

October 21, 2015

The Honorable Michelle K. Lee
Under Secretary of Commerce for Intellectual Property and
Director of the U.S. Patent and Trademark Office
U.S. Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314
Attn: Lead Judge Susan Mitchell
Patent Trial Proposed Rules

Via email: trialrules2015@uspto.gov
CORRECTED: 10/26/2015

Re: Response to Proposed “Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board,” 80 Fed. Reg. 50720 (August 20, 2015)

Dear Under Secretary Lee:

The American Intellectual Property Law Association (“AIPLA”) is pleased to have the opportunity to present its views on the United States Patent and Trademark Office (“Office”) proposed Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board,” 80 Fed. Reg. 50720 (August 20, 2015) (“August 2015 Notice”).

The American Intellectual Property Law Association is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public’s interest in healthy competition, reasonable costs, and basic fairness.

The proposed amendments follow a May 2015 final rules notice on certain ministerial matters before the Patent Trial and Appeal Board (PTAB) (*see* 80 Fed. Reg. 28561, 5/19/2015) (“the Quick Fix Notice”), and a prior Federal Register notice requesting public comment on 17 particular questions concerning aspects of PTAB trial proceedings. *See* 79 Fed. Reg. 36474, 6/27/2014 (“June 2014 Notice”). On October 16, 2014, AIPLA submitted a letter with detailed comments on the questions posed in the June 2014 Notice.

AIPLA acknowledges and appreciates the changes in the Quick Fix Notice and proposed rule revisions and responses to comments directed to the concerns we expressed in our October 2014 comment letter. In addition to increases in page limits for pleadings, the current proposals include

other positive changes, such as the opportunity to include testimonial evidence in the preliminary response to an IPR/PGR/CBM petition, the clarification that a request for additional discovery need not include conclusive evidence of a nexus between the claimed invention and the information sought, and a clarification that a patent owner generally may raise a real party-in-interest or privity challenge at any time during a proceeding.

However, the proposed rules fail to resolve a number of other concerns expressed in AIPLA's October 2014 comment letter and raise new questions and concerns yet to be addressed. Our comments below discuss both.

Claim Construction Standard

Patents That Will Expire While under Review

The June 2014 Notice asked when the PTAB should decline to apply the “broadest reasonable interpretation” (BRI) standard to claim construction. The August 2015 Notice proposes a modest amendment to 37 CFR §41.100(b), limiting the BRI standard to patents that will not expire before a final written decision is issued, essentially codifying existing practice. The explanation offered is that “[s]uch patents essentially lack any viable opportunity to amend the claims in an AIA proceeding.”¹

AIPLA is concerned that the date of a final written decision is an inadequate line for determining when there is no viable opportunity to amend patent claims in an AIA proceeding such that the BRI standard no longer applies. The August 2015 Notice offers no explanation why one claim construction standard should apply to a patent that expires one day before a final written decision, and a different standard should apply to a patent that expires one day after a final written decision. In fact, the proposal fails to take account of the circumstances in *Institut Pasteur v. Focarino*, 738 F.3d 1337 (Fed. Cir. 2013), where the Court recognized that there was no opportunity to amend a patent that had expired two months *after* the PTAB decision.

If the appropriate claim construction standard depends on a viable opportunity to amend, the date of a final written decision alone is an unworkable criterion, first, because it is a speculative date at the time the claims must be construed, and second, because it fails to take account of a reasonable period in which the claims may still be subject to appeal after the final written decision.

AIPLA recommends establishing the more definite criterion of a fixed and reasonable period of time—e.g., three years from the date on which the petition is filed—as a default time period for determining if a patent will expire before there is a viable opportunity to amend the claims in dispute. This default time period would not only provide a date certain for this determination, but would also better account for any period after the final written decision when the claims at issue may expire while on appeal to the Federal Circuit. As a default time period, it could also be subject to motion practice by either party in situations where the default time period did not adequately

¹ 80 Fed. Reg. 50722, bottom of first column.

address the particular facts of a given proceeding.

In addition, inquiring whether the challenged patent will expire within three years after a petition is filed will also serve the petitioner by providing a clearer answer as to which claim construction standard would apply in the AIA proceeding. As such, this approach would obviate the need for extensive guidelines to enable petitioners to answer this question before filing, and would not require claim construction under two different standards to cover this uncertainty.

AIPLA also urges a Board procedure that permits a patent owner to brief claim construction issues before filing its preliminary response, as opposed to the current practice of finalizing claim construction as part of a Final Written Decision.² Where there are claim terms that remain contested by the parties after the Decision to Institute, the Rules should be sufficiently flexible to permit, in appropriate cases, a shortened *Markman*-like briefing and claim construction order after the Initial Conference Call or upon a motion by the patent owner, but before the Patent Owner Response. Adopting such a *Markman*-like procedure would enable the parties to present evidence and arguments based on a common claim construction, and would provide additional safeguards of due process for review of patentee's otherwise granted claims.

PTAB and Courts Should Apply Same Claim Construction Standard

More generally, however, AIPLA takes issue with the decision in the August 2015 Notice to retain the BRI standard in all AIA review proceedings before the PTAB, citing for authority the Federal Circuit's approval of that standard in *In re Cuozzo Speed Technologies, LLC*, 778 F.3d 1271 (Fed. Cir. 2015); *petition for cert. filed* (U.S. Oct. 6, 2015) (No. 15-446). AIPLA objected to the BRI standard in its October 2014 letter, and we repeat here our view here that the claim construction standard in PTAB proceedings should be the same as the claim construction standard used by district courts under *Phillips v. AWH Corp.*, 415 F.3d 130 (Fed. Cir. 2005) (en banc), and *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996) (*Phillips/Markman*).

