous as to whether the burden of persuasion for motions to amend should be placed on the petitioner in an IPR proceeding, and that § 316(a)(9) authorizes the Office to promulgate a regulation on the burden of persuasion, which it had not done. On the other hand, five of the judges (O’Malley, Newman, Lourie, Moore, and Wallach) determined that § 316(e) unambiguously places the burden of persuasion on petitioners for a motion to amend, and therefore the PTO was not entitled to deference under *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

In view of the determined ambiguity as to whether § 316(e) places the burden of persuasion on petitioners in a motion to amend, the Association supports the Office’s

¹ See <https://go.usa.gov/xQGAA>.

decision to engage in rulemaking to define more expressly the burdens allocated to patent owners and petitioners in a motion to amend. We believe that this is in accordance with the Office's authority to enact appropriate regulations for motions to amend under 35 U.S.C. § 316(a)(9).

This also comports with the Association's position that providing guidance by rule is preferable over guidance through precedential decisions of the Board, guidance by individual panels of the Board, or other guidance memoranda. At least some Federal Circuit judges appear to believe there is an open question whether the Board's precedential decisions are entitled to deference, and, if so, how much.² Rulemaking, while more onerous for the Office, is viewed as providing additional stability and predictability over alternative mechanisms for providing guidance.

Substantively, patent owners and petitioners have raised concerns about the page limits for motions to amend and oppositions. If the Office allocates the burdens as set forth in the Proposed Rules, it should consider increasing the page limits provided in 37 C.F.R. § 42.24 to ensure that both parties have a sufficient opportunity to be heard.

II. Board Discretion to Grant or Deny a Motion to Amend

The Association also supports the Office's proposal to establish, by rule, that the Board has discretion to grant or deny a motion to amend for reasons supported by the evidence of record, if warranted in the interests of justice. The Association understands that this proposal will be applied in an evenhanded manner for both patent owners and petitioners.

In favor of patent owners, the Board should not procedurally deny a motion to amend for failing to comply with applicable statutory or regulatory requirements, for example, if the lack of compliance occurred in good faith and granting the motion is supported by the evidence of record.

In favor of petitioners, proposed substitute claims should not be substituted in a challenged patent without substantive consideration simply because the petitioner does not oppose the proposed substitute claims. For example, a given petitioner may not have the incentive to oppose proposed substitute claims if it is not at risk of infringing the proposed substitute claims. The Board serves an important public function of preventing unpatentable proposed substitute claims from being added to a patent, if there is "easily identified and persuasive evidence of unpatentability in the record." 84 Fed. Reg. 56404; *see also Bosch Auto. Serv. Sols., LLC v. Matal*, 878 F.3d 1027, 1040 ("[W]here the challenger ceases to participate in the IPR and the Board precedes to final

² On September 17, 2019, in *Facebook, Inc. v. Windy City Innovations, LLC*, Appeal No. 2018-1400, the Federal Circuit ordered supplemental briefing on "what, if any, deference should be afforded to decisions of a Patent Trial and Appeal Board Precedential Opinion Panel ('POP')." To date, the Federal Circuit has not yet issued a decision on this issue in response to the supplemental briefing.

judgment, *it is the Board* that must justify any finding of unpatentability by reference to the evidence of record in the IPR.”) (quoting *Aqua Products*, 872 F.3d at 1311) (emphasis original).

While the Association generally supports codifying the Board’s discretion to grant or deny a motion to amend for reasons supported by the evidence of record, if warranted in the interests of justice, the Association has several suggestions regarding paragraph (d)(3) of the Proposed Rules. Because paragraph (d)(3) is related to the Board’s discretion, and similar issues are raised by the Precedential Opinion Panel in *Hunting Titan, Inc. v. DynaEnergetics GmbH & Co. KG, Inc.*, IPR2018-00600, some of the comments below also pertain to the issues raised in *Hunting Titan*.

