

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re: PTO-P-2015-0055

For: **Request for Comments on a Proposed
Pilot Program Exploring an
Alternative Approach to Institution
Decisions in Post Grant
Administrative Reviews**

**80 Fed. Reg. 51540
(August 20, 2015)**

**Comments In Reply To Proposed Pilot Program Exploring an Alternative Approach to
Institution Decisions in Post-Grant Administrative Reviews**

Via the Internet to: PTABTrialPilot@uspto.gov

Due: November 18, 2015

Attention: The Honorable Michelle K. Lee, Under Secretary of Commerce for Intellectual
Property and Director of the U.S. Patent and Trademark Office

Dear Director Lee:

We commend the Office's efforts to improve post-grant proceedings by considering alternative approaches to its current decision-making processes. In response to the proposed pilot program under which "the determination of whether to institute a trial will be made by a single judge" (the pilot program) and the Office's request for comments from the public published on August 20, 2015 at 80 Fed. Reg. 51540, we respectfully submit the following.

General Comments

While the pilot program has the admirable intention of promoting objectivity and efficiency, we have concerns regarding the unintended consequences of ceding control over this critical decision to a single judge. *First*, under the current law governing the scope of judicial review, the Board's institution decision is non-appealable and should thus be the result of a panel decision-making process. *Second*, issues that are decided at the institution phase have a significant, substantive impact on the conduct of trial and therefore benefit

from panel consensus; for example, panel consensus provides the parties with more certainty as to claim construction. *Third*, the decision of one judge is likely to be perceived as less authoritative and inherently more arbitrary than a panel decision. In sum, we do not support either a pilot program or a permanent program in which the vitally important determination of whether to institute trial will be made by a single judge. It is up to the individual judges to maintain their objective and independent judgment throughout trial, and they should allow their views to evolve as the facts and the legal issues develop. Furthermore, with respect to the Office's objective of conserving resources in order to deal with the volume of petitions, the advantages of a panel decision at institution substantially outweigh any such concern.

Answers to Questions

The Office posed a series of questions in the Federal Register Notice and requested responses. We address each question, but in general do not support the pilot program.

1. Should the USPTO conduct the single-APJ institution pilot program as proposed herein to explore changes to the current panel assignment practice in determining whether to institute review in a post-grant proceeding?

No. The pilot program is not justified and will result in greater dissatisfaction with institution decisions than presently exists. Decisions based on the views of more than one judge are perceived to carry more weight and are less likely to be the result of individual bias. The decision on institution is uniquely important in the post-grant trial process because it necessarily sets forth the following: (1) the Board's claim constructions; (2) the Board's determination of whether the petition meets the statutory threshold for institution; and (3) the grounds upon which trial is instituted, if any. Each of these decisions has a profound, substantive impact on the trial. The Board also typically addresses challenges to the standing of the petitioner, jurisdictional arguments relating to the statutory bars, and various other

threshold issues. Due to the significance of the institution decision in these respects, only a panel of judges should be entrusted with making that decision for the reasons that follow.

First, most issues decided at the institution phase are non-appealable. While the scope of review in instituted proceedings is currently in a state of flux,¹ a final decision denying institution is decidedly not appealable unless it meets the strict standards for mandamus relief. *In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379 (Fed. Cir. 2014) (holding that denial of institution is not appealable and mandamus relief was not warranted). Given the difficulty parties face in seeking review of determinations made at the institution phase, the decision itself should be the result of a panel decision so that any dissenting opinions may be fully considered. *See, e.g., ServiceNow, Inc. v. Hewlett-Packard Co.*, IPR2015-00707, Paper No. 12 (Aug. 26, 2015); *Target Corporation v. Destination Maternity Corporation*, IPR2014-00508, -509, Paper No. 31-32 (Feb. 12, 2015).