With respect to *Cuozzo*, it is important to point out that the 2-1 Federal Circuit decision, still on appeal, found only an implicit, not an explicit, statutory requirement for the BRI standard, and otherwise deferred to the Office interpretation of the statute under *Chevron, U.S.A. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984). To this extent, we would urge the Office to reconsider its views to which the Court deferred and to conclude that the *Phillips/Markman* standard should apply to claim construction in AIA review proceedings.

The justifications offered for the BRI standard are that the patent owner has an opportunity during the PTAB proceeding to amend its claims,³ and that the Office requires a common standard for all

² See, e.g., *CBS Interactive Inc. v. Helferich Patent Licensing, LLC*, IPR2013-00033, Paper 122, p. 9 (March 3, 2014).

³ 80 Fed. Reg. 50721-50722 (August 20, 2015); "*Office Patent Trial Practice Guide*," 77 Fed. Reg. 48755, 48764 (August 14, 2012) ("Since patent owners have the opportunity to amend their claims during IPR, PGR, and CBM trials, unlike in district court proceedings, they are able to resolve ambiguities and overbreadth through this interpretive approach, producing clear and defensible patents at the lowest cost point in the system.").

of its proceedings.⁴ However, after nearly two years of experience with the AIA review proceedings, it is apparent that neither justification supports the PTAB's use of a different claim interpretation standard than that required for the courts under *Phillips/Markman*.⁵

When it was originally adopted in the 1920s, the justification for the BRI standard was the patent applicant's ability to "freely" amend its claims during prosecution.⁶ However, claim amendments under current AIA review proceedings are not available as a matter of right, but only by motion under 35 U.S.C. §§316(d)/326(d), and only with the prior authorization of the Board.⁷

The original rationale, which applied to claim construction during prosecution, has no direct application to claim construction during AIA review proceedings, where the opportunity to amend is not simply "cabined" but rather "closeted." The Board's track record of denying all but a handful of motions to amend,⁸ and generally staying co-pending reexamination proceedings for the same claims,⁹ confirms that the original prosecution-based justifications for the BRI standard are inapplicable to AIA review trials.

The argument that the BRI standard applies before the PTAB essentially converts the AIA trial proceedings into the original examination procedure for a claimed invention. It is not an adequate

⁴ "Office Patent Trial Practice Guide," 77 Fed. Reg. 48755, 48764 (August 14, 2012) ("[M]ajor difficulties would arise where the Office is handling multiple proceedings with different applicable claim construction standards.").

⁵ See *Phillips v. AWH Corporation*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc), and *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc), *aff'd* 517 U.S. 370 (1996).

⁶ The phrase "broadest reasonable interpretation" originated in the context of the differences in claim interpretation applied when an application is pending and after issuance and therefore was not intended to apply to issued patents, whether in a reexamination context or a litigation context. See *In re Carr*, 297 F.2d 542, 544 (D.C. Cir. 1924). Its use as a legal construct originated as a give and take between the applicant and the Patent Office to determine the true scope of claims awardable to the applicant during the application stage, specifically because at that stage the claims can be freely changed at any time. *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009) ("Its purpose is to facilitate exploring the metes and bounds to which the applicant may be entitled, and thus to aid in sharpening and clarifying the claims during the application stage, when claims are readily changed.") Interpretation of issued claims that can no longer be amended during reexamination is more akin to interpretation of claims of an expired patent during reexamination, which are given the litigation standard that expressly incorporates the specification and prosecution history. See MPEP § 2258(G) (The litigation standard "should be applied since the expired claims are not subject to amendment.").

⁷ See 37 CFR §42.20(b) ("A motion will not be entered without Board authorization.")

⁸ The few reported Final Written Decisions authorizing motions to amend include *International Flavors & Fragrances Inc. v. U.S. Department of Agriculture*, IPR2013-00124, Paper 12, May 20, 2014; *Reg. Synthetic v. Nestle Oil*, IPR2014-00192, Paper 48; *Riverbed Technology, Inc. v. Silver Peak Systems, Inc.*, IPR2013-00402 and 403; and *CME v. Fifth Market*, CBM2013-00027 (rehearing order after Final Written Decision). In *International Flavors*, the government as the patentee was permitted to substitute 19 new claims in place of the originally patented claims (original claims 1-26 were cancelled outright). Critics have pointed out that the motion to amend in this proceeding was unopposed, and was essentially a settlement by amendment; challenger was satisfied that new claims were no longer a threat and simply walked away.

⁹ See, e.g., *CBS Interactive Inc. v. Helerich Patent Licensing, LLC*, IPR2013-00033, Order to Stay Reexam, Paper 15, Nov. 6, 2012 (Designated as a Representative AIA Decision).

answer to say that the PTAB decides patentability by a preponderance of the evidence, whereas courts determine validity by clear and convincing evidence. Nor is it enough to say that the PTAB lacks the court responsibility to preserve validity or provide clear public notice of a claim with a narrow construction.¹⁰ These answers ignore not only the clear legislative intent that AIA trial proceedings were meant to be an adjudicatory alternative to district court litigation, but also the presumption of validity applicable to issued patents under 35 U.S.C. §282(a), which was in no way diminished by the AIA.

