

October 16, 2015

By Email: trialrules2015@uspto.gov

The Hon. Susan Mitchell
Lead Administrative Patent Judge
Patent Trial and Appeal Board
U.S. Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

Re: Comments on Amendments to the Rules of Practice for Trials
 Before the Patent Trial and Appeal Board

Dear Lead Judge Mitchell:

Toyota Motor Corporation (“Toyota”), Ford Motor Company (“Ford”), and American Honda Motor Co., Inc. (“Honda”) submit the following comments on the proposed Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board published in the Federal Register (Vol. 80, No. 161) on August 20, 2015. We thank the U.S. Patent and Trademark Office (the “Office”) for the opportunity to present our views on the proposed rule changes. As set forth below, we generally support the proposed changes to the *inter partes* review process and appreciate the Office’s commitment to ensuring it continues to provide a high-quality and cost-effective alternative to district court litigation.

Toyota, Ford, and Honda are among the largest automobile manufacturers in the world. As a result of significant investment in research and development directed to various automotive and energy technologies, we are also among the largest patent holders in the world. Indeed, a strong, efficient patent system is vital to the automotive industry’s continued success. Unfortunately, abusive patent litigation hampers our industry’s efforts to create innovative and technologically-advanced products for the U.S. marketplace by placing significant costs on automobile manufacturers and wasting a substantial amount of time and resources that could be better used to innovate for the benefit of consumers.

Congress enacted the *inter partes* review proceedings as part of the America Invents Act (“AIA”) to provide a meaningful low-cost alternative to litigation, improve patent quality, and promote public confidence in the patent system. We commend the Office for its efforts over the past three years to implement the congressional mandate. The rules promulgated by the Office and the procedures implemented by the Patent Trial and Appeal Board (the “Board”) have struck the difficult balance between two important objectives: providing the parties with a meaningful opportunity to test the patentability of challenged claims, on one hand, while streamlining the *inter partes* proceedings to ensure compliance with statutory deadlines, on the other. Those of us in the auto industry who have utilized the *inter partes* review process in the appropriate cases

have found it to be an effective tool for challenging patentability in an efficient way, as Congress intended in enacting the AIA.

With that in mind, we offer the following comments on the proposed amendments and hope that the Office finds them useful.

Claim Construction Standard

As an initial matter, we are pleased that the Office has decided to retain the “broadest reasonable interpretation” standard as the standard generally applicable in *inter partes* review proceedings to the construction of claims in an unexpired patent. Applying the “broadest reasonable interpretation” standard comports with the Office’s long-standing practice in post-issuance proceedings (such as reexamination, reissue, and interference) and encourages clear and unambiguous claim drafting. Accordingly, it furthers the congressional goal of “provid[ing] a meaningful opportunity to improve patent quality and restor[ing] confidence in the presumption of validity that comes with issued patents in court.” H.R. Rep. No. 112-98, pt.1, at 48 (2011).

The Office does propose modifying the rules to state that the *Phillips* “ordinary and customary meaning” standard used in district court litigation would be applied to claims of an unexpired patent where that patent will expire prior to the issuance of a final decision. It is our position that the Office maintain its logical consistency in the application of claim interpretation standards. We support the Office’s use of the “broadest reasonable interpretation standard” in all situations where the patent is amendable, and we support the Office’s use of the *Phillips* “ordinary and customary meaning” standard when the claims are not amendable. Therefore, the Office’s proposed new rule is acceptable if accompanied by a rule that claim amendments will not be permitted in situations where the patent will expire during the statutory time allowed for the completion of the *inter partes* review proceeding. To issue a rule otherwise risks injecting uncertainty into the *inter partes* review process. We believe any rule change should be accompanied by an unambiguous statement that the *Phillips* standard will only apply because amendments are not made to patents that will expire prior to the conclusion of the proceedings.

If the Office goes forward with the proposed rule, it should at least establish clear, bright-line rules to allow the petitioner to determine prior to filing a petition which claim construction standard will be applied during the *inter partes* review. By statute, *inter partes* proceedings must be completed within 18 months of the filing of a petition. Thus, assuming the proposed rule is adopted, the guidelines in the Office Patent Trial Practice Guide could be revised to state that for petitions filed less than 18 months before the patent’s expiration date, the *Phillips* “ordinary and customary meaning” standard will apply; for petitions filed more than 18 months before the patent’s expiration date, the “broadest reasonable interpretation” standard will govern.

In addition, the Office should prohibit motions to amend a patent that will expire during the pendency of an *inter partes* review, since amendment would, for practical purposes, be irrelevant. The Office may avoid a conflict with the existing statutory provision that a patent owner may file 1 motion to amend (35 U.S.C. §§ 316(d) and 326(d)) by ensuring that the final written decision issues after the patent expires, thereby mooting eligibility for amendment.

Patent Owner Preliminary Response

The Office proposes amending the current rules to (1) allow the patent owner to submit new testimonial evidence with the preliminary response, (2) provide that supporting evidence concerning disputed material facts will be viewed in a light most favorable to the petitioner for purposes of deciding whether to institute review, and (3) allow the petitioner to seek to leave to file a reply to a preliminary response that presents testimonial evidence.

As to the first proposed change, we express some concern that allowing the submission of new testimonial evidence with the preliminary response is bound to present the Board with numerous factual disputes at the institution stage. This perhaps risks converting the institution stage, which is meant to be a preliminary assessment of whether a trial is needed, into a full-fledged investigation of the patentability of the challenged claims (a task reserved for the trial stage). Moreover, with only six months for the pre-institution stage, the parties do not have time to properly develop a full record in advance of the institution decision. The current rules barring the submission of new testimonial evidence with the preliminary response are fair to all parties, including patent owners, who have an opportunity to fully develop the record post-institution if trial is instituted.