Second, issues that are decided at the institution phase often have a significant, substantive impact on the conduct of trial. For example, claim constructions set forth in the decision on institution, though preliminary, rarely change. They thus provide the framework within which parties pursue discovery and present their main arguments to the Board, particularly patent owners. A *single* judge decision on claim construction would be

¹ *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1274 (Fed. Cir. 2015) (the Federal Circuit denied the petition for rehearing *en banc* in a fractured precedential opinion, resulting in a revision to the original opinion) (the case is currently on appeal to the Supreme Court, Case No. 15-446); *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1322 (Fed. Cir. 2015) (distinguishing *In re Cuozzo*) (multiple petitions for rehearing *en banc* denied but the case is a very likely candidate for appeal to the Supreme Court); *Achates Reference Publ'g, Inc. v. Apple Inc.*, No. 2014-1767, 2015 WL 5711943, at *5 (Fed. Cir. Sept. 30, 2015) (distinguishing *Versata* based on its relevance to issues that are “uniquely and fundamentally related to the Board’s ‘ultimate authority to invalidate’”).

perceived as even more provisional, and subject to appeal to the full panel later in the proceeding. This would introduce a “shifting sands” approach to claim construction, one that would force parties to pursue multiple theories and present arguments in a staggered and inefficient fashion. Similarly, the scope of trial is set forth in the decision on institution. The grounds selected for review should be the result of consensus, not the preferences of a single judge. Because the Board asserts substantial discretion in selecting grounds, a three judge panel is the best safeguard for ensuring that a particular reference is not selected over another based on one judge’s level of comfort with the technology or opinion of the art.

Third, the decision of one judge is likely to be perceived as less authoritative and inherently more arbitrary than a panel decision. As a general matter, broader consensus produces greater certainty and reassures parties that the treatment they have received is normal, rather than idiosyncratic. This is particularly important as the Board must deal with a growing number of inter-panel splits, including on issues such as joinder, proof of printed publication status, real party-in-interest identification, and the statutory bars. Currently, a major concern among practitioners is the Board’s inconsistent treatment of issues between different panels—both in interpreting the statute as well as the rules governing AIA trial practice and procedure. Inter-panel variability creates uncertainty and results in arbitrary treatment of issues. Reducing the number of judges involved in the institution decision will magnify the perception that institution decisions are provisional and not based on consensus.

2. What are the advantages or disadvantages of the proposed single-APJ institution pilot program?

The disadvantages outweigh any perceived advantages. The advantages described by the Office in the Director's March 27, 2015 blog post² and in the Federal Register Notice relate to public perception and efficiency: (1) the perception that judges not involved in the institution decision are more easily persuaded than judges who side with petitioners at the institution phase; and (2) the efficiency to be gained from using one judge instead of three.

First, the issue of perception is a false premise and undermines the duty incumbent on judges to be objective at all stages of a trial—to base their decisions on the facts and the law, and not subjective agendas. Moreover, the decision to institute, like its predecessor — the substantial new question of patentability (or SNQ) — is merely a threshold. The ultimate determination with respect to patentability is based on whether the petitioner carried its burden by showing unpatentability by a preponderance of the evidence. Judges must be charged with appreciating the differences between these two standards and should not be presumed to invest themselves so entirely in the threshold that they lose sight of the ultimate determination. Evidence and legal issues evolve during trial, e.g., through the process of discovery, and the ultimate question of validity cannot be regarded as answered until a trial is concluded on the merits. Therefore, a disadvantage includes undermining the public's trust in the objectivity of judges by assuming that judges do not allow their views to evolve as the facts and legal issues develop during the course of trial. A structural change to the

² *PTAB'S Quick-Fixes for AIA Rules Are to Be Implemented Immediately*, Blog by Under Secretary of Commerce for Intellectual Property and Director of the USPTO Michelle K. Lee, available at http://www.uspto.gov/blog/director/entry/ptab_s_quick_fixes_for.

decision-making process, such as this, would be official acknowledgment that judges cannot maintain an unbiased view of the merits if they have taken a hand in the institution decision.

Second, the Office's focus on efficiency suggests that the pilot program is motivated by necessity—that the Office needs to decrease the amount of judicial resources expended on the institution decision in order to deal with the rising number of petitions being filed. For example, the Office suggests that it may be more efficient to use one judge instead of three at the institution phase, “given that the number of petitions filed may continue to increase.” 80 FED. REG. 51540, 51541. But volume should not dictate the structure of the decision-making process, particularly given the substantive importance of the institution decision and its insulation from judicial review. Put simply, the advantages of a panel decision at institution outweigh the Office's concern with conserving resources. Adding resources, such as staff attorneys to operate as law clerks, would be a better option.

3. How should the USPTO handle the request for rehearing of a decision on whether to institute trial made by a single APJ?