Both the Office and Congress have recognized that AIA review proceedings are adjudicatory in nature as to issued patents and are not examinations or reexaminations.¹¹ Notably, the House of Representatives previously approved legislation (H.R. 3309) clarifying Sections 316(a) and 326(a) to require that a patent claim in an AIA review proceeding “shall be construed as such claim would be in a civil action to invalidate a patent under section 282(b), including construing each claim of the patent in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent.”¹² This legislation was reintroduced in the 114th Congress and has been approved by the House Judiciary Committee.¹³

Nor does the evidentiary standard for AIA trials justify use of the BRI claim construction standard. While Sections 316(e) and 326(e) require a preponderance of the evidence to prove unpatentability, rather than clear and convincing evidence as required in court to show invalidity, nothing in the statute eliminates the Section 282(a) presumption of validity and its effect on claim construction.¹⁴ Moreover, the distinction between the words “patentability” and “validity” provides no basis for subjecting an issued patent to procedures intended for the original examination of a patent application. The case law for some time now has paid little attention to the validity/patentability distinction, and the Federal Circuit recently called an argument relying on the distinction “a hyper-technical adherence to form rather than an understanding of substance.”¹⁵

¹⁰ *Google, Inc. v. Whitserve LLC*, IPR2013-00249, Paper 32, September 9, 2014, pp. 21-22.

¹¹ *See, e.g., Idle Free Sys. v. Bergstrom, Inc.*, IPR2012-00027, Paper 26, at 7 (June 11, 2013); *see also Abbot Labs v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013).

¹² *Innovation Act*, H.R. 3309, 113th Cong., 2d sess.; passed by House of Representatives, Dec. 5, 2013. Section 9(c) of the bill, Cong. Rec., 12/5/2013, pp. H7511-7556.

¹³ H.R. 9, Cong. Rec. 2/5/2015, p. H852, introduced with language identical to H.R. 3309. It was approved by the House Judiciary Committee on June 11, 2015, as amended, but provisions on the claim construction standard were not changed from the form in the House-passed H.R. 3309. See House Report 114-235, pp. 46-51.

¹⁴ The Federal Circuit recently said that the preponderance of the evidence standard in reexaminations is justified by the absence of a presumption of patent validity in those proceedings. *Dome Patent L.P. v. Lee*, Appeal No. 2014-1673, Fed. Cir. 9/3/2015. However, the Office concedes in this Notice that AIA trials are not reexaminations and involve no re-opening of the examination.

¹⁵ *Versata Development Group, Inc. v. SAP America, Inc.*, Fed. Cir., July 9, 2015 slip op., pp 44-45 (patent eligibility under Section 101 is a permissible ground for finding unpatentability in post grant and CBM proceeding based on Federal Circuit and Supreme Court opinions establishing that Section 101 challenges constitute validity and patentability challenges); *see also Standard Oil Co. v. Am. Cyanamid Co.*, 774 F.2d 448, 453 (Fed. Cir. 1985); *Aristocrat Techs. Austral. Pty. Ltd. v. Int'l Game Tech.*, 543 F.3d 657, 661 n.3 (Fed. Cir. 2008).

Furthermore, consistent with the proposed application of *Phillips/Markman*, AIPLA also believes that, where the claim terms in dispute in an AIA review proceeding have been construed in a final, non-appealable court decision involving the same parties or their privies, the Board should adopt that claim construction as a matter of issue preclusion.

Patent Owner's Motions to Amend

Rules of Practice Will Develop Through Adjudication

The June 2014 Notice, among other things, asked “What modifications, if any, should be made to the Board’s practice regarding motions to amend.” Despite the suggestions of AIPLA and others, the August 2015 Notice proposed no rule changes to the Board’s motion to amend practice. Instead, the Office indicated that it will continue to develop based on the guidance presented in *Idle Free System, Inc. v. Bergstrom, Inc.*, Case IPR2012-00027 (PTAB June 11, 2013) (Paper 26), as explained by *MasterImage 3D, Inc. v. RealD Inc.*, Case IPR2015-00040, slip op. at 1-3 (PTAB July 15, 2015) (Paper 42).

While *Idle Free* acknowledged that the petitioner bears the ultimate burden of showing unpatentability, it also said that the patent owner must show patentable distinctions over “the prior art of record” and over “the prior art known to the patent owner.” The clarification by *MasterImage* was helpful, stating that “the prior art known to the patent owner” is no more than the material prior art that the patent owner makes of record in the current proceeding under his duty of candor and good faith to the Office.

However, AIPLA nonetheless questions the underlying decision by the Office to subject motion to amend practice to the vagaries of a case-by-case adjudication, the application of which can vary from panel to panel. The significance of a patent owner’s ability to amend the claim challenged in an AIA trial is not only that it is a statutory right under Section 316(d), but that it is also the cornerstone of the PTAB’s position that AIA trials require the BRI claim construction standard. In addition to subjecting patent owners to inconsistencies between Board panels, the use of adjudicatory rulemaking also hampers a patent owner’s right to meaningful appellate review. While rulemaking under the statute is accorded *Chevron* deference, the Office’s interpretation of its own rules is reviewed under the more deferential *Auer* standard, set aside only when “plainly erroneous or inconsistent with the regulation.”¹⁶