First, the Association wishes to ensure that the parties’ due process rights are protected if the Board exercises its discretion to grant or deny a motion to amend based on evidence of record that was not previously addressed by the parties with respect to the proposed substitute claims. Specifically, the Association is concerned that paragraph (d)(3) of the Proposed Rules does not adequately specify procedural safeguards to ensure compliance with the due process and Administrative Procedure Act requirements governing AIA trial proceedings.³

It is the Association’s position that paragraph (d)(3) should expressly state that the parties still participating in a proceeding shall be given notice and an opportunity to respond in writing to any rationale or evidence of record addressed by the Board that was not previously addressed by the parties. To this end, the Association recommends that paragraph (d)(3) include language to the effect that:

(3) Irrespective of paragraphs (d)(1) and (2) of this section, the Board, may, in the interests of justice, exercise its discretion to grant or deny a motion to amend for any reason supported by the evidence of record, *provided that the Board has given the parties reasonable notice of such reason and evidence and an opportunity to respond in writing.*

The Association believes that permitting the parties to address evidence of record that the Board may rely on in accordance with its discretion under paragraph (d)(3) could be found to satisfy the “good cause” standard required to extend the one-year time period for issuing a final written decision. *See* 35 U.S.C. § 316(a)(11).

Second, although the reference in paragraph (d)(3) to “the interests of justice” is helpful, the Association is concerned that paragraph (d)(3) as written may not provide meaningful limits on when the Board may exercise its discretion.⁴ The Proposed Rules

³ *See* 5 U.S.C. §§ 554(b)-(c) and 556(c).

⁴ In the context of additional discovery under 37 C.F.R. § 42.51(b), the Trial Practice Guide explains that the “good cause” standard is “slightly more liberal” than the “interests of justice” standard, but this explanation also does not provide a

do not provide any guideposts for a reviewing court to evaluate whether a given decision constitutes an abuse of discretion. In the interest of clarity for stakeholders, and with the goal of securing some reasonable deference for the rulemaking as a whole, the Association suggests that the Office provide further guidance, preferably in the final rule itself, on the contours and limits of the Board's discretion under paragraph (d)(3).

In the Notice, the Office explains its expectation that the Board will exercise its discretion under paragraph (d)(3) "only in rare circumstances." 84 Fed. Reg. 56401, 56404. The Office identifies three exemplary circumstances where the Board may "rare[ly]" exercise its discretion under paragraph (d)(3): (i) where the petitioner has ceased to participate in the proceeding, (ii) where the petitioner remains in the proceeding but does not oppose the motion to amend, and (iii) "when the petitioner opposes the motion to amend and has failed to meet the burden of persuasion, but where there is easily identified and persuasive evidence of unpatentability in the record." Given, among other things, the potential breadth of discretion in circumstance (iii), the Association recommends that the Office provide express and meaningful limits, in the rule itself, on when the Board may exercise its discretion under the Proposed Rules, such as by clarifying the circumstances identified in the Notice of Proposed Rulemaking and including them in the regulations.

Third, in view of the Office's proposal to give the Board discretion to grant or deny a motion to amend for any reason supported by the "evidence of record," for clarity and predictability the Association recommends that the Board define "evidence of record" in paragraph (d)(3). That term is not defined in *Lectrosomics* or 37 C.F.R. § 42.2. The Board's prior guidance under *MasterImage* used the term "prior art of record" to include any material art in the prosecution history of the challenged patent, any material art of record in the current proceeding, including all art asserted in the petition, and any material art of record in any other proceeding before the Office involving the challenged patent.⁵ While the Association does not take a position on whether this particular definition should be incorporated into the regulation, the Association does believe that the Office should provide additional clarity on this issue. For instance, it is unclear whether the Board may exercise its discretion on the basis of any prior art of record in the challenged patent, whether the Board may rely only on evidence submitted by the parties into evidence in the proceeding, or whether the Board may introduce and rely on its own evidence. A definition of the term "evidence of record" should clarify these issues and be included either in the Proposed Rules or in 37 C.F.R. § 42.2.

meaningful limit on what is believed to be "in the interests of justice." Consolidated Trial Practice Guide (Nov. 2019) at 24-25.

⁵ *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, Paper 42 at 2 (PTAB July 15, 2015). *MasterImage* was previously designated as precedential, but was subsequently de-designated following the *Aqua Products* decision.

III. 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 Office to improve PTAB procedures. We appreciate this opportunity to provide feedback on the Proposed Rules, and hope that these comments aid in the implementation of the new rules.

Submitted on behalf of the PTAB Bar Association, by:

A handwritten signature in black ink, appearing to read "Naveen Modi", written over a horizontal line.

Naveen Modi, President