

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Notice of Amendments to the Rules of Practice for Trials
Before the Patent Trial and Appeal Board

Docket No. PT0-P-2015-0053

COMMENTS OF THE INTERNET ASSOCIATION

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STATEMENT OF INTEREST AND PRIOR COMMENTS

The Internet Association is the unified voice of the Internet economy, representing the interests of America's leading Internet companies and their global community of users.¹ The Association is dedicated to advancing public policy solutions to strengthen and protect Internet freedom, foster innovation and economic growth, and empower users.

The Internet Association submits these comments in response to the PTO's Notice of Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board ("Notice").² The Association recognizes and appreciates that the Notice is part of an ongoing exchange with the public regarding PTAB Trials that includes numerous formal and informal discussions and the Office's prior Request for Comments.³ On October 16, 2014, the Internet Association commented on the Office's earlier Request for Comments.⁴ The comments herein build on the Association's prior comments.

STATEMENT

I. Although PTO Review Of All Aspects Of AIA Trials Is Appropriate, The Tremendous Success Of The Original Rules Demonstrates That No Great Change Is Needed

The Internet Association supports the PTO's efforts to review all aspects of AIA trials before the PTAB. The Office's experience—three years after the AIA went into effect—is sufficient to inform this review. The Internet Association further believes that such periodic review is particularly appropriate in the view of the statutory "considerations" for the rules,

¹ The Internet Association's members include Airbnb, Amazon, Auction.com, Coinbase, Dropbox, eBay, Etsy, Expedia, Facebook, FanDuel, Gilt, Google, Groupon, IAC, Intuit, LinkedIn, Lyft, Monster, Netflix, Pandora, Pinterest, Practice Fusion, Rackspace, Reddit, Salesforce, Sidecar, Snapchat, SurveyMonkey, TripAdvisor, Twitter, Uber, Yahoo!, Yelp, Zenefits, and Zynga.

² Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, PTO-P-2015-0053, 80 Fed. Reg. 50720 (Aug. 20, 2015).

³ Request for Comments on Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 79 Fed. Reg. 36474 (June 27, 2014).

⁴ Comments of the Internet Association, October 16, 2014, <http://www.uspto.gov/page/comments-trial-proceedings-under-america-invents-act-patent-trial-and-appeal-board>.

including “the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings.”⁵

But any revisions of the rules should be done in view of the great success achieved by the Office—now the premier forum for challenging patents—in promulgating and implementing the current rules. The current rules have allowed the agency to implement a mechanism for challenging patentability that is faster than inter partes reexamination, more flexible than the Court system, and ultimately more workable and efficient for patent owners and patent challengers than any prior mechanism.

The past three years have shown that major change is not needed. Despite complaints from some quarters, the AIA proceedings have not been skewed against patent owners. Indeed, as the Director has noted, of the first inter partes reviews to reach a conclusion only 25 percent of claims actually challenged were found to be unpatentable.⁶

II. The Broadest Reasonable Interpretation Should Apply To Claims Before The Office Unless The Claims Will Expire Before The Agency Proceeding Is Complete

The Internet Association appreciates and agrees with the Office’s recognition that the broadest reasonable interpretation applies in all proceedings before the agency.⁷ The Internet Association also agrees that it is appropriate to make an exception—to apply a *Phillips*-type construction—to claims that have expired or will expire before the completion of AIA proceedings. The Internet Association offers two recommendations for applying these standards.

A. The PTO should establish a bright-line rule applying *Phillips* to the claims in any petition filed less than 18 months prior to the expiration date of the patent

Applying a bright-line rule to trigger *Phillips* review based on the expiration date of the patent will lessen the burden on all parties. The petitioner and patent owner will be able to draft their submissions using only one claim construction standard throughout the proceeding. This lowers the burden on each party and allows them to present focused arguments within the word limitations provided by the Board.

⁵ 35 U.S.C. § 316(b); *id.* § 326(b).

⁶ See Director’s Forum, PTAB Update: Proposed Changes to Rules Governing PTAB Trial Proceedings, Aug. 19, 2015, http://www.uspto.gov/blog/director/entry/ptab_update_proposed_changes_to.

⁷ Notice at 50721-22.

A bright-line rule based on the expiration date of the patent also makes sense in view of “the efficient administration of the Office” and “the ability of the Office to timely complete proceedings.”⁸ Without a bright-line cut-off, the agency will be forced to consider either petitions and preliminary responses arguing the case under both standards or additional “briefing after the petition is filed” regarding the appropriate standard.⁹ Instead, the agency can use a clear cut-off to avoid evaluating these complicated filings that include both interpretations for each claim challenged and arguments regarding the proper standard.