The implementation of the statutory right to amend claims implicates matters of policy that should be addressed in a consistent and predictable way through rulemaking, not through PTAB adjudication of a string of fact-specific cases with no precedential decisions. The discussion of

¹⁶ *Auer v. Robbins*, 519 U.S. 452, 461–62 (1997); see also *Microsoft v. Proxyconn*, Appeal No. 2014-1542, Fed. Cir. June 16, 2015, at 23.

this subject in the August 2015 Notice acknowledges the policy issues at stake in the motion to amend procedure. It quotes the statement of one commenter that *Idle Free* strikes “an appropriate balance between the public’s interest in challenging the patentability of questionable patents and a patent owner’s interest in maintaining patent protection for a legitimate invention.”¹⁷

Relying on the adjudication of disputes to set the procedure for amending claims will produce little more than on-the-fly policy making to balance the public and private interests in implementing this statutory right. Such an approach cannot provide the certainty and consistency needed for fair proceedings under the statute. However, if the Board concludes that motion to amend practice must develop in adjudication, AIPLA suggests that a Standing Order, specifying which informative decisions govern motions to amend, could better ensure that each trial will observe the same “rules of the game.”

Proof of Patentability for Motions to Amend

The Board’s practice to date for motions to amend has been to collapse the issue of whether a motion to amend should be granted with the issue of whether the proposed amended claim is patentable. AIPLA urges the Office to change its practice to evaluate a motion to amend in an AIA trial in the same way that the entry of a supplemental response in prosecution is evaluated, as under 37 C.F.R. §1.111(a)(2) for example. As noted above, under 37 CFR §42.20(b), a motion may not be entered without Board authorization, and patent owners have been required to demonstrate the patentability of their amended claim at this threshold “authorization” step. AIPLA believes that authorizing a motion to amend in an AIA trial should be a preliminary step to the consideration of, not a final determination of, the ultimate issue of the patentability of any amended claims.

Under 37 C.F.R. §42.121(a)(2), there are only two circumstances in which a motion to amend may be denied:

- (1) where “[t]he amendment does not respond to a ground of unpatentability involved in the trial,” and
- (2) where “[t]he amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.”

This regulation requires a patent owner to show that a proposed amendment *responds to* an asserted ground of unpatentability. The requirement makes sense since the purpose of permitting amendments in an AIA trial proceeding is to allow the patent owner to address arguments raised by the petitioner, not to allow claim amendments for other reasons.

¹⁷ 80 Fed. Reg. at 50722, bottom of third column.

However, the regulation does not permit the Board under the standards set forth in the *Idle Free* decision to require a patentee to *establish patentability* as a condition of amending its claims.¹⁸ By its plain terms, the Board may not deny a motion to amend because the patent owner has not *established*, in the context of the motion, that the amended claim would be *patentable*. On the contrary, the purpose of the trial is to evaluate patentability, and if an amended claim is properly before the Board – because the motion to amend meets the requirements of Rule 42.121– the patentability of that amended claim must be evaluated in light of all of the evidence, not just on the limited record of a motion to amend. Any amendment, by its nature, must be narrowing and must be supported by the written description. So long as the amendment is narrowing, responds to the grounds of unpatentability raised in the petition, and is supported by the written description, then the patent owner should meet its burden with respect to patentability.

The Board’s assertion that the patent owners bears the burden of proving the patentability of a proposed amended claim also conflicts with the statute, which places the burden of proving *unpatentability* on the petitioner in an AIA review proceeding.¹⁹ Petitioner’s statutory burden to prove unpatentability should apply to any patentability challenges to proposed amended claims presented in AIA review proceedings.²⁰ Accordingly, even if the Office did expressly promulgate regulations that required a patent owner to demonstrate, as a condition for amending its claims, that a proposed amendment was patentable, such regulations would be directly contrary to the statute.²¹

Patent Owner’s Preliminary Response

The Proposal suggests amending the rules for the patent owner’s preliminary response to allow new testimonial evidence. This part of the proposal is consistent with AIPLA’s October 2014 comments and AIPLA supports this change. This amendment would better balance the opportunity to present evidence for both sides and provide the USPTO with more information in deciding whether to institute a trial.

¹⁸ See *Align Tech., Inc. v. ITC*, 771 F.3d 1317 (Fed. Cir. 2014) (“The Commission has broad authority to issue rules and regulations governing administration of its cases, but ‘it is a familiar rule of administrative law that an agency must abide by its own regulations.’ *Ford Stewart Sch. v. Fed. Labor Relations Auth.*, 495 U.S. 641, 654 (1990) (citations omitted). Because the Commission circumvented its own rules without waiving, suspending, or amending them, we find that its review ... was ‘arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.’”).

¹⁹ See e.g., 35 U.S.C. §§ 316(e) and 326(e).

²⁰ There is no dispute that “[t]he moving party has the burden of proof to establish that it is entitled to the requested relief.” 37 C.F.R. § 42.20(c). But to establish the right to have a motion to amend claims considered, the Rules only require the moving party to show that the amendments are responsive to a ground of patentability involved in the trial, are supported in the specification, and not expand the scope of any claim.

²¹ See, e.g., *Rambus Inc. v. Rea*, 731 F.3d 1248, 1255 (Fed. Cir. 2013) (vacating Board’s decision in inter partes reexamination in part because Board committed “legal error” by “erroneously plac[ing] the burden on Rambus to prove that its claims were not obvious”).