If the Office proceeds with implementing the pilot program, a request for rehearing seeking review by a full panel of judges should be granted as a matter of right. The option to obtain review by a panel of three judges should not be withheld. This is necessary to ensure that any dissenting views may be heard. Given the inter-panel variability widely observed by those who practice regularly before the Board in post-grant proceedings, a dissenting view is one way that parties come to understand which issues are receiving uniform treatment and which are subject to variable treatment between individual judges. Given that the Federal Circuit appears to have endorsed the Board's use of adjudicative rulemaking in the context of post-grant proceedings, the ability to request rehearing and hear the views of judges who

are not in the majority is of unique importance while the norms and standards for these new proceedings are evolving. *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1307 (Fed. Cir. 2015) (“[W]e cannot say that the PTO has abused its discretion in choosing adjudication over rulemaking.”) Any party finding itself subject to the pilot program should be given the unrestricted ability to opt-out by seeking rehearing of the institution decision by a full panel. This will not frustrate the purpose of the pilot because its purpose is to gauge whether or not the proposed alteration is beneficial. If a significant number of parties request rehearing by a panel of three judges, the Office should assume that the proposed alteration is not beneficial.

4. What information should the USPTO include in reporting the outcome of the proposed single-APJ institution pilot program?

If the Office proceeds with implementing the pilot program, it must provide accurate comparative data in order to determine whether using one judge significantly changes the outcomes in post-grant proceedings. But the results may be problematic no matter what the data shows. For example, if the data shows that institution rates rise (or fall) significantly when one judge decides institution versus three judges, this would suggest that the alteration is producing different outcomes at the institution phase. Similarly, if the data shows that trials instituted by a single judge result in higher (or lower) cancellation rates, this would suggest that the alteration is producing different outcomes on the merits. The point is that a structural change in the decision-making process should not dictate trial outcomes. Only the merits should. This is the fundamental problem with the pilot program: it is an attempt to entertain the perception that judges are more easily persuaded if they are not intellectually invested in their initial determinations. The problem is not with how easily-persuaded judges are or are not. The problem is whether the institution decision is correct and whether the

institution decision is consistent with what parties reasonably expect the law and facts to dictate. Accordingly, the solution is to allow for increased judicial review, not to skew the playing field towards increasingly individualized decision-making at the institution phase.

5. Are there any other suggestions for conservation and more efficient use of the judicial resources at the PTAB?

As mentioned, a chief concern is inconsistency between panels, both in interpreting the statutory provisions governing post-grant proceedings and in interpreting the Office's own rules governing trial practice and procedure. Inter-panel variability breeds unnecessary uncertainty, disunity between individual judges, and arbitrary disposition of issues. The Board's inability or unwillingness to resolve the joinder issue is one clear example.³ While the scope of judicial review is being resolved by the courts, one way the Office can conserve judicial resources is to provide parties with more authoritative guidance on how the various aspects of the statute and regulations are being interpreted. This could be done through increased use of precedential decision-making or by treating issues consistently across the Board as a whole. The Office has taken the position that many issues, including statutory interpretations, are non-appealable. Yet they are being decided in an arbitrary manner by different panels of the same adjudicative body. A single judge decision at the institution phase will only foster confusion and uncertainty, given that this critical decision will be

³ Compare *Skyhawk Technologies, LLC*, IPR2014-01485, Paper No. 13 (Mar. 20, 2015) (denying institution and motion for joinder based on its interpretation of 35 U.S.C. § 315(c) that the phrase "join as a party" indicates that only a petitioner who is not already a party can be joined); with *Ariosa Diagnostics v. Isis Innovation Ltd.*, IPR2012-00022, Paper No. 66 (Sept. 2, 2014) (interpreting 35 U.S.C. § 315(c) as authorizing joinder of multiple proceedings brought by the same petitioner). Expanded panels have attempted to address this issue, but no opinions have been designated precedential. *Zhongshan Broad Ocean Motor Co. v. Nidec Motor Corp.*, IPR2015-00762, Paper No. 16 (Oct. 5, 2015); *Target Corp. v. Destination Maternity Corp.*, IPR2014-00508, Paper No. 28 (Feb. 12, 2015).

based on one person's understanding of the law and perception of the facts. Consensus, in contrast, promotes order, which in turn promotes efficient use of judicial resources. In sum, the Board should make reducing inter-panel/judge variability a serious priority. Reducing the number of judges involved in the institution decision is a step backwards in that regard.

Conclusion

Consideration of the above comments is respectfully requested.

Respectfully submitted,

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