The Internet Association suggests that 18 months prior to expiration of the patent is the best trigger for changing the claim-construction standard used in the agency. Eighteen months is the expected start-to-finish time of these proceedings based on the time for a patent owner’s preliminary response (3 months after the petition is filed),¹⁰ the institution decision (3 months after the patent owner’s preliminary response),¹¹ and the final written decision (12 months after the institution decision).¹² Thus, the ordinary course of an AIA proceeding, if instituted, takes almost exactly 18 months by design.

By using a *Phillips*-type construction with all patents that are set to expire during the ordinary course, the Office will be able to administer the proceeding most efficiently. To the extent the agency is concerned with outliers—for example, that it may inadvertently release a patent evaluated under *Phillips* a few days before the patent’s term ends—it may simply regulate its release of its written decisions. Alternatively, the agency may recast proposed rule 42.100 to address claims in “an unexpired patent that will not expire before the ordinary time a final written decision is to be issued...” Ultimately, such outliers should not bar a bright line cut-off where the Office must craft rules that account for the efficient administration and timely completion of proceedings under a one-year mandate.¹³

B. A patent owner should not be allowed to unilaterally forgo amendment—and have its claims evaluated under *Phillips*—after a petition is filed

Allowing the patent owner to unilaterally forgo amendment and receive *Phillips*-type construction midstream is not only “unworkable,” as the Office recognizes,¹⁴ but also unfair to

⁸ See, e.g., 35 U.S.C. § 316(b).

⁹ See Notice at 50722, col. 2.

¹⁰ See, e.g., 37 C.F.R. 42.107(b).

¹¹ See, e.g., 35 U.S.C. § 314(b).

¹² See, e.g., *id.* at § 316(a)(11).

¹³ See, e.g., *id.* at § 314(b).

¹⁴ See Notice at 50722, col. 2.

the petitioner because it will inevitably complicate the petition or require an extension of the timeline, or both.

If the patent owner is permitted to forgo amendment after the filing of the petition but before institution, then petitioners will be forced to submit petitions that argue both claim-construction standards and patent owners will be allowed to respond under only one construction. This is fundamentally unfair. If the patent owner is only permitted to forgo amendment after the Board's institution decision, then both parties will present evidence and argument under the broadest reasonable interpretation standard before institution, only to have the claim construction reevaluated under the *Phillips* standard after institution. This can only raise the complexity and increase the time required for every proceeding.

Furthermore, as the PTO has recognized, Congress expected that the Office would apply the broadest reasonable interpretation to claims before it in AIA proceedings just as in other proceedings.¹⁵ In no other proceeding before the Office are claims interpreted based on the patent owner's decision to amend. During regular examination, claims are always given their broadest reasonable interpretation; likewise, in reexamination and reissue, which respectively predate the AIA by decades and over a century, every unexpired claim is given its broadest reasonable interpretation.

Finally, patent owners that desire a *Phillips*-type construction upon returning to the Office may terminally disclaim their patents before any petition is filed. The terminal disclaimer then becomes a matter of public record and the petitioner can apply *Phillips* in its petition. This is "workable and efficient" because the vast majority of patents in AIA trials are challenged only after being asserted in some way by the patent owner. And patent owners should not be surprised if their asserted patents are challenged before the Board.

As the Board has recognized, however, allowing patent owners to wait until proceedings are ongoing before terminally disclaiming their patents and seeking a *Phillips*-type construction encourages gamesmanship and unnecessarily complicates proceedings as discussed above.¹⁶

III. A Patent Owner's Preliminary Response Should Be Permitted To Include Testimonial Evidence Provided That The Office Views Disputed Facts In Favor Of The Petitioner And Allows A Reply

The Internet Association supports the Office's proposal to remove the bar on testimonial evidence in a patent owner's preliminary response, provided that the PTO also requires: (1) that

¹⁵ See *id.* at 50721-22.

¹⁶ *Amkor Techn., Inc. v. Tessera, Inc.*, IPR2013-00242 slip op. at 8 (PTAB May 22, 2014) (Paper 129).

“disputed material facts will be viewed in the light most favorable to the petitioner” in deciding whether to institute a trial, as proposed;¹⁷ and (2) further that a reply to the preliminary response should be allowed *as of right* when the patent owner presents testimonial evidence.

All evidence in the preliminary response should be viewed in the light most favorable to the petitioner. Under current rules, the preliminary response is in the nature of a motion to dismiss in a civil action. The patent owner should be attempting to show a legal failing that requires that the petition not be granted. The proposed rule, by allowing the patent owner to present new evidence, is more analogous to a motion for summary judgment. In both instances, as the Office proposes here, the evidence is evaluated in the light most favorable to the non-moving party.

This method of evaluating evidence also makes the most sense in view of the statute. In IPRs, for example, the preliminary response “sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.”¹⁸ A weighing of evidence between the petition and preliminary response under any other standard would not only be premature, it would go beyond evaluating a “failure of the petition” to meet statutory requirements.