However, the Proposal also include changes to Rules 42.108(c) and 42.208(c) to provide that supporting evidence concerning disputed material facts will be viewed in a light most favorable to the petitioner for the purposes of the decision to institute. These changes, providing a presumption in favor of the petitioner, appear to be counter the statute and inappropriate.

Under 35 U.S.C. §314(a), “[t]he Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a **reasonable likelihood** that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” (Emphasis added). Under 35 U.S.C. §324(a), “[t]he Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is **more likely than not** that at least 1 of the claims challenged in the petition is unpatentable.” (Emphasis added). And under both 35 U.S.C. §§316(e) and 326(e), the petitioner has the burden of proving a proposition of unpatentability by a preponderance of the evidence.

Since the petitioner bears the burden on the decision to institute and that decision is unappealable, there is no reason for the Office to view disputed material facts in favor of the petitioner at the institution stage. In fact, doing so with respect to PGR proceedings, which require a “more likely than not” determination in order to institute, is particularly egregious. The burden is on the petitioner at all stages of IPR and PGR trial proceedings, and making inferences or presumptions in favor of the petitioner at the institution stage is unfair to patent owners.

Moreover, to the extent that the Office applies such a presumption (which it should not), the provision as drafted is overly broad and should only apply to supporting *testimonial* evidence and not to non-testimonial evidence. It is important to note that non-testimonial evidence is currently permitted to be provided with a preliminary response and without any sort of presumptions being applied. Thus, assuming the Office adopts the proposed versions of Rules 42.108(c) and 42.208(c), they should be amended to expressly limit the application of any presumptions in favor of the petitioner to only disputed issues of material fact where the dispute is created by the introduction of the patent owner’s unchallenged testimonial evidence.

Additional Discovery

The USPTO proposes continuing to use a flexible approach to determining whether additional discovery is warranted according to the factors enumerated in the Board’s decision in *Garmin v. Cuozzo*, IPR2012-00001. In addition, the USPTO proposes continuing to make determinations about the “interest of justice” standard on a case-by-case basis. As with the USPTO’s preference to develop the law on motions to amend via an adjudicatory process, AIPLA also questions the underlying decision by the Office here due to the vagaries of a case-by-case adjudication, the application of which can vary from panel to panel.

As noted in our October 2014 letter, AIPLA believes the *Garmin* factors are appropriate, but also suggests that additional factors should be considered, namely (1) whether the information is solely within the possession of the other party; (2) whether the information has been produced in a related matter; and (3) whether the discovery relates to section 315/325 jurisdiction issues. That said, AIPLA supports the USPTO's general standards governing additional discovery. Maintaining appropriate limits on additional discovery in AIA trial proceedings is important for many reasons. First, limits on discovery help control the costs of the trial proceedings, particularly relative to district court litigation, thus maintaining the PTAB as a useful jurisdiction for determining patent rights. Second, limiting discovery is generally appropriate to keep AIA trials within the one-year statutory timeline (subject to AIPLA's comments below). Third, PTAB proceedings benefit from avoiding a lot of the worst litigation tactics related to discovery in district court proceedings.

While the USPTO declines to issue rules relating to additional discovery, AIPLA urges that the USPTO strive for consistency of the application of the factors relating to additional discovery and consider making appropriate Board decisions precedential.

Obviousness

Overall, AIPLA has supported and continues to support additional discovery related to "secondary considerations" and "objective indicia" in obviousness challenges.

The USPTO proposes using the *Garmin* factors for determining whether to grant requests for additional discovery related to evidence of non-obviousness held by the Petitioner. In addition, the USPTO proposes that, although a conclusive showing of nexus between the claimed invention and the information being sought through discovery is not required at the time of the request, some showing of nexus is required to ensure that additional discovery is necessary in the interest of justice in an inter partes review, or is supported by a good cause showing in a post-grant review. However, AIPLA nonetheless questions again the underlying decision by the Office to subject additional discovery requests to the vagaries of a case-by-case adjudication, the application of which can vary from panel to panel.

As AIPLA noted in its October 2014 comments, requiring proof of a nexus between secondary considerations evidence and the claimed invention before authorizing additional discovery places too high of a burden on the patent owner. AIPLA recognizes that the Board has an interest in discouraging "fishing expedition" exploratory discovery tactics, i.e., discovery based on the mere possibility of finding something useful. However, patent owners should be able to obtain discovery related to secondary considerations, and the Board should be careful about imposing too high a burden on patent owners in its current practice of requiring some evidence of nexus before discovery is granted.

Real Party in Interest

The USPTO has proposed permitting a patent owner to raise a challenge regarding real party-in-interest or privity at any time during a trial proceeding, while considering the impact of a delayed challenge that reasonably could have been brought earlier in the proceeding on a case-by-case basis. AIPLA again questions the underlying decision by the Office to subject real party in interest challenges to the vagaries of a case-by-case adjudication, the application of which can vary from panel to panel.

Consistent with our October 2014 letter, AIPLA supports this practice, as it is important to make sure that petitioners disclose the real parties in interest in all PTAB proceedings. Ideally, such challenges should be raised by the due date of the Patent Owner's Preliminary Response. However, as previously noted, the facts relevant to such an inquiry generally reside with the petitioner and may not be obtained by the patent owner absent additional discovery. As previously urged, the Board should be liberal in granting requests for additional discovery regarding real party in interest and privity issues, but also encourage patent owners to make such requests early in the trial proceedings. This will help dissuade Patent Owners from waiting until just after the one-year bar to raise real party in interest issues. The PTAB should use its discretion to analyze such cases and disallow the arguments if it determines that the delay was caused by gamesmanship and not legitimate reasons.