Nonetheless, we are satisfied that the other proposed rule changes (requiring any factual disputes over material facts to be resolved in favor of the petitioner and allowing the petitioner to seek an opportunity to file a reply to address the new testimonial evidence) provide appropriate safeguards against the possibility that the institution decision would be converted into something it was not intended to be (i.e., a full-blown trial on patentability). We therefore agree with the proposed changes. In addition, we recommend the adoption of additional guidelines aimed at keeping factual disputes at the institution stage suitably limited. For example, the Office could cap the number of declarations that can be filed with the preliminary response and impose appropriate page limits on the length of such declarations.

Oral Hearing

The Office proposes amending the rules to require at least seven, not just five, days before oral argument for exchange of exhibits. We support the proposed change, at least because it will give the parties additional time to resolve disputes regarding demonstrative exhibits.

Word Count

The Office proposes using word counts instead of page limits for petitions, preliminary responses, patent owner responses, and petitioner's reply briefs. We support this proposed change. We agree with the Office that the change should result in administrative efficiencies. The Office has cautioned petitioners against attempting to circumvent page limits by improperly including attorney argument and claim constructions in claim charts, which, unlike the rest of the petition, can be single-spaced. Replacing page limits with word-count limits removes this incentive and eliminates the need for the Board to review petitions to determine if any claim charts contain improper argument.

In addition, the change encourages parties to include more figures from the challenged patents and the relevant prior art materials in briefs. Such visual aids can be an invaluable tool

for educating the Board about the technology at issue in the proceeding, and their freer use should aid the overall quality and effectiveness of the parties' submissions. We note that the Court of Appeals for the Federal Circuit (along with the other federal Circuit Courts of Appeals) utilizes word-count limits to good effect.

Although we generally support the using word counts and the associated administrative efficiencies, a cursory review of recently filed IPR petitions has demonstrated that the proposed word count may be too low. Petitions exceeding the proposed word counts appear to be much more common than inferred by the "exceptional" designation. If the Office intends to apply a word count to "exceptional" petitions, we respectfully request the Office to disclose underlying data demonstrating why it believes petitions exceeding these word counts are "exceptional" in these situations. *See, e.g.* Hanover Potato Prods. v. Shalala, 989 F.2d 123 (3d Cir. 1993).

The Office places many regulatory and judicially-made requirements on petitioners when filing petitions, including presenting a full rationale to combine, claim constructions of all important terms, and no incorporation by reference. Even when petitioners make a good faith effort to provide several claim constructions, the Board may deny a petition for failing to construe another term. IPR2014-00937, Paper 22. Placing these burdens on petitioners to present their entire case-in-chief, while not giving enough space to make their cases places a considerable burden on petitioners. Therefore, we also support the IPO recommendation that the Office increase the word counts by at least 2,000 words.

Rule 11-Type Certification

The Office proposes adding a Rule 11-type certification for all papers filed with the Board, as well as a provision for sanctions for non-compliance that would apply to practitioners and the parties. We agree with the proposed change and support all efforts to prevent the misuse of the *inter partes* review process.

Privilege

The Office has invited comments on the subject of attorney-client privilege and other limitations on discovery in proceedings before the Board. In particular, the Office seeks input on whether it should amend the current rules to recognize a privilege for communications between patent applicants or owners and their domestic patent agents or foreign patent practitioners. Clear and consistent privilege rules for domestic and foreign agents can reduce uncertainty and mitigate discovery costs. We therefore agree that this issue deserves some attention.

While the case law appears to be split as to whether privilege attaches to communications between clients and patent agents, we believe that the better reasoned cases are those that extend privilege to patent agent communications related to presenting and prosecuting applications before the Office. *See, e.g., Buyer's Direct, Inc. v. Belk, Inc.*, 2012 U.S. Dist. LEXIS 57543, at *8-9 (C.D. Cal. Apr. 24, 2012). When it comes to the Office, patent agents often perform the same duties as attorney such as advising clients on prosecution strategy because they are allowed to do so by federal statutes and regulations. For that reason, "the congressional goal of allowing clients to choose between an attorney and a patent agent representative in proceedings before the [Office] would be frustrated if the attorney-client privilege were not available to communications with registered patent agents." *Buyer's Direct*, 2012 U.S. Dist. Lexis 57543, at *8. Of course,

we do not mean to imply that these would be the only circumstances where something might be privileged involving a communication by a non-attorney. The law is well settled that any communications by those acting under the direction of an attorney are also privileged even if those making the communications themselves are not lawyers. We therefore support an amendment to the current rules to recognize a privilege for communications between patent applicants or owners and their domestic patent agents or foreign patent practitioners in proceedings before the Office.

Conclusion

Once again, we appreciate the opportunity to comment on the proposed changes to the rules governing *inter partes* review proceedings. We support the Office's on-going commitment to work with the patent community to ensure that these proceedings continue to provide a cost-effective alternative to litigation while presenting the patent owners with a fair opportunity to defend challenged claims.

Very truly yours,

A handwritten signature in black ink, appearing to read "Frederick W. Mau II", written over a horizontal line.

By: Frederick W. Mau II
On behalf of Toyota Motor
Corporation

David B. Kelley

By: David B. Kelley
On behalf of Ford Motor Company

A handwritten signature in blue ink, appearing to read "Mark Duell", written over a horizontal line.

By: Mark Duell
On behalf of American Honda Motor
Co., Inc.