The Office states that a reply as of right will not be given to petitioner due to the time required for evaluating the reply.¹⁹ But the Office has previously recognized that “replies can help crystalize issues for decision.”²⁰ And where, as proposed, the patent owner introduces new testimonial evidence, the need for crystallization of issues is at its apex.

Further, it will be more efficient to allow a reply in all cases where the patentee presents new evidence than to evaluate whether to allow a reply and find one warranted in most cases and then consider the reply. Moreover, the Office should rarely, if ever, deny institution based on a patent owner’s evidence without reviewing and addressing a proffered reply.

The evidentiary standard proposed by the Office and the allowance of a reply as of right are both fair given that the petitioner has no right to appeal a decision not to institute nor any ability to, for example, depose any person proffering testimony.²¹ This standard—one which

¹⁷ Notice at 50743, col. 3.

¹⁸ 35 U.S.C § 313 (IPR) (emphasis added); *id.* at § 323 (PGR) (same).

¹⁹ See Notice at 50725, col.2.

²⁰ Office Patent Trial Practice Guide (“Trial Practice Guide”), 77 Fed. Reg. 48767, col. 2 (Aug. 14, 2012).

²¹ See Notice at 50725, col.2.

favors advancement to full trial—is particularly appropriate in light of the public interest in seeing patent rights vetted.²²

IV. The Internet Association Supports The Office’s Decision To Allow Case-By-Case Development In Other Areas

A. The Board should continue to develop motion to amend practice without rule changes

The Board’s case law to date—particularly its recent *MasterImage* decision—demonstrates that the Board is fully capable of developing amendment practice.²³ In particular, *MasterImage* limited the universe of prior art that the patent owner need address.²⁴ Demonstrating a non-obvious advance over known prior art should be within the capabilities of a patent owner, particularly where the focus is on the limitation(s) added by the amendment.²⁵ Likewise, demonstrating that a proposed claim is supported under Section 112 by the disclosure in the patent is more than feasible.

The Board should continue to clarify this practice as needed through the decision process. But there is no need for a rules change at this time as the Board has properly placed the burden on the patent owner (*i.e.*, the movant) to show that it is entitled to the claim sought. This placement is consistent with the statutory scheme, which is one of adjudication, not examination.

B. The Board should continue to develop discovery practice without rule changes

With respect to additional discovery, the Internet Association supports the Board’s continued application of the *Garmin* factors, which allow the Board to strike a fair balance between meaningful discovery and the streamlined nature of AIA proceedings.²⁶ In particular, the *Garmin* decision’s focus on a showing that the discovery sought is “more than a possibility and mere allegation” is key to ensuring that AIA proceedings do not become bogged down by extensive discovery disputes.²⁷ Where additional discovery must be “in the interest of justice,”

²² See *Lear, Inc. v. Adkins*, 395 U.S. 653, 670-71 (1969).

²³ *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015–00040, slip op. at 1–3 (PTAB July 15, 2015) (Paper 42).

²⁴ *Id.* at 2.

²⁵ *Id.*

²⁶ *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012–00001, slip op. at 6–7 (PTAB Mar. 5, 2013) (Paper 26) (informative).

²⁷ *Id.*

the agency appropriately focuses on only discovery that can be shown necessary to advance the case.²⁸

As for discovery in the context of obviousness and secondary considerations, the Internet Association supports a requirement that the patent owner make a strong showing (not merely “some showing”²⁹) of nexus between the discovery requested and the secondary factor asserted. For example, evidence of another’s commercial success does not become subject to discovery by a patentee without a strong showing that the claim at issue is being infringed by a commercially successful product and that the claimed invention *is the reason for* that product’s success.

In addition, the requirement that such evidence not be attainable elsewhere must be strictly adhered to. In some cases, for example, infringement may be shown by reference to publicly available products and discovery on that point is not needed. In other cases, parties may be engaged in a district court dispute before the petition is filed. These cases allow the parties to engage in discovery independent of the agency.

C. Case-by-case development is likewise appropriate in the additional areas identified by the Board

With respect to the real party in interest, good cause for extending the one-year time to final determination, and the management of multiple proceedings, the Internet Association supports the Board’s continued case-by-case approach. Each of these issues is highly fact-dependent and the continued development in this area is best done in view of the facts of the particular case.

V. The Internet Association Supports The Administrative Changes Proposed By The Office

The Internet Association supports the PTO’s proposed administrative changes related to oral hearings, word count in briefs, and Rule-11 type certification and sanctions. These changes are within the Office’s authority and reflect the Office’s experience across hundreds of AIA proceedings.

²⁸ See *id.* at 6.

²⁹ See Notice at 50728.

CONCLUSION

The Internet Association again applauds the PTO for evaluating its rules for AIA proceedings. Although the great success of those proceedings in creating a forum for sure and swift evaluation of patentability counsels against major change, the PTO's measured revision of rules is appropriate. As discussed, the Internet Association supports with minor modifications the proposed changes.