Multiple Proceedings

The USPTO proposes continuing to deal with issues regarding multiple proceedings in a case-by-case manner. AIPLA again questions the underlying decision by the Office to subject multiple proceedings practice to the vagaries of a case-by-case adjudication, the application of which can vary from panel to panel. AIPLA supports making a strong rule against egregious cases of serial proceedings to prevent patent owners from having to defend against a never-ending string of serial petitions. For example, while the IPR statute provides some protection to patent owners via the one-year bar of 35 U.S.C. §315(b), the CBM statute provides no such protection. CBM proceedings are therefore particularly susceptible to abuse and the Office should take a strong stance to protect patent owners from abuse. At a minimum, the PTAB should consider appropriate sanctions to be imposed against petitioners and recovered by patent owners in the event of abusive behavior in filing multiple serial petitions, such as sequential petition filings by multiple joint defendants.

AIPLA also re-urges the USPTO to consider its October 2014 comments relating to staying subsequent review petitions involving the same patent for which an AIA trial has been instituted.

Extension of One Year Period to Issue a Final Determination

While AIPLA commends the USPTO on its ability to meet the one-year statutory period for final written decisions, with extensions only granted in rare circumstances, AIPLA again urges the Board to consider extending on a case-by-case basis the one-year period for more complex AIA trials. *See* October 2014 comment letter.

Oral Hearing

As previously noted by AIPLA in its October 2014 comments, AIPLA supports the use of live testimony on pertinent issues as part of PTAB proceedings and re-urges that the Board should hear live testimony when an issue critical to resolving a trial turns on the credibility of declarant testimony. AIPLA agrees that the oral hearing is not the proper time to bring new evidence into the proceeding since the record should be fully developed by the time of the oral hearing. To allow new evidence into the proceeding may create unfair surprise to the other side to the extent that PTAB proceedings generally offer opportunities to make arguments prior to the oral hearing. However, in cases such as *K-40 Electronics v. Escort*, IPR2013-00203, live testimony to address witness credibility may be appropriate at the oral hearing.

AIPLA also encourages the USPTO to also explore other potential options for providing participants in AIA trials with a meaningful opportunity for APJs to be able to see and hear the testimony of witnesses in situations where credibility may be critical to evaluating such testimony. Some possible examples include procedures similar to depositions in ITC proceedings where the deposition could be scheduled to permit an attorney or APJ to attend and participate in the deposition, or facilitate the use of hyperlinked, short clips of videotaped testimony that could be referenced in the papers linking to digital versions of such testimony that could be introduced as Exhibits into the record.

Using a Word Count Instead of a Page Limit

The USPTO has proposed amending 37 C.F.R. §42.24 to implement a word count limitation for petitions, patent owner preliminary responses, patent owner responses, and petitioner's replies, while all other briefing would be subject to page limits.

AIPLA supports these amendments which largely follow AIPLA's suggestion in its Comments on PTAB Trial Proceedings submitted in October 2014. These amendments would allow arguments to be included in claim charts and would reduce the formality requirements for these papers. For instance, and as appears to be contemplated by the response to comments in the Proposed Rules, the PTAB should allow explanations of claim construction, obviousness and other "arguments" in the claim chart, as the potential to game the rules will be gone with the implementation of word counts instead of page limits.

In addition, as AIPLA previously noted, some of the formality sections of briefs, like the mandatory notice section, should not be counted as part of the word count. Thus, AIPLA suggests further modifying the word count limit to take this into consideration. Such an approach would be consistent with the approach by other courts. *See, e.g.*, Fed. Cir. R. 32(b)(2) (excluding statement of related cases from word count). AIPLA further suggests that parties be able to include a one-page certification/definition sheet including technical terms, which would not count against the word count, and would allow parties to cite to these terms in briefs as defined in the definition sheet.

While the comments to the proposed rules note that “petitioners may seek waiver of the word count limits in appropriate circumstances,” there is no such provision for a waiver for patent owner responses or petitioner replies. *See* 37 C.F.R. §42. It would be helpful for the Board to provide a mechanism for relief from the word count in certain circumstances based on administrative items such as long and complex litigation or prosecution history. Relief would also be appropriate in cases where there is unusual nomenclature, such as in the case of multi-word pharmaceutical names.

Rule 11-Type Certification

The USPTO seeks to amend Rule 42.11 to include a Rule 11-type certification for all papers filed with the PTAB, including a provision for sanctions for noncompliance. While AIPLA supports the ability of the Board to prevent misuse of AIA proceedings and to enter sanctions in appropriate circumstances, AIPLA does not believe this amendment is necessary. Rather, we are concerned that it may encourage increased investigations by the Office of Enrollment and Discipline as triggered by sanctions requests in AIA proceedings. Current Rules 42.11 and 42.12 provide the Board with the tools it needs to manage noncompliance and sanction inappropriate behavior. AIPLA would encourage the PTAB to use its sanction authority to deter abusive behavior or misconduct by petitioners and patent owners in AIA trial proceedings where the circumstances warrant.

Further, AIPLA supports the ability of the Board to refer egregious misconduct in AIA proceedings to the Office of Enrollment and Discipline for investigation, but this should not be the norm. AIPLA is concerned about the Office of Enrollment and Discipline initiating investigations of patent attorneys whose clients are sanctioned in district court litigation, and is concerned that an affirmative amendment to the trial proceedings rules may encourage (or even trigger) initiating OED investigations as a matter of course in AIA trial proceedings. While that likely is not the intent of the proposed rule changes, which are directed at discouraging bad behavior in trial proceedings, the comments to the proposed rules imply that the OED should be more active with respect to such proceedings.

While AIPLA does not believe the proposed amendments are necessary in light of current Rules 42.11 and 42.12, the proposed amendments to Rule 42.11 include some important differences from

Federal Rule of Civil Procedure 11. First, in contrast to Rule 11, Rule 42.11(c)(3) and (4) omits the ability to plead or aver based on contentions or denials being likely have evidentiary support after a reasonable opportunity for further investigation or discovery. While the rationale for this difference may be that the petition, the patent owner's response, and the petitioner's reply should be based on evidence and not what may be developed during discovery, there may be limited times when it is appropriate for facts or denials to be pleaded based on "information and belief." This is especially true for a patent owner's preliminary response, prior to the time that routine discovery has begun. Of course, any such averment or denial based on information and belief should be used sparingly and only made when such information is indeed unavailable. Trial proceedings are not fishing expeditions and contentions and denials generally should be based on actual evidence.

Thus, to the extent that the amendments to Rule 42.11 are maintained, AIPLA suggests further amending Rule 42.11(c)(3) and (4) to read as follows:

(3) The factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery; and

(4) The denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on belief or a lack of information."

Also, unlike Rule 11, which requires service of a motion for sanctions on the opposing party before filing, Rule 42.11(d)(2) requires "notice of the basis" but not service of the motion. As "notice of the basis" may not provide details to the party against whom sanctions are to be requested and may not provide the opposing party sufficient information to correct the allegedly sanctionable behavior, AIPLA recommends that this subsection be amended to require service of the proposed motion, which should provide appropriate notice to all parties.

As proposed, amended Rule 42.11 is ambiguous in a couple areas. First, Rule 42.11(d) seems to conflict, at least in part, with Rule 42.12. Further, Rule 42.11(e) refers to certain items to which the rule does not apply, but the terminology used in that section seems to overlap with the language in Rule 42.11(b) (applying to "[e]very petition, written motion, and other paper filed in a proceeding").

In addition to existing Rules 42.11 and 42.12, registered patent practitioners and those admitted *pro hac vice* are already subject to Part 11 of 37 C.F.R. The Board should have adequate tools in place to police and sanction inappropriate conduct during AIA trial proceedings without requiring further amendments, which could have unintended consequences.

Recognizing Privilege for Communications with Domestic Patent Agents and Foreign Patent Practitioners

The Proposal seeks comments on the subject of attorney-client privilege or other limitations on discovery in PTAB proceedings, including on whether rules regarding privilege should be issued in connection with PTAB proceedings. AIPLA was pleased to participate in the USPTO's *Roundtable on Domestic and International Issues Related to Privileged Communications Between Patent Practitioners and Their Clients* on February 18, 2015, and provides these remarks as a summary of its presentation at that Roundtable and its March 6, 2015 written comments in response to the Notice of the Roundtable.

Protecting, and thereby fostering, communications between clients and their legally-authorized patent practitioner²² representatives is very important to AIPLA members. AIPLA believes that clients—be they individuals or non-corporeal entities such as corporations, trusts, etc.—must be able to obtain advice in confidence concerning intellectual property rights from Intellectual Property (IP) advisors nationally and trans-nationally. Therefore communications to and from such IP advisors, documents created for the purposes of such advice, and other records relating to such advice need to be confidential from forcible disclosure to third parties, including in PTAB proceedings, unless and until the persons so advised voluntarily make public such communications, documents or other records.

With respect to patent practitioners and specifically patent agents, it is important to note that the purpose behind having patent agents was to create a cost effective way to offer professional patent assistance for inventors; the idea being that if all patent professionals required both extensive technical backgrounds and a law degree, then the costs of obtaining patent protection would be prohibitively expensive. Allowing scientific disciplines to practice patent law as a patent agent before the USPTO (upon proof of understanding the patent code, regulations and practice) is an effective alternative to requiring a law degree for all legal advice. Patent applications can be very complex—i.e., expensive—to prosecute, since they require both an understanding of the law and science, which is why patent practitioners are utilized by inventors. James Y. Go, *Patent Attorneys and The Attorney-Client Privilege*, 35 Santa Clara L. Rev. 611 (1995). Agents are significantly less expensive than attorneys at law. If patent agents are not entitled to have their communications be considered privileged, however, then their utility—and associated cost savings for stakeholders—is lost.

AIPLA believes that it would be useful to have concepts of privilege similar to those used in district courts for patent agents communications included in the discovery rules for post-grant proceedings (e.g., inter parties review) before the USPTO.²³ As the agency responsible for administering

²² The term “patent practitioners” is used to be inclusive of those registered to practice before the USPTO (i.e. patent agents), attorneys-at-law who are patent agents (i.e. patent attorneys), and foreign patent attorneys who are admitted to practice before their local patent office but may not be attorneys-at-law.

²³ The Patent Trial & Appeal Board has applied privilege as to discovery issues, e.g. *Corning Inc. v. DSM IP Assets B.V.*, IPR2013-00043, Paper 27 (6/21/2013) at pp. 6-7 (denying motion to require a privilege log because of speculative value), and historically has protected privilege, compare *Pevarello v. Lan, Int. No. 105,394 MPT*, Paper

patent-related matters, AIPLA believes that if the USPTO instituted and clarified privilege for patent agents in its own rules, it would be entitled to some level of deference when courts consider the issue, see *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1994), and accordingly endorses a USPTO adopted national standard that would go beyond that applicable to U.S. courts, but might also be considered by those courts.

Rulemaking Considerations

AIPLA appreciates the USPTO's decision to publish the present rules for comment and seek public input on them. However, AIPLA is concerned about the Office's view of rulemaking and when notice and comment are required. In the August 2015 Notice, the USPTO provides its commentary on the Administrative Procedures Act (APA), concluding that prior notice and opportunity for public comment are not required under 5 U.S.C. 553(b) or (c) or any other law.

AIPLA disagrees with the USPTO's interpretation of its obligations under the APA and urges the USPTO to reconsider its position going forward. The general rule is that notice and comment is required unless the regulation in question falls under the APA's exemptions for "interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice." See 5 U.S.C. §553(b)(A). The case law observes a balancing test for the application of these exemptions: they apply "where the policies promoted by public participation in rulemaking are outweighed by the countervailing considerations of effectiveness, efficiency, expedition and reduction in expense."²⁴

The rulemaking policy recited in this and other Federal Register notices issued by the Office does not reflect the balance of public interest and government efficiency required by the law. Instead, the Office appears to have adopted a standard that proposed rule changes do not require public notice and comment, *inter alia*, if they "do not change the substantive criteria for patentability." Given that Congress develops the "substantive criteria for patentability" as interpreted by the courts, the Office has essentially adopted a standard that its rulemaking would never be subject to notice and comment.

Moreover, given the increasing popularity of AIA trial proceedings and the success of petitioners in challenging the patentability of issued patents, the trial rules are critical to the application of 35 U.S.C. §§ 316 and 326 and go the integrity of the patent system. The trial rules are far more than

85 (Jan. 12, 2007) at pp. 21-22 ("An attorney needs to be able to freely talk with a client witness or non-client witness to formulate a litigation strategy ..."), with *GEA Process Engineering, Inc. v. Steuben Foods, Inc.*, Case Nos. IPR2014-00041, -00043; -00051; -00054, and -00055 (PTAB, Sept. 12, 2014) (redacted) (granting patent owner's motion to compel production of invoices withheld under a claim of attorney-client privilege but allowing redactions).

²⁴ *Guardian Fed. Sav. & Loan Ass'n v. Fed. Sav. & Loan Ins. Corp.*, 589 F.2d 658, 662 (D.C.Cir.1978); see also *Animal Legal Def. Fund v. Quigg*, 932 F.2d 920 (Fed. Cir. 1991); *JEM Broad. Co. v. FCC*, 22 F.3d 320 (D.C.Cir.1994); *Am. Hosp. Ass'n v. Bowen*, 834 F.2d 1037 (D.C. Cir.1987).

procedural and interpretative and the Office should continue to publish rule changes for notice and public comment.

Deposition Practice

In connection with Comment 19 and the request for feedback on amending Rule 42.53(d)(4), AIPLA suggests that the USPTO consider a time period of seven days for notice of depositions with the expectation that the parties will use best efforts to work together on accommodating schedules and availability. The time period of seven days would be consistent with other shortened time periods in the rules, such as the period for exchange of demonstratives.

AIPLA also requests that the USPTO provide further guidance in the Trial Practice Guide on the nature of the limits imposed on counsel conferring with witnesses during a deposition in these proceedings. Specifically, there has been uncertainty as to whether the prohibition from conferring with a witness extends throughout the course of the deposition until it is concluded, or ends at conclusion of the initial cross-examination such that conferring with the witnesses permitted prior to the start of any redirect examination.

Supplemental Exhibits

In connection with comment 36 and the request for feedback on handling of supplemental exhibits, AIPLA notes that the usage of supplemental exhibits in the review trials appears to be relatively infrequent. Accordingly, AIPLA suggests that it may be preferable to have such supplemental exhibits provisionally filed, rather than only served on the opposing party. The provisional status would be removed depending on how any evidentiary objections and responses are later treated. The provisional status would be intended to avoid concerns (and potential requests to expunge) over whether the filing of such supplemental exhibits would automatically be admitted evidence for which a motion to exclude would be required.

Remand Procedures

The statute and current rules are silent on the procedures the Office will follow in cases that are appealed to the Federal Circuit, then reversed and remanded back to the Office. The first PTAB trial appeal to be remanded was *Microsoft v. Proxyconn*, Appeal No. 2014-1542, Fed. Cir. June 16, 2015. The Board issued an order on remand, noting that the parties were unable to agree on post-remand procedures and setting a briefing schedule for further analysis by the PTAB. IPR2012-00026, IPR2012-0026 (Paper No. 77).

Given that more remands are likely to occur in the future, AIPLA recommends that the Office consider issues guidance about how remands will be handled and the timeframe for decision making after remand.

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AIPLA appreciates the opportunity to provide feedback to the Office on the Request. AIPLA looks forward to further dialog with the Office with regard to the issues raised above.

Sincerely,

A handwritten signature in cursive script that reads "Sharon A. Israel".

Sharon A. Israel

President

American Intellectual Property Law Association